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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)

(1) MOU IN RESPECT OF THE POSSIBLE SUBSCRIPTION AND (2) POSSIBLE APPLICATION FOR WHITEWASH WAIVER

MOU IN RESPECT OF THE POSSIBLE SUBSCRIPTION

The Board is pleased to announce that on 18 September 2019 (after trading hours), the Company (as issuer) entered into the MOU with SFund International and Mr. Qian (as Potential Subscribers) and the MOU sets out the preliminary understandings of the parties in relation to the Possible Subscription.

The MOU records the intention of the Potential Subscribers (subject to signing of the Formal Agreement) to subscribe for the Subscription Shares, the subscription amount of which is expected to be settled by (i) cash; and (ii) settlement of the principal amount of Bonds. It is also intended that the Potential Subscribers will own more than 30% of the enlarged issued share capital of the Company immediately upon completion of the Possible Subscription.

IMPLICATIONS OF THE POSSIBLE SUBSCRIPTION UNDER THE TAKEOVERS CODE AND POSSIBLE APPLICATION FOR WHITEWASH WAIVER

If the Possible Subscription materialises, immediately after completion of the Possible Subscription, the Potential Subscribers and the parties acting in concert with any of them will in aggregate be interested in more than 30% of the enlarged issued share capital of the Company.

Under Rule 26.1 of the Takeovers Code, the Potential Subscribers would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares not already owned or agreed to be acquired by the Potential Subscribers and parties acting in concert with any of them unless the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders. In this regard, it is intended that the Possible Subscription will be conditional upon the granting of the Whitewash Waiver and the Whitewash Waiver having been approved by the Independent Shareholders at the special general meeting of the Company.

The Company and the Potential Subscribers have agreed not to reserve the right to waive the conditions in relation to the Whitewash Waiver. As such, the conditions in relation to the Whitewash Waiver will not be waivable.

Completion of the Possible Subscription, if materialises, will be subject to the terms of the Formal Agreement. As the MOU may or may not lead to the entering into of the Formal Agreement and the Possible Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

MOU IN RESPECT OF THE POSSIBLE SUBSCRIPTION

The Board is pleased to announce that on 18 September 2019 (after trading hours), the Company (as issuer) entered into the MOU with SFund International and Mr. Qian (as Potential Subscribers) and the MOU sets out the preliminary understandings of the parties in relation to the Possible Subscription.

Possible subscription of new Shares

The MOU records the intention of the Potential Subscribers (subject to signing of the Formal Agreement) to subscribe:

- (i) as to SFund International (or its subsidiary(ies)) for the Subscription Shares in an aggregate amount of approximately HK\$350,000,000, which is expected to be settled (i) in cash of approximately HK\$100,000,000; and (ii) (as SFund International may determine) by way of settlement of the outstanding principal amount of the Bonds of HK\$250,000,000; and
- (ii) as to Mr. Qian (or his wholly-owned special purpose vehicle(s)) for the Subscription Shares in an aggregate amount of HK\$50,000,000, which is expected to be settled in cash.

It is intended that the Potential Subscribers will own more than 30% of the enlarged issued share capital of the Company immediately upon completion of the Possible Subscription.

Conditions precedent

Completion of the Possible Subscription will be conditional upon, among other conditions, the Executive having granted the Whitewash Waiver to the Potential Subscribers, the Whitewash Waiver having been approved by the Independent Shareholders and the Independent Shareholders having approved the transactions under the Possible Subscription.

The Company and the Potential Subscribers have agreed not to reserve the right to waive the above conditions in relation to the Whitewash Waiver. As such, the conditions in relation to the Whitewash Waiver will not be waivable.

In the event that the Whitewash Waiver is not granted or not approved by the Independent Shareholders at the special general meeting of the Company, the Potential Subscribers would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares not already owned or agreed to be acquired by the Potential Subscribers and parties acting in concert with any of them. As such, the Possible Subscription will not proceed.

Undertaking by the Company and Mr. Qian

Pursuant to the MOU, the Company and Mr. Qian undertook to SFund International that they will (i) notify SFund International within two business days on the occurrence of any material changes in relation to, including but not limited to, the business, financial, litigation, arbitration or disputes of the Group; and (ii) cooperate with SFund International for conducting the due diligence on the Group.

Non legally-binding effect

Save for the provisions on the undertaking by the Company and Mr. Qian mentioned in the paragraph headed “Undertaking by the Company and Mr. Qian”, expenses, binding effect and the governing law of the MOU, the MOU is not legally binding. The Possible Subscription will be subject to the execution of the Formal Agreement. The detailed terms and conditions of the Possible Subscription will be set out in the Formal Agreement.

THE POTENTIAL SUBSCRIBERS

SFUND INTERNATIONAL

SFund International is a company incorporated in Hong Kong with limited liability. SFund International and its group are principally engaged in equity investment and fund management. SFund International is an indirect wholly-owned subsidiary of Guangzhou Industrial Investment Fund Management Co., Ltd.* (廣州產業投資基金管理有限公司), which is in turn wholly-owned by Guangzhou City Construction Investment Group Co., Ltd.* (廣州市城市建設投資集團有限公司) (“**Guangzhou City Construction**”). Guangzhou City Construction is wholly-owned by the Guangzhou Municipal Government.

Mr. Qian

Mr. Qian is an executive Director and the son of Mr. Qian Yong Wei. Mr. Qian Yong Wei and Ms. Xu Zhe Cheng (being the spouse of Mr. Qian Yong Wei) are substantial shareholders of the Company who beneficially interested in 3,391,908,552 Shares (representing approximately 15.78% of the issued share capital of the Company) as at the date of this announcement.

By virtue of entering into the MOU and for the purposes of the Takeovers Code, SFund International is a party acting in concert with Mr. Qian; Mr. Qian Yong Wei and Ms. Xu Zhe Cheng are parties acting in concert with the Potential Subscribers.

REASONS FOR THE POSSIBLE SUBSCRIPTION

The Directors consider that the Possible Subscription represents an opportunity to strengthen the financial position of the Company, and the Possible Subscription will be in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE POSSIBLE SUBSCRIPTION UNDER THE TAKEOVERS CODE AND POSSIBLE APPLICATION FOR WHITEWASH WAIVER

If the Possible Subscription materialises, immediately after completion of the Possible Subscription, the Potential Subscribers and the parties acting in concert with any of them will in aggregate be interested in more than 30% of the enlarged issued share capital of the Company.

Under Rule 26.1 of the Takeovers Code, the Potential Subscribers would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares not already owned or agreed to be acquired by the Potential Subscribers and parties acting in concert with any of them unless the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders. In this regard, it is intended that the Possible Subscription will be conditional upon the granting of the Whitewash Waiver and the Whitewash Waiver having been approved by the Independent Shareholders at the special general meeting of the Company.

The Company and the Potential Subscribers have agreed not to reserve the right to waive the above conditions in relation to the Whitewash Waiver. As such, the conditions in relation to the Whitewash Waiver will not be waivable.

Further announcement(s) in respect of the Possible Subscription in compliance with the Listing Rules and the Takeovers Code will be made by the Company as and when appropriate. In addition, monthly announcement(s) will be made by the Company regarding the Possible Subscription.

Completion of the Possible Subscription, if materialises, will be subject to the terms of the Formal Agreement. As the MOU may or may not lead to the entering into of the Formal Agreement and the Possible Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

The following terms have the following meanings in this announcement unless the context otherwise requires:

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Board”	the board of Directors
“Bonds”	the non-convertible bonds in the principal amount of HK\$250,000,000 issued by the Company and currently held by SFund International
“Company”	North Mining Shares Company Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 433)
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission from time to time or any delegate of such Executive Director
“Formal Agreement”	the formal legally-binding agreement, if any, to be entered into between the Company and the Potential Subscribers in connection with the Possible Subscription
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than (i) the Potential Subscribers, their respective associates (as defined under the Listing Rules) and the parties acting in concert with any of them and (ii) other Shareholders who are interested in or involved in the Possible Subscription and/or the Whitewash Waiver
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“MOU”	the non-legally binding memorandum of understanding dated 18 September 2019 entered into between the Company and the Potential Subscribers setting out the preliminary understandings in relation to the Possible Subscription
“Mr. Qian”	Mr. Qian Yi Dong, an executive Director
“Possible Subscription”	the possible subscription for the Subscription Shares by the Potential Subscribers
“Potential Subscribers”	SFund International and Mr. Qian
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“SFund International”	廣州基金國際股權投資基金管理有限公司 (SFund International Investment Fund Management Limited), a company established in Hong Kong with limited liability
“Share(s)”	ordinary shares of HK\$0.016 each in the share capital of the Company
“Shareholders”	the holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Shares”	new Shares to be allotted and issued to the Potential Subscribers pursuant to the Formal Agreement
“substantial shareholders”	has the meaning ascribed to it in the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers as in force and as amended from time to time

“Whitewash Waiver”

whitewash waiver as may be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of any obligation of the Potential Subscribers to make a mandatory general offer for all the issued Shares not already owned (or agreed to be acquired) by the Potential Subscribers and parties acting in concert with any of them which might otherwise arise as a result of the Possible Subscription

“%”

per cent.

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

Hong Kong, 18 September 2019

As at the date of this announcement, the Board of the Company comprises Mr. Yang Ying Min, Mr. Qian Yi Dong, Mr. Zhang Jia Kun and Mr. Zhao Jian as Executive Directors; and Mr. Wong Wai Chun Alex, Dato Dr. Cheng Chak Ho and Mr. Yeung Yat Chuen as Independent Non-executive Directors.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

* *for identification purpose only*