



North Mining Shares Company Limited

北方礦業股份有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 433)



2021

Interim Report

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Yang Ying Min

(Chairman and Chief Executive Officer)

Qian Yi Dong *(Deputy Chairman)*

Zhang Jia Kun

(resigned with effect from 19 January 2022)

Zhao Jian

(resigned with effect from 21 October 2021)

Shen Jian

(appointed with effect from 9 November 2021)

Independent Non-executive Directors

Wong Wai Chun Alex

(resigned with effect from 14 December 2021)

Cheng Chak Ho

(resigned with effect from 1 April 2022)

Guo Xiao Ying

(resigned with effect from 1 April 2022)

COMPANY SECRETARY

Ho Wing Yan

AUTHORISED REPRESENTATIVE

Yang Ying Min

AUDIT COMMITTEE

Wong Wai Chun Alex *(Chairman)*

(resigned with effect from 14 December 2021)

Cheng Chak Ho

(resigned with effect from 1 April 2022)

Guo Xiao Ying

(resigned with effect from 1 April 2022)

REMUNERATION COMMITTEE

Wong Wai Chun Alex

(resigned with effect from 14 December 2021)

Cheng Chak Ho

(resigned with effect from 1 April 2022)

Qian Yi Dong

Guo Xiao Ying *(Chairman)*

(appointed with effect from 9 November 2021

and resigned with effect from 1 April 2022)

Zhao Jian *(Chairman)*

(resigned with effect from 21 October 2021)

PRINCIPAL BANKERS

China Citic Bank International Limited

China Construction Bank (Asia)

Corporation Limited

AUDITORS

Elite Partners CPA Limited

Certified Public Accountants

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 2009-18, 20/F

Shui On Centre

6-8 Harbour Road

Wanchai

Hong Kong

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
4th Floor North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

LISTING INFORMATION

Stock code: 433
(The Stock Exchange of Hong Kong Limited)

WEBSITE

www.northmining.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL FINANCIAL PERFORMANCE

For the six months ended 30 June 2021, the Group recorded a revenue of approximately HK\$652,167,000 from continuing operations (30 June 2020: approximately HK\$125,484,000 from continuing operations), representing an increase of approximately 419.72% over the same period in 2020. That was mainly due to the increase in product sales of chemical trading operation, which generated approximately HK\$564,760,000 during the reporting period.

During the period under review, the loss recorded by the Group was approximately HK\$175,862,000 from continuing operations (30 June 2020: loss of approximately HK\$5,386,000 from continuing operations), representing an increase in loss of approximately HK\$170,476,000 over the same period in 2020, such increase in loss was mainly attributable to the decrease in gains of other gains and losses.

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 reporting period, 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\$71,168 per tonne. During the period under review, the mining operation contributed a revenue of approximately HK\$87,407,000 (30 June 2020: approximately HK\$86,685,000) to the Group, of which approximately HK\$70,391,000 was contributed by sales of molybdenum concentrate (30 June 2020: approximately HK\$75,111,000) and approximately HK\$17,016,000 was contributed by sales of sulfuric acid and iron concentrate (30 June 2020: approximately HK\$11,574,000). During the six months ended 30 June 2021, the Group did not recognise an amortisation of mining rights cost due to no exploitation of mine.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2021, revenue generated from this segment to the Group was approximately HK\$564,760,000 and the segment profit was approximately HK\$7,942,000.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2021.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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\$25,688,000 (30 June 2020: cash inflow of approximately HK\$10,097,000). The cash inflow was mainly due to the net cash inflow from operating activities of approximately HK\$66,689,000. The current ratio as at 30 June 2021 was approximately 0.22 as contrasted by 0.19 as at 31 December 2020. The debt equity ratio as at 30 June 2021 was deficit approximately 3.42 as contrasted by 3.58 as at 31 December 2020. 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 2021 and 31 December 2020 has been summarised below:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Total current assets	594,024	460,605
Total current liabilities	2,688,753	2,391,163
Shareholders' equity (deficit)	984,822	812,995

MANAGEMENT DISCUSSION AND ANALYSIS

Treasury policies

During the six months ended 30 June 2021, 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 2021, the Group did not employ any financial instrument for hedging purpose and was not engage in foreign currency speculative activities.

Subscription of Shares under General Mandate

On 7 June 2020, the Company and Mr. Xu Qi Gao ("**Mr. Xu**") entered into a subscription agreement (the "**Subscription Agreement**") pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Xu has agreed to subscribe for, the 1,875,000,000 subscription shares (the "**Subscription Shares**") to Mr. Xu at a price of HK\$0.016 per Subscription Share (the "**Subscription**"). Having made all reasonable enquiry, Mr. Xu is an independent third party of the Company.

The subscription price of HK\$0.016 represents (i) a premium of approximately 42.86% to the average of the closing prices per Share as quoted on the Stock Exchange for the five consecutive trading days prior to the date of the Subscription Agreement of approximately HK\$0.0112; and (ii) a premium of approximately 14.29% to the closing price of HK\$0.014 per Share as quoted on the Stock Exchange on 5 June 2020, being the last trading date before the date of the Subscription Agreement.

The gross proceeds from the Subscription would be approximately HK\$30 million. The net proceeds from the Subscription, after deducting professional fees and other related expenses, amounted to approximately HK\$29,800,000 (at HK\$0.0159 per Subscription Share). The Company intended to apply the net proceeds for (i) payment of the first instalment of the settlement sum under the settlement agreement entered into between the Company and the Petitioner on 7 June 2020; (ii) repayment of other indebtedness of the Group; and (iii) general working capital of the Group.

It is considered that the Subscription could strengthen the financial position of the Group and provide additional working capital to the Group's future development and obligations.

MANAGEMENT DISCUSSION AND ANALYSIS

On 5 August 2020, 1,875,000,000 Subscription Shares were issued and allotted to Mr. Xu under the Subscription.

Please refer to the announcements of the Company dated 7 June 2020 and 5 August 2020 for details of the Subscription.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no significant contingent liabilities (2020: Nil).

INTERIM DIVIDEND

No interim dividend is recommended for the six months ended 30 June 2021 (2020: Nil).

BORROWINGS AND BANKING FACILITIES

As at 30 June 2021, the Group had bank loans and other borrowings in current liabilities and non-current liabilities amounted to approximately HK\$1,457,497,000 (2020: HK\$1,441,716,000).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2021, the Group employed 693 full time employees (2020: 763 employees). Employees' remuneration packages are generally structured by reference to market norms, individual qualifications, relevant experience and performance.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited) (Re-presented)
Continuing operations			
Revenue	4	652,167	125,484
Cost of sales		(579,250)	(75,215)
Gross profit		72,917	50,269
Other income	5	1,683	61,786
Research and development costs		(18,469)	(3,462)
General and administrative expenses		(86,611)	(54,529)
Other gains and losses	7	(3,895)	90,427
Loss from operations		(34,375)	144,491
Finance costs	8	(141,487)	(152,914)
Loss before taxation	9	(175,862)	(8,423)
Taxation	10	–	3,037
Loss for the period from continuing operations		(175,862)	(5,386)
Discontinued operations			
Gain/(Loss) for the period from discontinued operations		3,339	(528)
Loss for the period		(172,523)	(5,914)
Attributable to:			
Owners of the Company			
– from continuing operations		(139,292)	22,414
– from discontinued operations		2,170	(343)
		(137,122)	22,071
Non-controlling interests			
– from continuing operations		(36,570)	(27,800)
– from discontinued operations		1,169	(185)
		(35,401)	(27,985)
Loss for the period		(172,523)	(5,914)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited) (Re-presented)
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		(4,285)	(19,331)
Release of exchange difference upon disposal of foreign subsidiaries		4,981	–
Other comprehensive income/(expense) for the period		696	(19,331)
Total comprehensive expense for the period		(171,827)	(25,245)
Attributable to:			
Owners of the Company		(126,326)	1,958
Non-controlling interests		(45,501)	(27,203)
		(171,827)	(25,245)
(Loss)/Earning per share			
From continuing and discontinued operations			
– Basic and diluted, HK cents	12	(0.59)	0.10
From continuing operations			
– Basic and diluted, HK cents		(0.60)	0.10

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
ASSETS			
Non-Current assets			
Property, plant and equipment		611,496	622,214
Mining rights	13	909,440	899,229
Goodwill		13,403	13,403
Right-of-use assets		56,400	59,339
		1,590,739	1,594,185
Current assets			
Inventories		287,455	276,383
Trade and bill receivables	14	27,906	15,003
Prepayments, deposits and other receivables		237,750	153,456
Cash and cash equivalents		40,913	15,763
		594,024	460,605
TOTAL ASSETS		2,184,763	2,054,790
CAPITAL AND RESERVES			
Share capital		373,926	373,926
Reserves		(1,300,599)	(1,174,273)
Equity attributable to owners of the Company		(926,673)	(800,347)
Non-controlling interests		(58,149)	(12,648)
TOTAL EQUITY		(984,822)	(812,995)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
LIABILITIES			
Non-Current liabilities			
Bank loans and other borrowings		208,394	206,648
Lease liabilities		8,461	8,457
Deferred tax liabilities		253,214	250,371
Other payables		10,763	11,146
		480,832	476,622
Current liabilities			
Trade and bill payables	15	306,063	201,598
Other payables and accruals		718,083	583,782
Contract liabilities		48,801	25,478
Bank loans and other borrowings		1,249,103	1,235,068
Lease liabilities		210	315
Corporate bond		366,213	344,733
Tax payables		280	189
		2,688,753	2,391,163
TOTAL LIABILITIES		3,169,585	2,867,785
TOTAL EQUITY AND LIABILITIES		2,184,763	2,054,790
NET CURRENT LIABILITIES		(2,094,729)	(1,930,558)
TOTAL ASSETS LESS CURRENT LIABILITIES		(503,990)	(336,373)
NET LIABILITIES		(984,822)	(812,995)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company						Attributable to non-controlling interests		Total equity			
	Share capital	Share premium	Contributed surplus	Capital redemption reserve	Capital reserve	Convertible note reserves	Statutory reserve	Exchange reserve		Accumulated losses	Subtotal	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2021	373,926	3,761,932	31,350	(894)	995	-	12,676	(268,052)	(4,712,280)	(800,347)	(12,648)	(812,995)
Loss and other comprehensive loss for the period	-	-	-	-	-	-	-	7,558	(137,122)	(129,564)	(47,244)	(176,808)
Release upon disposal of foreign subsidiaries	-	-	-	-	-	-	-	3,238	-	3,238	1,743	4,981
At 30 June 2021	373,926	3,761,932	31,350	(894)	995	-	12,676	(257,256)	(4,849,402)	(926,673)	(58,149)	(984,822)
At 1 January 2020	343,926	3,761,932	31,350	995	(894)	-	12,677	(289,164)	(2,106,697)	1,754,125	909,680	2,663,805
Loss and total comprehensive loss for the period	-	-	-	-	-	-	-	(20,113)	22,071	1,958	(27,203)	(25,245)
At 30 June 2020	343,926	3,761,932	31,350	995	(894)	-	12,677	(309,277)	(2,084,626)	1,756,083	882,477	2,638,560

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six Months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Net cash generated from operating activities	66,689	961
Net cash used in investing activities	(9,967)	(4,462)
Net cash (used in)/generated from financing activities	(31,034)	13,598
Net increase in cash and cash equivalents	25,688	10,097
Cash and cash equivalents at 1 January	15,763	18,446
Effect of foreign exchange rate changes, net	(538)	800
Cash and cash equivalents at 30 June	40,913	29,343
Analysis of balances of cash and cash equivalents		
Cash and bank balance	40,913	29,343

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 2020, 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 annual consolidated financial statements for the year ended 31 December 2020.

2.2. Going concern

As at 30 June 2021, the Group had shareholders' deficit of approximately HK\$984,822,000 and its current liabilities exceed its current assets by approximately HK\$2,094,729,000. 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 these measures, which are subject to: (a) the debt restructuring scheme will eventually be formulated by the Company and supported by creditors; (b) the Group can successfully complete the Share Subscription and the application for the drawing down of money under the Credit Facility Agreement; and (c) the Group can successfully implement its cost control measures and improve its business operations.

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.

NOTES TO THE UNAUDITED CONDENSED 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 2020, 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.

Amendment to HKFRS 9, HKAS 39 and
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform-Phase 2

Amendment to HKFRS 16

Covid-19 — Related Rent Concessions

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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Sales of molybdenum concentrate	87,407	86,685
Property management fee income	–	2,753
Sales of chemical products	564,760	36,046
	652,167	125,484

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. OTHER INCOME

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Continuing operations		
Bank interest income	25	32
Loan interest income	–	37,763
Imputed interest income from long-term receivables	–	21,308
Government grant	153	1,835
Sales of by-products	1,505	848
	1,683	61,786

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2021 (Unaudited)		
	Continuing operations		
	Mining exploitation HK\$'000	Trading of chemical products HK\$'000	Total HK\$'000
Segment revenue	87,407	564,760	652,167
Segment results	(31,785)	7,942	(23,843)
Unallocated income			25
Finance cost			(141,487)
Other gains and losses			(2,802)
Unallocated expenses			(7,755)
Loss before taxation			(175,862)
Taxation			-
Loss for the period from continuing operations			(175,862)

Other segment information:

	Mining	Trading of	Others	Total
	exploitation	chemical		
	HK\$'000	products	HK\$'000	HK\$'000
Capital expenditures	9,212	739	-	9,951
Depreciation and amortisation	8,893	19,235	2,804	30,932

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	For the six months ended 30 June 2020 (Unaudited) (Re-presented) Continuing operations			
	Property management	Mining exploitation	Trading of chemical products	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	2,753	86,685	36,046	125,484
Segment results	(2,053)	37,592	(25,479)	10,060
Unallocated income				61,094
Finance cost				(152,914)
Other gains and losses				90,427
Unallocated expenses				(17,090)
Loss before taxation				(8,423)
Taxation				3,037
Loss for the period from continuing operations				(5,386)

Other segment information:

	Trading of chemical products				
	Property management	Mining exploitation	Trading of chemical products	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditures	9	3,201	1,252	–	4,462
Depreciation and amortisation	2	27,772	17,601	4,736	50,111

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

As at 30 June 2021 (Unaudited)

	Mining exploitation HK\$'000	Trading of chemical products HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment assets	1,617,030	508,615	59,118	2,184,763
Segment liabilities	930,612	813,916	1,425,057	3,169,585

As at 31 December 2020
(Audited)

	Mining operation			Unallocated HK\$'000	Total HK\$'000
	Mining exploitation HK\$'000	Trading of mineral resources HK\$'000	Trading of chemical products HK\$'000		
Segment assets	1,592,674	183	406,075	55,858	2,054,790
Segment liabilities	857,504	506	676,218	1,333,557	2,867,785

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Re-presented)
Continuing operations		
Amortisation of mining rights	–	(19,507)
Amortisation of right-of-use assets	(3,612)	(4,819)
Gain on modification of loan	–	112,313
(Loss)/Gain on disposal of property, plant and equipment	(283)	2,440
	(3,895)	90,427

8. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Interest on bank loans and other borrowings		
wholly repayable within five years	141,487	152,914

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Re-presented)
Continuing operations		
Depreciation of property, plant and equipment	27,320	25,803
Amortisation of right-of-use assets*	3,612	4,819
Director's emoluments	1,552	1,672
Staff costs		
– Wages and salaries	21,345	16,639
– Retirement benefits contributions	2,155	1,129
Amortisation of mining rights*	–	19,507

* Included in other gains and losses

10. TAXATION

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Current tax:		
People's Republic of China ("PRC")		
corporate income tax	–	1,840
Deferred tax	–	(4,877)
	–	(3,037)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- (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 (2020: 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 2020: 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 2021 (six months ended 30 June 2020: Nil).

12. EARNING/LOSS PER SHARE

(a) Basic earning/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\$137,122,000 for six months ended 30 June 2021 (six months ended 30 June 2020 from continuing and discontinued operations: profit of approximately HK\$22,071,000) and the weighted average number of 23,370,386,286 shares in issue during the period (six months ended 30 June 2020: 21,495,386,286).

For continuing operations

Basic loss per share for continuing operations is HK\$0.60 cents per share for the six months ended 30 June 2021 (six months ended 30 June 2020: earning per share of HK\$0.10 cents per share) which was based on the loss for the period from continuing operations of approximately HK\$139,292,000 (six months ended 30 June 2020: profit of approximately HK\$22,071,000).

For discontinued operation

No basic earning per share for the discontinued operation for six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(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 2021 (30 June 2020: Nil).

13. MINING RIGHTS

As at 30 June 2021, 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 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade and bills receivables	29,004	16,101
Less: Allowance for credit losses	(1,098)	(1,098)
	27,906	15,003

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
0–30 days	26,135	14,051
31–60 days	443	238
61–90 days	–	–
91–180 days	–	–
Over 180 days but within one year	1,328	714
	27,906	15,003

15. TRADE AND BILLS PAYABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
0–30 days	17,846	11,755
31–60 days	40,062	26,388
61–90 days	37,976	25,014
91–180 days	66,741	43,961
Over 180 days but within one year	143,438	94,480
	306,063	201,598

ADDITIONAL INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 30 June 2021, none of the Directors or chief executives of the Company, or any of their respective associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2021, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as was known to the Directors or chief executive of the Company, the following persons had, or was deemed or taken to have, an interest or short position in the shares or underlying shares of the Company:

Name of shareholders	Capacity	Number of shares/ underlying shares held	Approximate percentage interest in the issued voting shares of the Company
Qian Yong Wei ("Mr. Qian") (Note 1)	Beneficial owner	11,500,000	0.05%
	Held by controlled corporation	3,380,408,552	14.46%
		3,391,908,552	14.51%
Xu Zhe Cheng ("Ms. Xu") (Note 2)	Held by spouse	3,391,908,552	14.51%
China Wan Tai Group Limited ("China Wan Tai") (Note 3)	Beneficial owner	234,240,000	1.00%
	Held by controlled corporation	3,146,168,552	13.46%
		3,380,408,552	14.46%

ADDITIONAL INFORMATION

Name of shareholders	Capacity	Number of shares/ underlying shares held	Approximate percentage interest in the issued voting shares of the Company
Universal Union Limited ("Universal Union")	Beneficial owner	3,146,168,552	13.46%
China Huarong Asset Management Company Limited ("China Huarong Asset") (Note 4)	Held by controlled corporations	4,888,000,000	20.92%
Huarong Real Estate Company Limited ("Huarong Real Estate") (Note 4)	Held by controlled corporations	4,888,000,000	20.92%
China Huarong International Holdings Limited ("China Huarong International") (Note 4)	Held by controlled corporations	4,888,000,000	20.92%
Oceanic Merchant Limited ("Oceanic") (Note 4)	Person having a security interest in shares	1,870,000,000	8.00%
Driven Innovation Limited ("Driven Innovation") (Note 4)	Held by controlled corporation	3,018,000,000	12.91%
Zhong Ling ("Mr. Zhong") (Note 5)	Held by controlled corporation	3,018,000,000	12.91%
China Gem Group Limited ("China Gem Group") (Note 5)	Held by controlled corporation	3,018,000,000	12.91%

ADDITIONAL INFORMATION

Name of shareholders	Capacity	Number of shares/ underlying shares held	Approximate percentage interest in the issued voting shares of the Company
China Gem Investment Management Limited (Note 5) (“ China Gem Investment ”)	Held by controlled corporation	3,018,000,000	12.91%
China Gem Fund IX L.P. (“ China Gem Fund ”) (Note 4)	Beneficial owner	3,018,000,000	12.91%
Gu Jie (“ Mr. Gu ”) (Note 6)	Beneficial owner	1,876,580,000	8.03%
Shanghai Mint Investment Advisory Company Limited (Note 7)	Held by controlled corporation	1,324,929,577	5.67%
Mint International Group Limited (Note 7)	Held by controlled corporation	1,324,929,577	5.67%
Pleasant Journey Global Limited (Note 7)	Beneficial owner	1,324,929,577	5.67%

Notes:

- Mr. Qian personally held 11,500,000 shares in the Company, and held 95% interest in China Wan Tai. China Wan Tai held 100% interest in Universal Union. Universal Union held 3,146,168,552 shares in the Company.
- Ms. Xu is the spouse of Mr. Qian. The interest of Mr. Qian was deemed to be Ms. Xu’s interest.
- These shares are held by Universal Union, a wholly-owned subsidiary of China Wan Tai which is in turn beneficially owned by Mr. Qian and Ms. Xu as to 95% and 5% respectively.

ADDITIONAL INFORMATION

4. (i) Driven Innovation is the limited partner of China Gem Fund contributing approximately 83.75% of the total capital commitment including its 3,018,000,000 ordinary shares of the Company to China Gem Fund. Driven Innovation is wholly-owned by China Huarong International which in turn is owned as to 11.90% by Huarong Zhiyuan Investment & Management Company Limited ("**Huarong Zhiyuan**") and as to 88.10% by Huarong Real Estate. Huarong Zhiyuan and Huarong Real Estate both are wholly-owned by China Huarong Asset.

(ii) Oceanic is wholly-owned by China Huarong International. Mr. Gu charged 1,870,000,000 of the Shares he is interested to Oceanic on 11 December 2014. Accordingly, China Gem Fund is interested in 3,018,000,000 Shares, Driven Innovation is deemed to be interested in 3,018,000,000 Shares, each of China Huarong Asset, Huarong Real Estate, China Huarong International is deemed to be interested in 4,888,000,000 Shares and Oceanic is interested in 1,870,000,000 Shares for the purpose of Part XV of the SFO.
5. China Gem Investment, the general partner of China Gem Fund is directly wholly-owned by China Gem Financial Group Limited which is, in turn, directly wholly-owned by China Gem Group which is, in turn, directly wholly-owned by Mr. Zhong. Accordingly, each of China Gem Investment, China Gem Financial Group Limited, China Gem Group and Mr. Zhong is deemed to be interested in 3,018,000,000 Shares held by China Gem Fund for the purpose of Part XV of the SFO.
6. The Company issued and allotted a total of 1,870,000,000 conversion shares to Mr. Gu on 29 August 2014 and Mr. Gu subsequently charged these shares to Oceanic on 11 December 2014.
7. These shares were held by Pleasant Journey Global Limited ("**Pleasant Journey**"). Pleasant Journey is wholly-owned by Mint International Group Limited which is wholly-owned by Shanghai Mint Investment Advisory Company Limited ("**Shanghai Mint**"). Shanghai Mint is deemed to be interested in the shares held by Pleasant Journey for the purpose of Part XV of the SFO.
8. These percentages are calculated on the basis of 23,370,386,286 issued shares of the Company as at 30 June 2021.

Save as disclosed above, the Directors and chief executive of the Company were not aware of any persons who, as at 30 June 2021, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or, who was, directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

ADDITIONAL INFORMATION

SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**"), was adopted pursuant to a resolution passed on 25 May 2011 and will remain in force for a period of 10 years from that date. The Scheme had expired on 24 May 2021. The purpose of the Scheme is to enable the Company to grant options to the Eligible Persons (as defined under the Scheme) as incentive or reward for their contribution to the growth of the Group or Invested Entities (as defined under the Scheme) and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Persons.

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.

ADDITIONAL INFORMATION

CHANGE IN DIRECTORS' INFORMATION

During the reporting period and up to the date of this report, 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 been appointed as the chairman of the Remuneration Committee with effect from 9 November 2021.

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. Zhao Jian has resigned as an executive Director and ceased to be the chairman of the Remuneration Committee with effect from 21 October 2021.
- (iii) Mr. Shen Jian has been appointed as an executive Director and a member of the Remuneration Committee with effect from 9 November 2021.
- (iv) Mr. Wong Wai Chun Alex ("**Mr. Wong**") has resigned as an independent non-executive Director and ceased to be the chairman of the Audit Committee, a member of each of the Remuneration Committee and the financial reporting committee of the Board with effect on 15 December 2021.
- (v) 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.
- (vi) 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.

ADDITIONAL INFORMATION

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period of the six months ended 30 June 2021.

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 2021, 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.

ADDITIONAL INFORMATION

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 2021.

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

ADDITIONAL INFORMATION

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 2021.

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.

ADDITIONAL INFORMATION

The above non-compliances arose due to the resignation of Mr. Wong, 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 Report and interim results contained herein have not been reviewed by Audit Committee.

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