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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)

MEMORANDUM OF UNDERSTANDING IN RELATION TO THE POSSIBLE SHARE TRANSFER OF TWO TARGET COMPANIES

The Board is pleased to announce that on 13 November 2023 (after trading hours of the Stock Exchange), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into (i) the MOU 1 with Mr. Sha whereby Mr. Sha, as the vendor, agreed to transfer not less than 75% equity interest in the Target Company 1 to the Purchaser; and (ii) the MOU 2 with Mr. Sha and Mr. Zhang whereby Mr. Sha and Mr. Zhang, as the vendors, together agreed to transfer not less than 75% equity interest in the Target Company 2 to the Purchaser.

The Target Company 1, a company established in the PRC, is principally engaged in the development of technology and holding of patents relating to, including but not limited to, the invention of environmentally friendly new materials.

The Target Company 2, a company established in the PRC, is a high-tech enterprise which is principally engaged in the manufacturing and sale of functional and environmentally friendly new materials.

The consideration of the Possible Share Transfer and the way of payment is subject to further negotiation between the parties to the MOU, the details of which will be formalised in the Formal Agreement.

The Possible Share Transfer may or may not proceed. Shareholders and investors are reminded to exercise caution when dealing in the Shares. The Possible Share Transfer, if materialises, may constitute a notifiable transaction for the Company under the Listing Rules. Should the Company enter into the Formal Agreement or decide to terminate the MOU or there be any material development on the Possible Share Transfer, the Company will inform the Shareholders and investors by way of announcement(s) in accordance with the Listing Rules as and when appropriate.

THE MOU 1

On 13 November 2023 (after trading hours of the Stock Exchange), the Purchaser and Mr. Sha entered into the MOU 1 whereby Mr. Sha, as the vendor, agreed to transfer not less than 75% equity interest in the Target Company 1 to the Purchaser.

The Target Company 1, a company established in the PRC, is principally engaged in the development of technology and holding of patents relating to, including but not limited to, the invention of environmentally friendly new materials.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Target Company 1 and its ultimate beneficial owner are an Independent Third Party.

THE MOU 2

On 13 November 2023 (after trading hours of the Stock Exchange), the Purchaser, Mr. Sha and Mr. Zhang entered into the MOU 2 whereby Mr. Sha and Mr. Zhang, as the vendors, together agreed to transfer not less than 75% equity interest in the Target Company 2 to the Purchaser.

The Target Company 2, a company established in the PRC, is a high-tech enterprise which is principally engaged in the manufacturing and sale of functional and environmentally friendly new materials.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Target Company 2 and its ultimate beneficial owners are an Independent Third Party.

The Possible Share Transfer

The consideration of the Share Transfer and the way of payment is subject to further negotiation between the parties to the MOU, the details of which will be formalised in the Formal Agreement. Upon Completion, the Company will hold an equity interest of not less than 75% in the Target Company 1 and the Target Company 2 respectively.

Formal Agreement

The Company and each of the vendors to the MOU shall proceed to the negotiation of the Formal Agreement on or before the date falling two months from the date of the MOU (or such later date to be agreed by the parties to the MOU).

If (i) the Formal Agreement is not entered into upon the expiry of the two months from the date of the MOU (or such later date as the Company and the parties to the MOU may agree), or (ii) the Company and each of the vendors to the MOU mutually agree in writing to terminate the negotiations in respect the Possible Share Transfer, whichever is earlier, the MOU shall cease and determine and neither party shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

If the Formal Agreement is entered into, the Possible Share Transfer may constitute a notifiable transaction on the part of the Company pursuant to the Listing Rules. In this regard, the Company will comply with the reporting, disclosure and/or the Shareholders' approval requirements under the Listing Rules as and when appropriate.

Conditions precedent

Pursuant to each of the MOU 1 and the MOU 2, Completion shall be conditional upon the fulfilment of the following conditions precedent:

- (i) the Company being satisfied with the results of the due diligence review to be conducted on the Target Company 1 and the Target Company 2 after signing of the MOU 1 and the MOU 2 respectively;
- (ii) all necessary consents and approvals required to be obtained on the part of each of the Target Company 1 and Target Company 2 in respect of the Formal Agreement and the transactions contemplated thereunder having been obtained;
- (iii) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Formal Agreement and the transactions contemplated thereunder having been obtained;

- (iv) there is no situations, facts or circumstances that would or might render the warranties or terms under the Formal Agreement being breached;
- (v) (if required) the passing by the Shareholders at a special general meeting of the Company to be convened and held of ordinary resolution(s) by poll to approve the Formal Agreement and the transactions contemplated thereunder in accordance with the Listing Rules and the applicable laws and regulations;
- (vi) the warranties under the Formal Agreement to be given by the Target Company 1, the Target Company 2 and each respective vendor to the MOU remain true, accurate and not misleading in all material respects;
- (vii) any other conditions agreed by the parties to be included in the Formal Agreement.

Upon signing of the MOU, the Company shall, and shall procure its advisers and agents to conduct such review of the assets, liabilities, operations and affairs of each of the Target Company 1 and the Target Company 2, as it may consider appropriate and the respective vendor to the MOU shall provide and procure the Target Company 1 and the Target Company 2 and its respective agents to provide such assistance as the Company and its advisers and agents may require in connection with such review so as to enable the review to be completed as soon as possible.

Exclusivity period

Unless the parties to the MOU mutually agree in writing to terminate the negotiations in respect the Possible Share Transfer, each of the parties to the MOU agreed that it will not and will procure that the Target Company 1 and the Target Company 2 and its respective directors, officers, employees, representatives and agents will not, directly or indirectly, for a period of two months from the date of the MOU, save and except for certain transactions which have been disclosed by the each of the Target Company 1 and the Target Company 2 to the Company in writing prior to the signing of the MOU, (i) solicit, initiate or encourage enquiries or offers from; or (ii) initiate or continue negotiations or discussions with or furnish any information to; or (iii) enter into any agreement or statement of intent or understanding with, any person or entity (other than the Company) with respect to the sale or other disposition of the equity interest in or change the registered capital of each of the Target Company 1 and the Target Company 2.

Legal effect

The MOU is non-legally binding save for the provisions relating to, among other things, exclusivity, confidentiality, costs and governing law and jurisdiction of the MOU.

REASONS FOR AND BENEFITS OF THE POSSIBLE SHARE TRANSFER

The principal activities of the Group are (i) investment holding; (ii) mining operations — exploitation and exploration of mineral resources; and (iii) chemical trading operations — manufacturing and sale of chemical products.

The Board considers that the Possible Share Transfer would allow the Group to tap into the high-tech environmentally friendly new materials industry in the PRC and broaden the Group's business spectrum and it is beneficial for the Group to seek suitable investment opportunities from time to time to expand its business in the innovation of new materials industry and enhance the long-term growth potential of the Group. In light of the promising market potential in the PRC, this new business segment, if materialised, is expected to generate a sustainable income growth for the Group. Hence, the Board is of the view that the entering into of the MOU is in the interest of the Group and the Shareholders as a whole.

The Possible Share Transfer may or may not proceed. Shareholders and investors are reminded to exercise caution when dealing in the Shares. The Possible Share Transfer, if materialises, may constitute a notifiable transaction for the Company under the Listing Rules. Should the Company enter into the Formal Agreement or decide to terminate the MOU or there be any material development on the Possible Share Transfer, the Company will inform the Shareholders and investors by way of announcement(s) in accordance with the Listing Rules as and when appropriate.

DEFINITIONS

Unless the context requires otherwise, the capitalised terms used in this announcement shall have the following meanings:

“Board”	the board of Directors
“Company”	North Mining Shares Company Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange (stock code: 433)
“Completion”	completion of the Possible Share Transfer pursuant to the terms and conditions of the Formal Agreement
“connected person”	has the meanings as ascribed under the Listing Rules
“Director(s)”	director(s) of the Company
“Formal Agreement”	the formal agreement which may or may not be entered into in relation to the Possible Share Transfer

“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	MOU 1 and MOU 2
“MOU 1”	the memorandum of understanding dated 13 November 2023 and entered into between the Company and Mr. Sha setting out the preliminary understanding in relation to the possible share transfer contemplated thereunder
“MOU 2”	the memorandum of understanding dated 13 November 2023 and entered into between the Company, Mr. Sha and Mr. Zhang setting out the preliminary understanding in relation to the possible share transfer contemplated thereunder
“Mr. Sha”	沙立盛 (Sha Li Sheng)
“Mr. Zhang”	張春 (Zhang Chun)
“Possible Share Transfer”	the possible share transfer(s) contemplated under the MOU 1 and/or the MOU 2 respectively
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	上海匯頌實業有限公司, a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.02 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company 1”	北京艾科美特新材料開發有限公司, a company established in the PRC with limited liability and it is wholly-owned by Mr. Sha as at the date of this announcement
“Target Company 2”	廣西平果艾科美特新材料有限公司, a company established in the PRC with limited liability and is owned as to 51% by Mr. Sha and as to 49% by Mr. Zhang as at the date of this announcement
“%”	per cent

By order of the Board
North Mining Shares Company Limited
Yang Ying Min
Chairman

Hong Kong, 13 November 2023

As at the date of this announcement, the Board comprises Mr. Yang Ying Min as Chairman and executive Director; Mr. Qian Yi Dong and Mr. Shen Jian as executive Directors; and Mr. Shek Man Ho, Mr. Shen Ming Jie and Mr. Feng Jia Wei as independent non-executive Directors.