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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 2022

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 2022, together with the comparative figures for the corresponding period in 2021:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	4	510,635	652,167
Cost of sales		(445,478)	(579,250)
		<hr/>	<hr/>
Gross profit		65,157	72,917
Other income	5	1,292	1,683
Research and development costs		(15,855)	(18,469)
General and administrative expenses		(61,219)	(86,611)
Other gains and losses	7	(37,534)	(3,895)
		<hr/>	<hr/>
Loss from operations		(48,159)	(34,375)
Finance costs	8	(97,930)	(141,487)
		<hr/>	<hr/>
Loss before taxation	9	(146,089)	(175,862)
Taxation	10	(45)	–
		<hr/>	<hr/>
Loss for the period from continuing operations		(146,134)	(175,862)

		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Discontinued operations			
Gain for the period from discontinued operations		–	3,339
Loss for the period		<u>(146,134)</u>	<u>(172,523)</u>
Attributable to:			
Owners of the Company			
– from continuing operations		(104,144)	(139,292)
– from discontinued operations		<u>–</u>	<u>2,170</u>
		(104,144)	(137,122)
Non-controlling interests			
– from continuing operations		(41,990)	(36,570)
– from discontinued operations		<u>–</u>	<u>1,169</u>
		(41,990)	(35,401)
Loss for the period		<u>(146,134)</u>	<u>(172,523)</u>
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		4,375	(4,285)
Release of exchange difference upon disposal of foreign subsidiaries		<u>–</u>	<u>4,981</u>
Other comprehensive income for the period		<u>4,375</u>	<u>696</u>
Total comprehensive expense for the period		<u>(141,759)</u>	<u>(171,827)</u>
Attributable to:			
Owners of the Company		(117,244)	(126,326)
Non-controlling interests		<u>(24,515)</u>	<u>(45,501)</u>
		<u>(141,759)</u>	<u>(171,827)</u>
Loss per share			
From continuing and discontinued operations			
– Basic and diluted, HK cents	12	<u>(0.45)</u>	<u>(0.59)</u>
From continuing operations			
– Basic and diluted, HK cents		<u>(0.45)</u>	<u>(0.60)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		30 June 2022	31 December 2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
ASSETS			
Non-Current assets			
Property, plant and equipment		657,431	662,835
Mining rights	<i>13</i>	886,452	926,430
Goodwill		13,403	13,403
Right-of-use assets		48,665	54,119
		<u>1,605,951</u>	<u>1,656,787</u>
Current assets			
Inventories		201,219	236,893
Trade and bill receivables	<i>14</i>	14,375	17,386
Prepayments, deposits and other receivables		180,658	185,358
Cash and cash equivalents		40,080	20,733
		<u>436,332</u>	<u>460,370</u>
TOTAL ASSETS		<u>2,042,283</u>	<u>2,117,157</u>
CAPITAL AND RESERVES			
Share capital		373,926	373,926
Reserves		(1,631,902)	(1,514,658)
Equity attributable to owners of the Company		(1,257,976)	(1,140,732)
Non-controlling interests		(152,631)	(128,116)
TOTAL EQUITY		<u>(1,410,607)</u>	<u>(1,268,848)</u>

		30 June 2022	31 December 2021
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
LIABILITIES			
Non-Current liabilities			
Bank loans and other borrowings		28,098	11,012
Lease liabilities		8,017	8,502
Deferred tax liabilities		246,814	257,945
Other payables		–	17,510
		282,929	294,969
Current liabilities			
Trade and bill payables	15	297,237	273,541
Other payables and accruals		996,461	891,361
Contract liabilities		127,741	44,049
Bank loans and other borrowings		1,344,103	1,388,375
Provision for environmental and resources tax		–	105,428
Lease liabilities		231	227
Corporate bond		404,188	388,048
Tax payables		–	7
		3,169,961	3,091,036
TOTAL LIABILITIES		3,452,890	3,386,005
TOTAL EQUITY AND LIABILITIES		2,042,283	2,117,157
NET CURRENT LIABILITIES		(2,733,629)	(2,630,666)
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,127,678)	(973,879)
NET LIABILITIES		(1,410,607)	(1,268,848)

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 2021, 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 2021.

2.2 Going concern

As at 30 June 2022, the Group had shareholders’ deficit of approximately HK\$1,410,607,000 and its current liabilities exceed its current assets by approximately HK\$2,733,629,000. 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 time 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 2021, 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 HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Sales of molybdenum concentrate	116,120	87,407
Sales of chemical products	394,515	564,760
	510,635	652,167

5. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Bank interest income	32	25
Government grant	482	153
Sales of by-products	778	1,505
	1,292	1,683

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 2022		
	(Unaudited)		
	Continuing operations		
	Mining	Trading of	
	exploitation	chemical	Total
	HK\$'000	products	HK\$'000
		HK\$'000	HK\$'000
Segment revenue	<u>116,120</u>	<u>394,515</u>	<u>510,635</u>
Segment results	<u>(2,732)</u>	<u>(48,841)</u>	<u>(51,573)</u>
Unallocated income			62
Finance cost			(97,930)
Other gains and losses			6,745
Unallocated expenses			<u>(3,393)</u>
Loss before taxation			<u>(146,089)</u>
Taxation			<u>(45)</u>
Loss for the period from continuing operations			<u><u>(146,134)</u></u>
Other segment information:			
	Mining	Trading of	
	exploitation	chemical	Others
	HK\$'000	products	HK\$'000
		HK\$'000	HK\$'000
Capital expenditures	50,643	1,242	–
Depreciation and amortisation	<u>8,633</u>	<u>19,783</u>	<u>2,812</u>
			<u>51,885</u>
			<u>31,228</u>

For the six months ended 30 June 2021
(Unaudited)

Continuing operations

	Mining exploitation <i>HK\$'000</i>	Trading of chemical products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>87,407</u>	<u>564,760</u>	<u>652,167</u>
Segment results	<u>(31,785)</u>	<u>7,942</u>	<u>(23,843)</u>
Unallocated income			25
Finance cost			(141,487)
Other gains and losses			(2,802)
Unallocated expenses			<u>(7,755)</u>
Loss before taxation			(175,862)
Taxation			<u>–</u>
Loss for the period from continuing operations			<u>(175,862)</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	9,212	739	–	9,951
Depreciation and amortisation	<u>8,893</u>	<u>19,235</u>	<u>2,804</u>	<u>30,932</u>

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

As at 30 June 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>1,552,071</u>	<u>448,574</u>	<u>41,638</u>	<u>2,042,283</u>
Segment liabilities	<u>1,126,915</u>	<u>861,548</u>	<u>1,464,427</u>	<u>3,452,890</u>

As at 31 December 2021
(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>1,617,030</u>	<u>508,615</u>	<u>59,118</u>	<u>2,184,763</u>
Segment liabilities	<u>930,612</u>	<u>813,916</u>	<u>1,425,057</u>	<u>3,169,585</u>

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Amortisation of right-of-use assets	(3,208)	(3,612)
Exchange gain	9,555	–
Provision of obsolete investments	(43,881)	–
Loss on disposal of property, plant and equipment	–	(283)
	<u>(37,534)</u>	<u>(3,895)</u>

8. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Interest on bank loans and other borrowings wholly repayable within five years	<u>97,930</u>	<u>141,487</u>

9. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Depreciation of property, plant and equipment	28,020	27,320
Amortisation of right-of-use assets*	3,208	3,612
Director's emoluments	848	1,552
Staff costs		
– Wages and salaries	29,585	21,345
– Retirement benefits contributions	3,437	2,155
	<u>28,020</u>	<u>27,320</u>

* Included in other gains and losses

10. TAXATION

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Current tax:		
People's Republic of China ("PRC") corporate income tax	45	–
	<u>45</u>	<u>–</u>

(i) The provision for Hong Kong Profits Tax is calculated at 8.25% on assessable profits up to HK\$2,000,000; and 16.5% on any part of assessable profits over HK\$2,000,000 (2021: 16.5% of the estimated 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 2021: 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 2022 (six months ended 30 June 2021: Nil).

12. LOSS PER SHARE

(a) Basic loss per share

For continuing and discontinued operations

The calculation of the basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$104,144,000 for six months ended 30 June 2022 (six months ended 30 June 2021 from continuing and discontinued operations: loss of approximately HK\$137,122,000) and the weighted average number of 23,370,386,286 shares in issue during the period (six months ended 30 June 2021: 23,370,386,286).

For continuing operations

Basic loss per share for continuing operations is HK\$0.45 cents per share for the six months ended 30 June 2022 (six months ended 30 June 2021: loss per share of HK\$0.60 cents per share) which was based on the loss for the period from continuing operations of approximately HK\$104,144,000 (six months ended 30 June 2021: loss of approximately HK\$139,292,000).

For discontinued operation

No basic earning per share for the discontinued operation for six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

(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 2022 (30 June 2021: Nil).

13. MINING RIGHTS

As at 30 June 2022, 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 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade and bills receivables	15,526	18,537
Less: Allowance for credit losses	<u>(1,151)</u>	<u>(1,151)</u>
	<u>14,375</u>	<u>17,386</u>

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
0–30 days	13,717	6,604
31–60 days	1	7,105
61–90 days	45	2,166
91–180 days	–	–
Over 180 days but within one year	<u>612</u>	<u>1,511</u>
	<u>14,375</u>	<u>17,386</u>

15. TRADE AND BILLS PAYABLES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
0–30 days	2,567	8,521
31–60 days	3,933	4,997
61–90 days	38,543	12,583
91–180 days	74,006	189,490
Over 180 days but within one year	<u>178,188</u>	<u>57,950</u>
	<u>297,237</u>	<u>273,541</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL FINANCIAL PERFORMANCE

For the six months ended 30 June 2022, the Group recorded a revenue of approximately HK\$510,635,000 from continuing operations (30 June 2021: approximately HK\$652,167,000 from continuing operations), representing a decrease of approximately 21.70% over the same period in 2021. That was mainly due to the decrease in product sales of chemical trading operation, which generated approximately HK\$394,515,000 during the reporting period.

During the period under review, the loss recorded by the Group was approximately HK\$146,134,000 from continuing operations (30 June 2021: loss of approximately HK\$175,862,000 from continuing operations), representing a decrease in loss of approximately 16.90% over the same period in 2021, such decrease in loss was mainly attributable to the decrease in finance costs.

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 (collectively named “**continuing operations**”). During the six months ended 30 June 2021, trading of mineral resources operation was discontinued (the “**discontinued operations**”). 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%

During the period under review, no molybdenum concentrate produced was produced due to the expired of the exploitation licenses of the mining right licence. However, Jiu Long Kuang Ye still can sell the existing molybdenum concentrate products which were stored in inventory. The average selling price of molybdenum concentrate was approximately HK\$108,924 per tonne. During the period under review, the mining operation contributed a revenue of approximately HK\$116,120,000 (30 June 2021: approximately HK\$87,407,000) to the Group, of which approximately HK\$96,382,000 was contributed by sales of molybdenum concentrate (30 June 2021: approximately HK\$70,391,000) and approximately HK\$19,738,000 was contributed by sales of sulfuric

acid and iron concentrate (30 June 2021: approximately HK\$17,016,000). During the six months ended 30 June 2022, 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. Moreover, despite the halt in mining activities, in the recent years the Group has still been able to conduct processing of mined ore in stock into molybdenum concentrate for sales to the customers.

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 2022, revenue generated from this segment to the Group was approximately HK\$394,515,000 and the segment loss was approximately HK\$48,841,000.

Discontinued operations

The Company had disposed a non-fully owned subsidiary which engaged in trading of mineral resources business entirely, which had always been a minor business segment of the Group, in April 2021.

PROSPECTS

Looking forward, the growth of global economy is subject to high uncertainties and challenges mainly from the Sino-US trade disputes and the outbreak and rapid spreading of COVID-19 across continents as well as other negative factors such as rising costs in raw materials, rent and labour. The Chinese economy would face significant downward pressure due to the threat of the novel coronavirus infection, weakened private domestic consumption and sharp drop in tourists' arrivals into China. However, the Group believes that the threat of the novel coronavirus infection and severe disruptions to economic activities, includes the consumption- and tourism-related sectors, should only be temporary in China. The Group remain confident in long-term development growth with promising prospects in China.

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 2022.

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 inflow of approximately HK\$26,701,000 (30 June 2021: cash inflow of approximately HK\$25,688,000). The cash inflow was mainly due to the net cash inflow from operating activities of approximately HK\$68,509,000. The current ratio as at 30 June 2022 was approximately 0.14 as contrasted by 0.15 as at 31 December 2021. The debt equity ratio as at 30 June 2022 was deficit approximately 2.74 as contrasted by 2.97 as at 31 December 2021. 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 2022 and 31 December 2021 has been summarised below:

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Total current assets	436,332	460,370
Total current liabilities	3,169,961	3,091,036
Shareholders' equity (deficit)	<u>1,410,607</u>	<u>1,268,848</u>

Treasury policies

During the six months ended 30 June 2022, 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 2022, 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 2022, the Group had no significant contingent liabilities (2021: Nil).

INTERIM DIVIDEND

No interim dividend is recommended for the six months ended 30 June 2022 (2021: Nil).

BORROWINGS AND BANKING FACILITIES

As at 30 June 2022, the Group had bank loans and other borrowings in current liabilities and non-current liabilities amounted to approximately HK\$1,372,201,000 (2021: HK\$1,399,387,000).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2022, the Group employed 713 full time employees (2021: 669 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 schemes 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.

CHANGE IN DIRECTORS’ INFORMATION

During the reporting period and up to the date of this announcement, the following changes in the composition of the board of the Company (the “**Board**”) and Board committees took place:

- (i) Ms. Guo Xiao Ying (“**Ms. Guo**”) has resigned as an independent non-executive Director and ceased to be a member of the Audit Committee and the chairman of the Remuneration Committee with effect from 1 April 2022.
- (ii) Mr. Zhang Jia Kun has resigned as an executive Director and ceased to be a member of each of the corporate governance committee and the financial reporting committee of the Board with effect from 19 January 2022.
- (iii) Dato Dr. Cheng Chak Ho Tony (“**Dato Dr. Cheng**”) has resigned as an independent non-executive Director and ceased to be a member of each of the Audit Committee, the Remuneration Committee and the corporate governance committee of the Board with effect from 1 April 2022.

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 2022, 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 2022.

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 2022.

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 Mr. Wong Wai Chun Alex (“**Mr. Wong**”), who resigned with effect on 15 December 2021, Ms. Guo and Dato Dr. Cheng. 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
Tsui Chi Chiu
Joint and Several Liquidators
acting as agents of the Company only and
without personal liability

Hong Kong, 28 April 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.