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NORTH MINING SHARES COMPANY LIMITED

北方礦業股份有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 433)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the “Board”) of directors (the “Directors”, each a “Director”) of North Mining Shares Company Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	746,078	510,635
Cost of sales		(690,592)	(445,478)
Gross profit		55,486	65,157
Other income	5	759	1,292
Research and development costs		(21,385)	(15,855)
General and administrative expenses		(88,897)	(61,219)
Other gains and losses	7	(60,817)	(37,534)
Loss from operations		(114,854)	(48,159)
Finance costs	8	(41,189)	(97,930)
Loss before taxation	9	(156,043)	(146,089)
Taxation	10	–	(45)
Loss for the period		(156,043)	(146,134)

		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Attributable to:			
Owners of the Company		(98,598)	(104,144)
Non-controlling interests		(57,445)	(41,990)
Loss for the period		(156,043)	(146,134)
Other comprehensive income			
(Net of tax effect):			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign subsidiaries		14,041	4,375
Other comprehensive income for the period		14,041	4,375
Total comprehensive expense for the period		(142,002)	(141,759)
Attributable to:			
Owners of the Company		(103,021)	(117,244)
Non-controlling interests		(38,981)	(24,515)
		(142,002)	(141,759)
Loss per share			
– Basic and diluted, HK cents	<i>12</i>	(0.42)	(0.45)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		30 June 2023	31 December 2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
ASSETS			
Non-Current assets			
Property, plant and equipment		651,712	699,942
Mining rights	<i>13</i>	818,543	852,585
Goodwill		13,403	13,403
Right-of-use assets		39,375	44,018
		<u>1,523,033</u>	<u>1,609,948</u>
Current assets			
Inventories		214,658	271,949
Trade and bill receivables	<i>14</i>	75,304	9,468
Prepayments, deposits and other receivables		100,164	114,291
Cash and cash equivalents		9,889	11,344
		<u>400,015</u>	<u>407,052</u>
TOTAL ASSETS		<u>1,923,048</u>	<u>2,017,000</u>
CAPITAL AND RESERVES			
Share capital		373,926	373,926
Reserves		(1,803,446)	(1,700,425)
Equity attributable to owners of the Company		(1,429,520)	(1,326,499)
Non-controlling interests		(218,560)	(179,579)
TOTAL EQUITY		<u>(1,648,080)</u>	<u>(1,506,078)</u>

		30 June 2023	31 December 2022
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
LIABILITIES			
Non-Current liabilities			
Bank loans and other borrowings		23,784	16,890
Lease liabilities		7,162	7,589
Deferred tax liabilities		227,906	237,384
		<u>258,852</u>	<u>261,863</u>
Current liabilities			
Trade and bill payables	15	355,273	286,444
Other payables and accruals		1,094,321	1,022,009
Contract liabilities		163,774	222,963
Bank loans and other borrowings		1,294,480	1,325,375
Lease liabilities		240	236
Corporate bond		404,188	404,188
		<u>3,312,276</u>	<u>3,261,215</u>
TOTAL LIABILITIES		<u>3,571,128</u>	<u>3,523,078</u>
TOTAL EQUITY AND LIABILITIES		<u>1,923,048</u>	<u>2,017,000</u>
NET CURRENT LIABILITIES		<u>(2,912,261)</u>	<u>(2,854,163)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(1,389,228)</u>	<u>(1,244,215)</u>
NET LIABILITIES		<u>(1,648,080)</u>	<u>(1,506,078)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 10 April 1995 under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability. The issued shares of the Company are listed on the Main Board of the Stock Exchange. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at Room 702, 7/F, Wellborne Commercial Centre, 8 Java Road, North Point, Hong Kong.

The principal activities of the Group are (i) investment holdings; (ii) mining operations – exploitation and exploration of mineral resources; and (iii) chemical trading operations.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars, which is the same functional currency of the Company.

2. BASIS OF PREPARATION

2.1 Basis of preparation

The Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the Unaudited Condensed Consolidated Interim Financial Statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange.

The Unaudited Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2022, which were prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

The Unaudited Condensed Consolidated Interim Financial Statements has been prepared in accordance with the same accounting policies adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2022.

2.2 Going concern

As at 30 June 2023, the Group had shareholders’ deficit of approximately HK\$1,648,080,000 and its current liabilities exceed its current assets by approximately HK\$2,912,261,000. Further, the continuity of the Group’s operation is dependent upon (i) the success of the debts restructuring exercise to be carried out which involve the conversion of borrowing and corporate bond into the shares of the Company; (ii) the withdrawal or dismissal of the winding-up petition against the Company; and (iii) the Group was able to solicit new funding for their operation. These conditions indicate the existence of material uncertainties which may cast significant doubt upon the Group’s ability to continue as a going concern.

In preparing the consolidated financial statements, the directors of the Company have careful consideration for the liquidity of the Group in light of the conditions described above.

The directors of the Company and the Joint and Several Liquidators have been undertaking a number of measures to improve the Group's liquidity and financial position and to meet its liabilities as and when they fall due. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the eventual successful outcome of the following measures:

- I. On 21 February 2023, the Company, the Joint and Several Liquidators and Huatune Corporation* (華豚(集團)有限公司) (the “**Investor**”) have entered into the conditional restructuring agreement (“**Restructuring Agreement**”), pursuant to which the Company will carry out the restructuring transactions involving:
 - (i) The Directors proposed to reorganise the share capital of the Company
 - (a) Share Consolidation: every 20 issued and unissued shares of the Company of par value of HK\$0.016 will be consolidated into 1 consolidated share of par value of HK\$0.32 each (“**Consolidated Share**”);
 - (b) Capital Reduction: immediately after the Share Consolidation becoming effective, the par value of every issued Consolidated Share be reduced from HK\$0.32 to HK\$0.02 by the reduction of HK\$0.30, giving rise to a credit balance of approximately HK\$350,556,000 on the basis of 1,168,519,314 Consolidated Shares then in issue. The credit arising therefrom will be applied to set off the accumulated loss of the Company, and the balance of the credit, if any, will be transferred to the contributed surplus account of the Company;
 - (c) immediately following the Capital Reduction becoming effective, each of the authorised but unissued Consolidated Shares of HK\$0.32 each will be subdivided into 16 unissued new shares of HK\$0.02 each (“**New Shares**”); and
 - (d) Share Premium Reduction: the amount of approximately HK\$3,761,932,000 standing to the credit of the Share Premium Account be reduced to nil and that the credit arising therefrom be transferred to the contributed surplus account of the Company within the meaning of the Companies Act and the total credit of arising therefrom will be applied to further set off the accumulated loss of the Company as at 31 December 2021.
 - (ii) Under the Restructuring Agreement, the Investor agreed to subscribe 256,410,256 New Shares of the Company immediately upon the Capital Reorganisation at subscription price of HK\$0.156 per share;
 - (iii) Pursuant to the terms of the exclusivity agreement dated 8 September 2022 entered into between the Company, Liquidators and the Investor, the Investor has agreed to provide the credit facility of up to HK\$21,500,000 to the Company; and
 - (iv) The Company proposed a scheme (“**Scheme**”) to implement, subject to the approval by the High Court. Under the Scheme, the Company will allot and issue 11,086,710,827 New Shares to the creditors to compromise, discharge and/or settle the Debts owing by the Company to the Creditors in full.
- II. The Group will continue to carry out cost control measurement in forthcoming years, including but not limited to reduce discretionary expenses and administrative costs.

* *The English translation of Chinese names is for identification purpose only*

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the Group's consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the Unaudited Condensed Consolidated Interim Financial Statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2022, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKAS 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Accounting policies, change in accounting estimates and errors: Definition of accounting estimates
Amendments to HKAS 12	Income taxes: Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12	Income taxes: International tax reform — Pillar Two model rules

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial performance and position for the current and prior periods and/or on the disclosures set out in the Unaudited Condensed Consolidated Interim Financial Statements.

4. REVENUE

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Sales of molybdenum concentrate	–	116,120
Sales of chemical products	<u>746,078</u>	<u>394,515</u>
	<u><u>746,078</u></u>	<u><u>510,635</u></u>

5. OTHER INCOME

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Bank interest income	25	32
Government grant	52	482
Sales of by-products	430	778
Sundry income	<u>252</u>	<u>–</u>
	<u><u>759</u></u>	<u><u>1,292</u></u>

6. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

	For the six months ended 30 June 2023		
	(Unaudited)		
	Mining exploitation <i>HK\$'000</i>	Trading of chemical products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>–</u>	<u>746,078</u>	<u>746,078</u>
Segment results	<u>(58,102)</u>	<u>(43,029)</u>	<u>(101,131)</u>
Unallocated income			277
Finance cost			(41,189)
Other gains and losses			(2,613)
Unallocated expenses			<u>(11,387)</u>
Loss before taxation			(156,043)
Taxation			<u>–</u>
Loss for the period			<u>(156,043)</u>
Other segment information:			

	Mining exploitation <i>HK\$'000</i>	Trading of chemical products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
	Capital expenditures	26,330	1,290	–
Depreciation and amortisation	<u>30,636</u>	<u>18,363</u>	<u>2,612</u>	<u>51,611</u>

	For the six months ended 30 June 2022 (Unaudited)		
	Mining exploitation <i>HK\$'000</i>	Trading of chemical products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>116,120</u>	<u>394,515</u>	<u>510,635</u>
Segment results	<u>(2,732)</u>	<u>(48,841)</u>	(51,573)
Unallocated income			62
Finance cost			(97,930)
Other gains and losses			6,745
Unallocated expenses			<u>(3,393)</u>
Loss before taxation			(146,089)
Taxation			<u>(45)</u>
Loss for the period			<u>(146,134)</u>

Other segment information:

	Mining exploitation <i>HK\$'000</i>	Trading of chemical products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Capital expenditures	50,643	1,242	–	51,885
Depreciation and amortisation	<u>8,633</u>	<u>19,783</u>	<u>2,812</u>	<u>31,228</u>

The following is an analysis of the Group's segment assets, liabilities and other segment information:

As at 30 June 2023
(Unaudited)

	Mining exploitation <i>HK\$'000</i>	Trading of chemical products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>1,431,517</u>	<u>456,430</u>	<u>35,101</u>	<u>1,923,048</u>
Segment liabilities	<u>1,114,813</u>	<u>971,467</u>	<u>1,484,848</u>	<u>3,571,128</u>

As at 31 December 2022
(Unaudited)

	Mining exploitation <i>HK\$'000</i>	Trading of chemical products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>1,501,088</u>	<u>477,774</u>	<u>38,138</u>	<u>2,017,000</u>
Segment liabilities	<u>1,108,860</u>	<u>946,099</u>	<u>1,468,119</u>	<u>3,523,078</u>

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Amortisation of right-of-use assets	(2,989)	(3,208)
Exchange gain	–	9,555
Provision of obsolete inventories	(57,828)	(43,881)
	<u>(60,817)</u>	<u>(37,534)</u>

8. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings wholly repayable within five years	40,730	81,282
Interest expenses on corporate bond	–	16,140
Interest expenses for lease liabilities	459	508
	<u>41,189</u>	<u>97,930</u>

9. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charges:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	48,622	28,020
Amortisation of right-of-use assets*	2,989	3,208
Director's emoluments	140	848
Staff costs		
– Wages and salaries	25,993	29,585
– Retirement benefits contributions	3,287	3,437
	<u>48,622</u>	<u>28,020</u>

* Included in other gains and losses

10. TAXATION

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Current tax:		
People's Republic of China ("PRC") corporate income tax	–	45
	<u>–</u>	<u>45</u>

- (i) The provision for Hong Kong Profits Tax is calculated at 16.5% on assessable profits for the period. No provision for Hong Kong Profits Tax has been made in the interim financial statements as at Group's operations in Hong Kong incurred a tax loss for the period (30 June 2022: Nil).
- (ii) PRC corporate income tax charge represents the PRC Enterprise Income Tax paid or payable during the period. Enterprise Income Tax in the PRC has been provided at the prevailing rate.

11. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

12. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$98,598,000 for six months ended 30 June 2022 (six months ended 30 June 2022: loss of approximately HK\$104,144,000) and the weighted average number of 23,370,386,286 shares in issue during the period (six months ended 30 June 2022: 23,370,386,286).

(b) Diluted earning per share

No diluted earning per share is presented as there were no potential ordinary shares in issue for the six months ended 30 June 2023 (30 June 2022: Nil).

13. MINING RIGHTS

As at 30 June 2023, the Group has one mining exploitation operation in respect of a molybdenum mine.

The molybdenum mine located at Xi Ban Cha Gou, Huanglongpu Village, Shimen Town, Luonan County, Shaanxi Province, the PRC.

14. TRADE AND BILLS RECEIVABLES

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade and bills receivables	76,995	11,159
Less: Allowance for credit losses	(1,691)	(1,691)
	<u>75,304</u>	<u>9,468</u>

Trade and bills receivables with the following aging analysis presented based on invoice date as at the end of reporting period:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
0–30 days	65,442	9,462
31–60 days	846	6
61–90 days	4,731	–
91–180 days	4,280	–
Over 180 days but within one year	5	–
	<u>75,304</u>	<u>9,468</u>

15. TRADE AND BILLS PAYABLES

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
0–30 days	15,453	4,472
31–60 days	11,374	3,101
61–90 days	13,767	55,986
91–180 days	110,807	67,672
Over 180 days but within one year	203,872	155,213
	<u>355,273</u>	<u>286,444</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL FINANCIAL PERFORMANCE

For the six months ended 30 June 2023, the Group recorded a revenue of approximately HK\$746,078,000 (30 June 2022: approximately HK\$510,635,000), representing an increase of approximately 46.11% over the same period in 2022. That was mainly due to the increase in product sales of chemical trading operation, which generated approximately HK\$746,078,000 during the reporting period.

During the period under review, the loss recorded by the Group was approximately HK\$156,043,000 (30 June 2022: loss of approximately HK\$146,134,000), representing an increase in loss of approximately 6.78% over the same period in 2022, such increase in loss was mainly attributable to the decrease in sales of mining operation.

BUSINESS REVIEW

The principal activities of the Group are: (i) mining operations — exploitation and exploration of mineral resources; and (ii) chemical trading operations — manufacturing and sale of chemical products. An analysis of each of these business segments is presented below:

Mining Operations — Exploitation and Exploration of Mineral Resources

The Group's mining operation mainly includes the exploitation and exploration of molybdenum concentrate in the PRC. Our molybdenum concentrate was produced by the molybdenum mine operated by Shaanxi Province Luo Nan Xian Jiu Long Kuang Ye Company Limited ("**Jiu Long Kuang Ye**"), a non-wholly owned subsidiary of the Group. The grading of molybdenum concentrate produced by our molybdenum mine was approximately 45%–50%.

The mining licence has been successfully renewed and the renewed licence, which is valid up to 22 February 2034, has been granted by the Ministry of Natural Resources of the PRC and issued to the Company on 10 February 2023. The mining licence is the major licence required for the Group to conduct its mining activities of its molybdenum mine.

During the period under review, no molybdenum concentrate products were produced due to Jiu Long Kuang Ye still need time to renew the safety licence and would resume exploitation and production activities after renew this licence. During the period under review, the mining operation did not contribute revenue (30 June 2022: approximately HK\$116,120,000) to the Group. During the six months ended 30 June 2023, the Group did not recognise an amortisation of mining rights cost due to no exploitation of mine.

Performance of Mining Operations

The operation of Jiu Long Kuang Ye has been hindered due to the financial difficulty of the Group and the expiry of the mining licence of the molybdenum mine. However, Jiu Long Kuang Ye has been spending strenuous effort in renewing the relevant mining licence, and the relevant governmental department has also confirmed in April 2022 that all outstanding fees as well as information required for the renewal of the mining licence has already been paid/provided by Jiu Long Kuang Ye.

Reference is made to the announcement dated 10 February 2023, the mining licence has been successfully renewed and the renewed licence, which is valid up to 22 February 2034, has been granted by the Ministry of Natural Resources of the PRC and issued to the Company on 10 February 2023. The mining licence is the major licence required for the Group to conduct its mining activities of its molybdenum mine.

According to the management of Jiu Long Kuang Ye, it was understood that there has been no material change for the relevant regulations and standards required for the relevant operation of Jiu Long Kuang Ye and therefore the mine and factories of Jiu Long Kuang Ye could readily resume its operation once the relevant licences are renewed.

Chemical trading operations

The Group's chemical trading operations mainly includes manufacturing and sale of chemical products in the PRC. Our chemical products were produced by Anhui Tongxi New Material Technology Company Limited, a non-wholly owned subsidiary of the Company. For the six months ended 30 June 2023, revenue generated from this segment to the Group was approximately HK\$746,078,000 (30 June 2022: approximately HK\$394,515,000) and the segment loss was approximately HK\$43,029,000 (30 June 2022: approximately HK\$48,841,000).

PROSPECTS

As we enter second half of 2023 , our Group is striving to build resilience in a time of uncertainty.

The economic outlook remains uncertain in second half of 2023. Global economies will continue to face multiple macroeconomic headwinds, including geopolitical uncertainties, inflation and tightened financial conditions. Many industries are still plagued by supply chain issues that emerged in recent years. Ongoing inflation and subdued economic growth are expected. In order to combat this, our Group aims to improve our resilience in through strategic management, development and expansion of our two core businesses as well as building protective measures into supply chains to deal with shortages and rising business costs.

For mining operation, the Group has successful renewed the mining licence of molybdenum mine and will further invest in and upgrade the mining operation machine system in production to improve the production efficiency, safety and environmental level. For chemical operation, through research and development and additional production facilities, we continue to improve our product quality and increase our product competitiveness.

The Group will continue to be receptive to the market's views candidly and humbly. It will endeavor to maintain effective communication with stakeholders. As a way to gauge capital markets' perception of the Group, we will continue to improve the quality of investor relations management and will ponder on investors' concerns and advices in order to further enhance the Group's operating management and corporate governance. The investor relations department will maintain professionalism at its work so that capital markets will be able to gain a thorough understanding of the Group's business. This will help unlock the potential investment value and contribute to the long term and healthy development of the Group.

Molybdenum market

The operation environment of China's steel industry is the key factor that affects the development of the country's molybdenum market. As required by China's environmental protection policy and supply-side reform policy, steel factories have no alternative but to transform and shift to produce high quality special steel. Meanwhile, the normalization of fall/winter production restriction will further accelerate the enhancement and reconstruction of the steel industry, there are still ample room to increase the production of stainless steel and high strength steel. All the factors stated above will further drive up the demand for molybdenum, and it was expected that the demand for molybdenum in China will keep increasing. It was expected that the molybdenum market would continue to improve in the second half of 2023.

Chemical market

China has stringent regulatory requirements for safety and environmental protection, which have inevitably created short-term operation pressure on the chemicals manufacturing industry. However, corporate with competitive advantage on environmental protection will eventually capture the opportunities emerged in an operation environment with sound regulation. The Group will continue to invest on safety and environmental protection, impose stringent control over its costs, enhance its production efficiency, and will formulate effective marketing strategy to meeting the challenges of increasing competition in the market.

The Group will make every endeavor to keep abreast of the challenging market conditions, proactively identify investment opportunities and expand its mineral resources in order to broaden the revenue base of the Group, enhance its future financial performance and profitability, and fine tune its business strategies when the Directors of the Company think appropriate. Moreover, the Group is seeking for further operating efficiency across the business. We are confident in the future and committed to continuous growth of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and proceeds from suitable source of funding. During the period under review, the Group recorded a net cash outflow of approximately HK\$1,055,000 (30 June 2022: cash inflow of approximately HK\$26,701,000). The cash outflow was mainly due to the net cash outflow from investing activities of approximately HK\$26,196,000. The current ratio as at 30 June 2023 was approximately 0.12 as contrasted by 0.12 as at 31 December 2022. The debt equity ratio as at 30 June 2023 was deficit approximately 2.50 as contrasted by 2.66 as at 31 December 2022. It is confident that the Group would have adequate financial resources to satisfy full repayment of the current liabilities after completion of the Capital Reorganisation (as defined below).

CAPITAL STRUCTURE AND TREASURY POLICIES

Capital structure

The capital structure of the Group as at 30 June 2023 and 31 December 2022 has been summarised below:

	30 June 2023	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Total current assets	400,015	407,052
Total current liabilities	3,312,276	3,261,215
Shareholders' equity (deficit)	1,429,520	1,326,499

Treasury policies

During the six months ended 30 June 2023, the major currencies on which principal business activities of the Group used were mainly denominated in Hong Kong dollars and Renminbi. The Board does not consider the Group is significantly exposed to any foreign currency exchange risks. It is the Group's treasury policy to manage its foreign currency exposure whenever such financial impact is material to the Group. For the six months ended 30 June 2023, the Group did not employ any financial instrument for hedging purpose and was not engage in foreign currency speculative activities.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no significant contingent liabilities (2022: Nil).

INTERIM DIVIDEND

No interim dividend is recommended for the six months ended 30 June 2023 (2022: Nil).

BORROWINGS AND BANKING FACILITIES

As at 30 June 2023, the Group had bank loans and other borrowings in current liabilities and non-current liabilities amounted to approximately HK\$1,318,264,000 (2022: HK\$1,342,265,000).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2023, the Group employed 668 full time employees (2022: 708 employees). Employees' remuneration packages are generally structured by reference to market norms, individual qualifications, relevant experience and performance.

WINDING UP OF THE COMPANY BY THE COURT

On 16 May 2022, the Company was ordered to be wound up by the High Court of Hong Kong and the Official Receiver by virtue of her office becomes the Provisional Liquidator of the Company.

Pursuant to an Order dated 18 July 2022 granted by the Hong Kong Court of First Instance, Ms. So Kit Yee Anita and Mr. Tsui Chi Chiu of Ernst & Young Transactions Limited of 27/F One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong SAR were appointed as the Joint and Several Liquidators of the Company (the "**Joint and Several Liquidators**").

On 27 September 2022, the Company has submitted a resumption proposal (the "**Resumption Proposal**") to the Stock Exchange to seek resumption of trading of the Shares. The Resumption Proposal, sets out, actions taken and proposed to be taken by the Company to fulfill the resumption conditions, including among other things, (i) details of the reorganization of the capital of the Company by way of share consolidation, capital reduction, share sub-division and share premium reduction (the "**Capital Reorganisation**"); (ii) injection of funds by way of subscription of Shares by the investor, Huatune Corporation; (iii) application of whitewash waiver to The Securities and Futures Commission of Hong Kong; (iv) the business plan for the Group's compliance with rule 13.24 of the Listing Rules; and (v) implementation of the scheme of arrangement to be entered into between the Company and its creditors under Part 13 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, subject to any modification, addition or condition approved or imposed by the High Court of Hong Kong.

As at the date of this announcement, shareholders' approval for the transactions under the Resumption Proposal has been obtained, and the scheme of arrangement has also been approved by the requisite statutory majority of the creditors of the Company who are entitled to participate in the scheme of arrangement. Completion of the transactions under the Resumption Proposal is pending and the scheme of arrangement shall be sanctioned by the High Court of Hong Kong before it could become effective. Company will provide further update on the progress as and when appropriate.

CORPORATE GOVERNANCE CODE

The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of the shareholders.

During the period ended 30 June 2023, the Company had applied the principles of the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Listing Rules and complied with all the applicable code provisions of the Code, except the following code provisions:

1. Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Yang Ying Min, being the chairman and chief executive officer of the Company, has in-depth knowledge and considerable experience in the Group's business, and is responsible for the overall strategic planning and general management of the Group. It was considered that vesting the roles of chairman and chief executive officer in the same person will lead to consistent leadership of the Group and enable the Group to make and implement decisions promptly, thus achieving the Group's objectives efficiently and effectively in response to the changing environment.

2. However, the Board shall nevertheless review the structure from time to time and shall consider to make appropriate adjustment should suitable circumstance arise.

Under the code provision A.5.1 of the Code, the Company should establish a nomination committee of the Board chaired by the chairman of the Board or an independent non-executive Director. The majority of its members shall be independent non-executive Directors.

However, it was considered that the setting up of a nomination committee of the Board may not be necessary given the scale of the Board and the Company. The Board was responsible for considering and approving the appointment of its members and making recommendations to shareholders on Directors standing for re-election, providing sufficient biographical details of Directors to enable shareholders to make an informed decision on the re-election, and where necessary, nominating and appointing Directors to fill casual vacancies.

The Company has formulated a board diversity policy (the “**Policy**”) for achieving diversity on the Board of the Company. The Policy enables the sustainable and balanced development of the Company’s strategic objectives. The Board reviewed the Policy annually to ensure the effectiveness of the Policy.

The Company considers that sufficient measures had been taken to ensure that the Company complied with the Code for the six months ended 30 June 2023.

The Company will periodically review and improve its corporate governance practices with reference to the latest development of relevant corporate governance requirements.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct governing the Directors’ transactions of listed securities of the Company. Following a specific enquiry made by the Company with each of the Directors, all Directors confirmed that they had complied with the standards as set out in the Model Code for the six months ended 30 June 2023.

NON-COMPLIANCE WITH THE LISTING RULES IN RELATION TO BOARD COMPOSITION

1. The total number of independent non-executive Directors accounts for less than one third of the Board as required under Rule 3.10A of the Listing Rules;
2. The number of independent non-executive Directors and the number of members of the Audit Committee have become less than three which are below the minimum requirement prescribed under Rules 3.10(1) and 3.21 of the Listing Rules respectively;
3. Since there is no independent non-executive Director, none of the independent non-executive Directors possesses appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules;
4. The Remuneration Committee only consists of one member who is not an independent non-executive Director, and hence the Company does not meet all the requirements of Rule 3.25 of the Listing Rules as the Remuneration Committee does not comprise a majority of independent non-executive Directors as members; and
5. There is a vacancy for the chairman of the Remuneration Committee resulting in non-compliance with the requirement prescribed under Rule 3.25 of the Listing Rules.

The above non-compliances arose due to the resignation of the independent non-executive directors, Mr. Wong Wai Chun Alex (“**Mr. Wong**”), who resigned with effect on 15 December 2021, Ms. Guo Xiao Ying (“**Ms. Guo**”), who resigned with effect from 1 April 2022 and Dato Dr. Cheng Chak Ho Tony (“**Dato Dr. Cheng**”), who resigned with effect from 1 April 2022. Pursuant to Rules 3.11 and 3.27 of the Listing Rules, the Company should appoint suitable candidates to fill the vacancies within three months after failing to meet the requirements under the Listing Rules from the date of resignation of Mr. Wong, Ms. Guo and Dato Dr. Cheng respectively.

However, the process of identifying suitable candidates to fill the vacancies in order to re-comply with the Listing Rules was halted since the Company was ordered to be wound up on 16 May 2022 as explained in the section “WINDING UP OF THE COMPANY BY THE COURT” above.

AUDIT COMMITTEE

Following the change of the Board’s composition, there is no member in the Audit Committee. The Interim Results contained herein have not been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE’S WEBSITE

The result announcement is published on the website of the Stock Exchange at www.hkex.com.hk and the Company’s website at www.northmining.com.hk. The Interim Report containing all the information required by the Listing Rules will be despatched to its shareholders and published on the above websites in due course.

CONTINUED SUSPENSION OF TRADING

Trading in the Company’s shares on the Stock Exchange, which was suspended with effect from 9:00 a.m. on 1 April 2021 remains suspended and will continue to be so until further notice.

As the Joint and Several Liquidators were only appointed in mid-2022 and only have limited information in relation to the Group, the Joint and Several Liquidators are not in a position to confirm the completeness, existence and accuracy of the historical results of the Group. The Joint and Several Liquidators do not accept or assume responsibility for these audited consolidated financial statements for any purpose or to any person to whom these audited consolidated financial statements are shown or into whose hands they may come.

Shareholders and potential investors of the Company are advised to exercise extreme caution when dealings in the shares of the Company.

For and on behalf of
North Mining Shares Company Limited
(In Liquidation)
So Kit Yee Anita
Lau Wun Man
Joint and Several Liquidators
acting as agents of the Company only and
without personal liability

Hong Kong, 31 August 2023

According to the information available from the previous announcement made by the Company, immediately before the making of winding up order against the Company by the Court, the board of directors of the Company comprises Mr. Yang Ying Min, Mr. Qian Yi Dong and Mr. Shen Jian as Executive Directors.

The affairs, business and property of the Company are being managed by the Joint & Several Liquidators who act as agents of the Company only and without personal liability.