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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)**

### **INSIDE INFORMATION IN RELATION TO**

#### **(I) STANDSTILL DEED**

### **REGARDING THE CONVERTIBLE NOTES**

#### **(II) NEGOTIATION WITH THE LOAN NOTE HOLDER**

#### **(III) NEGOTIATION FOR NEW ENTRUSTED LOAN ARRANGEMENT**

#### **(I) STANDSTILL DEED**

Reference is made to the announcements of the Company dated 8 December 2016 and 29 December 2016 in relation to the issue of convertible notes by the Company. Pursuant to the terms and conditions of the Convertible Notes, the repayment date in respect of the outstanding principal and interests of the Convertible Notes is on 29 December 2018.

The Board would announce that on 28 December 2018, the Company and the Noteholder entered into the Standstill Deed, pursuant to which the parties agreed to, among other things and subject to the terms and conditions therein, extend the repayment date of the Convertible Notes for nine months to 28 September 2019 under the Convertible Notes and amend the conditions therein.

## **(II) NEGOTIATION WITH THE LOAN NOTE HOLDER**

The Board would further announce that on 5 December 2018, the Company received from the lawyer of the Creditor the Statutory Demand claiming for a debt of HK\$154,517,003.01. Prior to that the Company had received another statutory demand dated 16 October 2018 issued by the Creditor claiming for the same debt and a total amount of HK\$177,380,273.97. After partial repayment of the principal of the debt and payment of interest accrued, the Creditor issued the Statutory Demand after deduction of the repayment.

The claims arose from the issue by the Company of the Loan Note to the Creditor. The Company has partially repaid the principal and continues to service interests under the Loan Note. As at 28 December 2018, the principal and interest payable to the Creditor under the Loan Note amounted to HK\$154,517,003.01 and HK\$2,876,810.62, respectively.

## **(III) NEGOTIATION FOR NEW ENTRUSTED LOAN ARRANGEMENT**

In December 2015, Luo Nan Mining as borrower, the Lender as lender and the Lending Agent as trustee and lending agent entered into the Entrusted Loan Agreement pursuant to which the Lender had entrusted the Lending Agent to grant the Entrusted Loan in the original amount of RMB235,000,000 (equivalent to approximately HK\$267,900,000) to Luo Nan Mining for a term of two years from 10 December 2015 to 10 December 2017. Owing to the adjustment of the business policy of the Lending Agent, the Entrusted Loan Agreement was not extended upon expiry on 10 December 2017. Luo Nan Mining and the Lender have been in friendly negotiation to work out an improved entrusted loan arrangement and to seek a replacement lending agent such that new entrusted loan agreement may be arranged. As of the date of this announcement, the outstanding principal of the Entrusted Loan and accrued interest thereon amount to RMB185,000,000 (equivalent to approximately HK\$210,900,000) and RMB11,840,000 (equivalent to approximately HK\$13,498,000), respectively.

**Shareholders and potential investors should note that (i) the Standstill Deed between the Company and the Noteholder is subject to conditions precedent which may or may not be satisfied; (ii) there is no assurance that repayment plan may be agreed upon between the Company and the Creditor; and (iii) there is no assurance that new entrusted loan arrangement will be agreed upon between the Lender and Luo Nan Mining. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

## **(I) STANDSTILL DEED REGARDING THE CONVERTIBLE NOTES**

Reference is made to the announcements of the Company dated 8 December 2016 and 29 December 2016 in relation to the issue of convertible notes by the Company. Pursuant to the terms and conditions of the Convertible Notes, the repayment date in respect of the outstanding principal and interests of the Convertible Notes is on 29 December 2018.

The Board would announce that on 28 December 2018, the Company and the Noteholder entered into the Standstill Deed, pursuant to which the parties agreed to, among other things and subject to the terms and conditions therein, extend the repayment date of the Convertible Notes for nine months to 29 September 2019 under the Convertible Notes and amend certain conditions therein.

The principal terms of the Standstill Deed are set out below.

### **PRINCIPAL TERMS OF THE STANDSTILL DEED**

**Date:** 28 December 2018

**Parties:** (i) the Company; and  
(ii) the Noteholder

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Noteholder and its ultimate beneficial owner(s) are Independent Third Parties.

#### **Extension of maturity date and interest payment**

Under the Standstill Deed, the Noteholder has agreed to extend the Original Maturity Date for nine (9) months, subject to the following terms and conditions:

- a. the Company shall have paid to the Noteholder part of the second payment of interest in the amount of HK\$5,000,000 on or before the Original Maturity Date and the remaining second payment of interest in the amount of HK\$20,000,000 on or before 31 March 2019;

- b. the Company shall, and shall procure its subsidiaries or any director or employee of the Group to,
  - (i) actively cooperate with the Noteholder and/or its professional advisers to work out plans to the satisfaction of the Noteholder as soon as possible in respect of the repayment of the principal and interest payable under the Convertible Notes;
  - (ii) provide to the Noteholder and/or its professional advisers as soon as possible all relevant due diligence materials, including but not limited to financial information, business information, financing documents and mortgage documents, requested by the Noteholder and/or its professional advisers from time to time;
  - (iii) consent to the Noteholder's and/or its professional advisers' access to the offices, place of business, plants and mine sites of the members of the Group and such other locations the Noteholder and/or its professional advisers consider relevant during office hours and such other times as agreed between the Company and the Noteholder and/or its professional advisers and consent to the direct contact by the Noteholder and/or its professional advisers with the relevant staff of the Group whom the Noteholder and/or its professional advisers consider necessary;
- c. during the Extended Period, there are no material breach of any contract to which any member of the Group is a party by the relevant member of the Group;
- d. the signing of the Standstill Deed and the performance of the terms thereunder will not result in the Group or the Noteholder violating any laws, regulations, policy documents, regulatory requirements and/or the Listing Rules;
- e. in all circumstances the Company guarantees not to undertake any transaction which constitutes a discloseable transaction or above unless such guarantee is waived by the Noteholder; and
- f. all approvals, authorizations and consents required by the Noteholder for the grant of the Extended Period have been obtained and remain in force and have not been revoked.

Pursuant to the Standstill Deed, the granting of an extension will not affect any and all rights and remedies of the Noteholder under the Convertible Notes (except for the conversion right attached thereto to convert into Shares and the penalty interest provisions for late payment), including but not limited to, the right to require the Company to repay all of the outstanding principal and unpaid amounts under the Convertible Notes. For the avoidance of doubt, the conversion rights attached to the Convertible Notes will expire on the Original Maturity Date.

Extension of the repayment of the amount owed under the Convertible Notes are subject to certain customary events of defaults set out in the Standstill Deed.

During the Extended Period, interest on the unpaid principal of the Conversion Notes shall be charged at the rate of 10% per annum based on a 365-day year and accrued from the first day of the Extended Period to the date of repayment according to the actual number of days of lapsed. The principal, interest accrued during the Extended Period and unpaid interest mentioned in condition (a) above (if any) are payable on the Extended Maturity Date. They shall be payable on the date of early termination, if the Extended Period is terminated earlier. After expiry of the Extended Period, all amounts payable but unpaid shall be charged interest at the penalty rate of 15% per annum. Notwithstanding the right of the Noteholder to early terminate the Extended Period, if the Noteholder early terminates the Extended Period, for the purpose of interest calculation, interest shall be chargeable at 10% per annum on the unpaid principal of the Convertible Notes during the period from the date of early termination to 29 September 2019.

### **Good faith negotiation on financing plans with the Noteholder**

In relation to the repayment plans referred to in condition b(i) above, the Company and the Noteholder shall during the Extended Period negotiate in good faith and explore various plans, including but without limitation, capitalization of the amount due to the Noteholder under the Conversion Notes, introduction of investors or financiers, with an aim to improve the financial condition of the Company so as to serve the debt owed to the Noteholder under the Conversion Notes.

Following the signing of the Standstill Deed, the Company and Noteholder have commenced constructive discussions on possible financing plans and such discussions are faring well and continue to make good progress. Further announcement will be made by the Company as and when appropriate in accordance with applicable rules and regulations.

## **(II) NEGOTIATION WITH HOLDER OF THE LOAN NOTE**

The Board would further announce that on 5 December 2018, the Company received from the lawyer of the Creditor the Statutory Demand claiming a debt of HK\$154,517,003.01. Prior to that the Company had received another statutory demand dated 16 October 2018 issued by the Creditor claiming for the same debt and a total amount of HK\$177,380,273.97. After partial repayment of the principal of the debt and payment of interest accrued, the Creditor issued the Statutory Demand after deduction of the repayment.

The claims arose from the issue by the Company of the Loan Note to the Creditor. The Company has partially repaid the principal and continues to service interests under the Loan Note. As at 28 December 2018, the principal and interest payable to the Creditor under the Loan Note amounts to HK\$154,517,003.01 and HK\$2,876,810.62, respectively. The Company is in discussion with the Creditor to work out a repayment plan, although no standstill agreement has been made. To the best knowledge of the Board, no winding up petition has been filed by the Creditor as of the date hereof.

The Company will continue to negotiate with the Creditor with an aim to agree on a mutually acceptable repayment plan. The Company will make further announcement as and when appropriate in accordance with applicable rules and regulations.

## **(III) NEGOTIATION FOR NEW ENTRUSTED LOAN ARRANGEMENT**

In December 2015, Luo Nan Mining as borrower, the Lender as lender and the Lending Agent as trustee and lending agent entered into the Entrusted Loan Agreement pursuant to which the Lender had entrusted the Lending Agent to grant the Entrusted Loan in the original amount of RMB235,000,000 (equivalent to approximately HK\$267,900,000) to Luo Nan Mining for a term of two years from 10 December 2015 to 10 December 2017. Luo Nan Mining had partially repaid the Entrusted Loan by RMB50,000,000 (equivalent to approximately HK\$57,000,000). As of the date of this announcement, the outstanding principal of the Entrusted Loan and accrued interest thereon amount to RMB185,000,000 (equivalent to approximately HK\$210,900,000) and RMB11,840,000 (equivalent to approximately HK\$13,498,000), respectively.

Luo Nan Mining is an indirect non wholly-owned subsidiary of the Company. The Company has a direct 65% interest in Luo Nan Mining's ultimate offshore holding company which in turn has an indirect 60% equity interest in Luo Nan Mining, and thereby the Company has an effective interest of 39% in Luo Nan Mining. The principal asset of Luo Nan Mining is a potassium feldspar mine located in Shangluo City, Luonan County, Shaanxi Province, the PRC. The in-pit indicated and inferred mineral resource estimates for the potassium feldspar mine were 63,186,000 tonnes and 40,490,000 tonnes respectively according to a technical report from an international mining technical advisory firm. The Company completed the acquisition of interest in Luo Nan Mining in January 2017. For details of Luo Nan Mining, please refer to the announcement of the Company dated 29 December 2016. The Entrusted Loan proceeds has been used in the operation, capital expenditure and as working capital of Luo Nan Mining.

The Entrusted Loan is secured by, amongst others, the mining right held by Luo Nan Mining and the direct and indirect equity interests in Luo Nan Mining held by the shareholders of Luo Nan Mining. Various pledge agreements were entered into by the relevant pledgors with Lending Agent.

Owing to the adjustment of the business policy of the Lending Agent, the Entrusted Loan Agreement was not extended upon expiry on 10 December 2017. Luo Nan Mining and the Lender have been in friendly negotiation to work out an improved entrusted loan arrangement and to seek a replacement lending agent such that new entrusted loan agreement may be arranged. The Board considers that the steady growth of the operation of Luo Nan Mining, the quality and substantial value of the collaterals and the Group's long-standing relationship with the Lender are conducive to a new entrusted loan arrangement being agreed upon. The Company will make further announcement as and when appropriate for major development in the negotiation of any new entrusted loan arrangement in accordance with applicable rules and regulations.

## **GENERAL**

The Company is gathering information from the Group companies for the most updated indebtedness position of the Group, including the current status of repayment of the other debts and will make further announcement as and when appropriate in accordance with applicable rules and regulations.



Shareholders and potential investors should note that (i) the Standstill Deed between the Company and the Noteholder is subject to conditions precedent which may or may not be satisfied; (ii) there is no assurance that repayment plan may be agreed upon between the Company and the Creditor; and (iii) there is no assurance that new entrusted loan arrangement will be agreed upon between the Lender and Luo Nan Mining. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

<b>“Board”</b>	the board of directors of the Company
<b>“Company”</b>	North Mining Shares Company Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 433)
<b>“connected persons”</b>	has the meaning ascribed thereto in the Listing Rules
<b>“Convertible Notes”</b>	10% convertible notes in the aggregate principal amount of HK\$250 million due 2018, which were issued by the Company to the Original Subscriber pursuant to the conditional subscription agreement dated 8 December 2016 entered into between the Company and the Original Subscriber and subsequently novated to the Noteholder pursuant to a deed of novation entered into between the Original Subscriber, the Company and the Noteholder
<b>“Creditor”</b>	a company incorporated in the Cayman Islands, holder of the Loan Note
<b>“Directors”</b>	the directors of the Company
<b>“Entrusted Loan”</b>	the loan in the principal amount of RMB235 million (equivalent to approximately HK\$268 million) entrusted by the Lender to the Lending Agent pursuant to the Entrusted Loan Agreement



<b>“Entrusted Loan Agreement”</b>	an entrusted loan agreement entered into in December 2015 between Luo Nan Mining, the Lender and the Lending Agent in relation to the provision of the Entrusted Loan to Luo Nan Mining for an initial period of two years from 10 December 2015 to 10 December 2017
<b>“Extended Maturity Date”</b>	29 September 2019, being the new maturity date of the Convertible Notes pursuant to the Standstill Deed
<b>“Extended Period”</b>	the period commencing from the date immediately following the Original Maturity Date and the Extended Maturity Date
<b>“Group”</b>	the Company and its subsidiaries
<b>“HK\$”</b>	Hong Kong dollar, the lawful currency of Hong Kong
<b>“Hong Kong”</b>	Hong Kong Special Administrative Region of the People’s Republic of China
<b>“Independent Third Party(ies)”</b>	a third party independent of and not connected with the Company and its subsidiaries and its connected persons
<b>“Lender”</b>	華融（中國）投資管理有限公司(Huarong (China) Investment Management Company Limited*), a company established in the PRC with limited liability
<b>“Lending Agent”</b>	中國民生銀行股份有限公司西安分行(Xian Branch of China Minsheng Banking Corporation Limited*), a banking institution established in the PRC
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Loan Note”</b>	an unlisted loan note dated 20 September 2017 issued by the Company to the Creditor, as subsequently revised by a supplemental agreement dated 20 March 2018, among other things, to extend the maturity date of the loan note from 19 March 2018 to 19 June 2018

<b>“Luo Nan Mining”</b>	洛南縣大秦鉀礦有限公司 (Luo Nan Xian Da Qin Jia Mining Company Limited*), a limited liability company established in the PRC, an indirect non wholly-owned subsidiary of the Company
<b>“Noteholder”</b>	廣州基金國際股權投資基金管理有限公司 (Sfund International Investment Fund Management Limited), an affiliate of the Original Subscriber
<b>“Original Maturity Date”</b>	29 December 2018, being the original maturity date of the Convertible Notes
<b>“Original Subscriber”</b>	Shanghai Huiyin Hanfei Equity Investment Fund Management Company Limited* (上海滙垠翰非股權投資基金管理有限公司), a company incorporated in the PRC with limited liability and is owned as to 40% by Guangzhou Industrial Investment Fund Management Co., Ltd.* (廣州產業投資基金管理有限公司)
<b>“PRC”</b>	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
<b>“Shares”</b>	share(s) of the Company
<b>“Shareholder(s)”</b>	holder(s) of Shares
<b>“Standstill Deed”</b>	the standstill deed dated 28 December 2018 and entered into between the Company and the Noteholder pursuant to which (among other terms) the maturity date of the Conversion Notes was agreed to be extended, on and subject to certain terms and conditions therein
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Statutory Demand”</b>	the statutory demand dated 4 December 2018 issued by the Creditor to the Company under section 178(1)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the laws of Hong Kong)
<b>“%”</b>	per cent.

*Unless otherwise specified in this announcement, amounts denominated in Renminbi have been converted, for the purpose of illustration only, into Hong Kong dollars at the rate of RMB1:HK\$1.14. No representation is made that any amounts in Hong Kong dollars and Renminbi were or could have been or could be converted into each other at such rates or any other exchange rates on the date of this announcement or any other date.*

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

Hong Kong, 30 December 2018

*As at the date of the announcement, the Board comprises Mr. Yang Ying Min, Mr. Qian Yi Dong, Mr. Zhang Jia Kun and Mr. Zhao Jian as executive Directors; and Mr. William Fong, Mr. Leung Kar Fai and Dr. Cheng Chak Ho as independent non-executive Directors.*

\* *For identification purpose only*