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NORTH MINING SHARES COMPANY LIMITED

北方礦業股份有限公司

(Provisional Liquidators Appointed)

(For Restructuring Purposes)

(Incorporated in Bermuda with limited liability)

(Stock Code: 433)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 7 June 2020, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has agreed to subscribe for, the 1,875,000,000 Subscription Shares to the Subscriber at a price of HK\$0.016 per Subscription Share.

The 1,875,000,000 Subscription Shares under the Subscription represent (i) approximately 8.72% of the existing issued share capital of the Company of 21,495,386,286 Shares as at the date of this announcement; and (ii) approximately 8.02% of the Company's issued share capital of 23,370,386,286 Shares as enlarged by the Subscription Shares. 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.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares. The Subscription Shares will be allotted and issued under the General Mandate.

The net proceeds from the Subscription will be approximately HK\$30 million. The Company intends 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, as disclosed by the Company concurrently with this announcement in another announcement of the Company dated 7 June 2020; (ii) repayment of other indebtedness of the Group; and (iii) general working capital of the Group.

Completion of the Subscription is subject to the satisfaction of the condition precedent in the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

On 7 June 2020, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has agreed to subscribe for, the 1,875,000,000 Subscription Shares to the Subscriber at a price of HK\$0.016 per Subscription Share.

THE SUBSCRIPTION AGREEMENT

Date: 7 June 2020

Issuer: The Company

Subscriber: Mr. Xu Qi Gao

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Mr. Xu Qi Gao is an Independent Third Party.

Subscription Shares

The 1,875,000,000 Subscription Shares under the Subscription represent (i) approximately 8.72% of the existing issued share capital of the Company of 21,495,386,286 Shares as at the date of this announcement; and (ii) approximately 8.02% of the Company's issued share capital of 23,370,386,286 Shares as enlarged by the Subscription Shares.

Ranking of Subscription Shares

The Subscription Shares will, upon issue, rank pari passu in all respects with the Shares in issue as at the Completion Date and shall be allotted and issued by the Company free from all liens, charges, security interests, encumbrances or other third party rights together with all rights attaching thereto on and after the date of their allotment including all dividends declared or payable or distributions made or proposed to be made at any time by reference to a record date falling on or after the date of allotment of the Subscription Shares.

Subscription Price

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 Subscription Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Subscriber. The Directors consider that the terms of the Subscription are on normal commercial terms and are fair and reasonable based on the current market conditions and the Subscription is in the interests of the Company and the Shareholders as a whole.

Issue of the Subscription Shares under the General Mandate

The Subscription Shares will be issued under the General Mandate granted to the Directors by a resolution of the Shareholders passed at the AGM subject to the limit of up to 20% of the issued share capital of the Company as at the date of the AGM, (i.e. 4,299,077,257 Shares, representing 20% of 21,495,386,286 Shares in issue as at the date of the AGM). Up to the date of this announcement, no Shares have been issued under the General Mandate. The Subscription is not subject to Shareholders' approval.

An application will be made by the Company to the Stock Exchange for the grant of approval in the listing of, and permission to deal in, the Subscription Shares.

Conditions Precedent of the Subscription

Completion of the Subscription under the Subscription Agreement shall be conditional upon the following conditions precedent being fulfilled (or being waived by any of the parties to the Subscription Agreement) on or before 5:00 p.m. (Hong Kong time) on the Long Stop Date (or as the case may be the Completion Date):

- a) withdrawal of (i) the winding-up petition presented by the Petitioner in the Court of First Instance of the High Court of Hong Kong against the Company, and (ii) the winding-up petition presented by the Company in the Supreme Court of Bermuda;
- b) approval from the joint and several provisional liquidators of the Company, being Hou Chung Man and Kan Lap Kee of Shinewing Specialist Advisory Services Limited and Edward Alexander Niles Whittaker of R&H Services Limited, in respect of the transactions contemplated under the Subscription Agreement;
- c) the compliance with the requirements of the Stock Exchange and the Listing Rules, including but not limited to the listing of and permission to deal in all of the Subscription Shares being granted by the Listing Committee of the Stock Exchange (either unconditionally, or subject to customary conditions);
- d) the Shares remaining listed and traded on the Stock Exchange at all times from the date of the Subscription Agreement to the Completion Date, save for any temporary suspension not exceeding five (5) consecutive trading days (as defined under the Listing Rules), or such longer period as the Subscriber may accept in writing, and no indication being received by the Company on or before the Completion Date from the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange will or may be withdrawn or objected to as a result of Completion or in connection with the terms of the Subscription Agreement;
- e) the representations, warranties and undertakings of the Company remaining true and accurate in all material respects, and not misleading in any material respect, as given on the date of the Subscription Agreement and at Completion;
- f) the representations, warranties and undertakings of the Subscriber remaining true and accurate in all material respects, and not misleading in any material respect, as given on the date of the Subscription Agreement and at Completion;
- g) each of the parties to the Subscription Agreement having performed in all material respects all of the covenants and agreements required to be performed by it under the Subscription Agreement on or prior to the Completion Date.

The Subscriber has the right to waive the above conditions precedent (d), (e) and/or (g), and the Company has the right to waive the above conditions precedent (f) and/or (g). Save as the foregoing, neither the Company nor the subscriber (as the case may be) may waive any of the above conditions precedent.

In the event any of the above conditions precedent is not fulfilled (or being waived by any parties to the Subscription Agreement), at or before 5:00 p.m. (Hong Kong time) on the Long Stop Date, the Subscription Agreement shall terminate, and, save for any antecedent breaches thereof, neither party to the Subscription Agreement shall have any obligations and responsibilities to the other party under the Subscription Agreement.

Completion of the Subscription

Subject to fulfilment (or, where appropriate, waiver by any of the parties to the Subscription Agreement) of the conditions precedent to the Subscription Agreement, Completion shall take place on the Completion Date.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The principal activities of the Group are: (i) investment holdings; (ii) mining operations — exploitation and trading of mineral resources; and (iii) chemical trading operations — manufacturing and sale of chemical products. The Directors are of the view that the Subscription can strengthen the financial position of the Group and provide additional working capital to the Group to meet any future development and obligations. The Directors consider that the Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The net proceeds from the Subscription will be approximately HK\$30 million. The Company intends 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, as disclosed by the Company concurrently with this announcement in another announcement of the Company dated 7 June 2020; (ii) repayment of other indebtedness of the Group; and (iii) general working capital of the Group.

EFFECTS ON SHAREHOLDING STRUCTURE

The existing and enlarged shareholding structure of the Company immediately before and after the Completion is set out below:

	As at the date of this announcement		Immediately after Completion	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Qian Yong Wei (“ Mr. Qian ”) (Note 1)	11,500,000	0.05	11,500,000	0.05
China Wan Tai Group Limited (“ China Wan Tai ”) (Note 1)	234,240,000	1.09	234,240,000	1.00
Universal Union Limited (“ Universal Union ”) (Note 1)	3,146,168,552	14.64	3,146,168,552	13.46
China Gem Fund IX L.P. (“ China Gem Fund ”) (Notes 2, 3)	3,018,000,000	14.04	3,018,000,000	12.91
Gu Jie (“ Mr. Gu ”) (Notes 2, 4)	1,876,580,000	8.73	1,876,580,000	8.03
Pleasant Journey Global Limited (“ Pleasant Journey ”) (Note 5)	1,324,929,577	6.16	1,324,929,577	5.67
The Subscriber	—	—	1,875,000,000	8.02
Other public Shareholders	11,883,968,157	55.29	11,883,968,157	50.85
Total	<u>21,495,386,286</u>	<u>100.00</u>	<u>23,370,386,286</u>	<u>100.00</u>

Notes:

- Mr. Qian beneficially owns 11,500,000 Shares, and held 95% interest in China Wan Tai. China Wan Tai beneficially owns 234,240,000 Shares, and held 100% interest in Universal Union. Universal Union beneficially owns 3,146,168,552 Shares.
- Driven Innovation Limited (“**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 Shares to China Gem Fund. Driven Innovation is wholly owned by China Huarong International Holdings Limited (“**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 Company Limited (“**Huarong Real Estate**”). Huarong Zhiyuan and Huarong Real Estate both are wholly owned by China Huarong Asset Management Company Limited. (ii) Oceanic Merchant Limited (“**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.

- (3) China Gem Investment Management Limited (“**China Gem Investment**”), the general partner of China Gem Fund is directly wholly-owned by China Gem Financial Group Limited (“**China Gem Financial**”) which is, in turn, directly wholly-owned by China Gem Group Limited (“**China Gem Group**”) which is, in turn, directly wholly owned by Zhong Ling (“**Mr. Zhong**”). Accordingly, each of China Gem Investment, China Gem Financial, 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.
- (4) 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.
- (5) These shares were held by 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.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fundraising activities in the past twelve months immediately preceding the date of this announcement.

GENERAL

Shareholders and potential investors should note that Completion is subject to fulfilment of the conditions precedent under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares or other securities of the Company.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, unless the context otherwise required, the following terms and expressions shall have the following meanings when used herein.

“AGM”	the annual general meeting of the Company held on 30 May 2019
“Board”	board of Directors
“Business Day”	any day (not being a Saturday, Sunday and public or statutory holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours

“Company”	North Mining Shares Company Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Subscription pursuant to the terms of the Subscription Agreement
“Completion Date”	a date within five (5) Business Days after all of the conditions precedent to the Subscription Agreement have been fulfilled by the Company or, as the case may be, waived by the Subscriber (or such later date as the Company and the Subscriber may agree in writing)
“Directors”	the directors of the Company
“General Mandate”	the general mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the AGM
“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 People’s Republic of China
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is(are) independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders, of the Company, its subsidiaries or any of their respective associate(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 July 2020
“Petitioner”	Natu Investment Management 1 Company Limited
“PRC”	The People’s Republic of China

“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.016 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Mr. Xu Qi Gao, the subscriber of the Subscription Shares under the Subscription Agreement
“Subscription”	the Subscription of 1,875,000,000 Subscription Shares pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the conditional Subscription agreement dated 7 June 2020 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	HK\$0.016 per Subscription Share
“Subscription Share(s)”	1,875,000,000 new Shares to be allotted and issued and placed to the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“substantial shareholder(s)”	has the meaning as described thereto under the Listing Rules
“%”	per cent.

By order of the Board
North Mining Shares Company Limited
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
Yang Ying Min
Chairman

Hong Kong, 7 June 2020

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.