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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)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

This announcement is made by North Mining Shares Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) to announce the audited results of the Group for the year ended 31 December 2023 (the “**Annual Results**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	3	1,533,714	1,295,666
Cost of sales		<u>(1,441,307)</u>	<u>(1,108,585)</u>
Gross profit		92,407	187,081
Other income		2,410	2,820
Research and development cost		(46,464)	(32,048)
Impairment of losses under expected credit loss, net		(17,278)	(542)
Other gains and losses		(183,755)	(103,351)
Loss on debt restructuring	5	(1,343,925)	–
Administrative expenses		<u>(143,965)</u>	<u>(159,824)</u>
Loss from operations		(1,640,570)	(105,864)
Finance costs		<u>(132,193)</u>	<u>(140,030)</u>
Loss before income tax	6	(1,772,763)	(245,894)
Taxation	7	<u>12,891</u>	<u>(164)</u>
Loss for the year		<u>(1,759,872)</u>	<u>(246,058)</u>
Other comprehensive income (Net of tax effect):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign subsidiaries		<u>6,239</u>	<u>8,828</u>
Other comprehensive income for the year		<u>6,239</u>	<u>8,828</u>
Total comprehensive expense for the year		<u><u>(1,753,633)</u></u>	<u><u>(237,230)</u></u>

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company		(1,632,535)	(162,643)
Non-controlling interests		<u>(127,337)</u>	<u>(83,415)</u>
Loss for the year		<u><u>(1,759,872)</u></u>	<u><u>(246,058)</u></u>
Total comprehensive expense attributable to:			
Owners of the Company		(1,636,018)	(185,767)
Non-controlling interests		<u>(117,615)</u>	<u>(51,463)</u>
Total comprehensive expense for the year		<u><u>(1,753,633)</u></u>	<u><u>(237,230)</u></u>
			(Restated)
Loss per share			
— Basic, HK cents	9	<u><u>(10.14)</u></u>	<u><u>(13.92)</u></u>
— Diluted, HK cents	9	<u><u>(10.14)</u></u>	<u><u>(13.92)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
ASSETS			
Non-Current assets			
Property, plant and equipment		591,617	699,942
Mining rights		782,369	852,585
Goodwill		–	13,403
Prepayments		26,206	–
Right-of-use assets		37,023	44,018
		<u>1,437,215</u>	<u>1,609,948</u>
Current assets			
Inventories		156,176	271,949
Trade and bill receivables	<i>10</i>	116,001	9,468
Prepayments, deposits and other receivables		43,614	114,291
Cash and cash equivalents		5,941	11,344
		<u>321,732</u>	<u>407,052</u>
TOTAL ASSETS		<u>1,758,947</u>	<u>2,017,000</u>
CAPITAL AND RESERVES			
Share capital		250,233	373,926
Reserves		(290,205)	(1,700,425)
Equity attributable to owners of the Company		(39,972)	(1,326,499)
Non-controlling interests		(297,194)	(179,579)
TOTAL EQUITY		<u>(337,166)</u>	<u>(1,506,078)</u>

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
LIABILITIES			
Non-Current liabilities			
Bank loans and other borrowings		27,533	16,890
Lease liabilities		7,162	7,589
Deferred tax liabilities		219,298	237,384
		<u>253,993</u>	<u>261,863</u>
Current liabilities			
Trade and bill payables	<i>11</i>	373,998	286,444
Other payables and accruals		682,241	1,022,009
Contract liabilities		116,206	222,963
Bank loans and other borrowings		669,415	1,325,375
Lease liabilities		260	236
Corporate bond		–	404,188
		<u>1,842,120</u>	<u>3,261,215</u>
TOTAL LIABILITIES		<u>2,096,113</u>	<u>3,523,078</u>
TOTAL EQUITY AND LIABILITIES		<u>1,758,947</u>	<u>2,017,000</u>
NET CURRENT LIABILITIES		<u>(1,520,388)</u>	<u>(2,854,163)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(83,173)</u>	<u>(1,244,215)</u>
NET LIABILITIES		<u>(337,166)</u>	<u>(1,506,078)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL 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 shares of the Company (the “**Shares**”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (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 2004-05, 20/F, Kwan Chart Tower, 6 Tonnochy Road Wan Chai, 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 consolidated financial statements are presented in Hong Kong dollars, which is the same functional currency of the Company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

2.1 Statement of compliance and basis for preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

2.2 Going concern

The Group sustained a loss of approximately HK\$1,759,872,000 for the year ended 31 December 2023 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK\$1,520,388,000 and HK\$337,166,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the aforesaid conditions, these consolidated financial statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the directors of the Company (the “**Directors**”), the Group can meet its financial obligations as and when they fall due within the next year from the date of the consolidated financial statements, after taking into consideration of the following measures and arrangements made subsequent to the reporting date:

- (i) The Directors will strengthen to implement measures aiming of improving the working capital and cash flow of the Group including closely monitoring the general administrative expenses and operating costs;

- (ii) The Directors will continue to source for additional funding and negotiate with certain bankers and creditors to obtain additional banking facilities and/or extend the borrowings when they fall due;
- (iii) In the opinion of the Directors, they are negotiating with several independent parties in relation to proceed subscription of shares. The Directors hold a positive and encouraging opinion of ongoing negotiations with these parties regarding the potential subscription of shares; and
- (iv) The Group's mining operation will be resumed in 2024 after obtaining all the necessary approval certificate from the PRC's authorities. The Directors are in the opinion that the Group's mining operation will generate positive cash flow and that will improve the overall liquidity position of the Group.

On the basis of the foregoing, and after assessing the Group's current and forecasted cash positions, the Directors are satisfied that the Group will be able to meet in full the Group's financial obligations as they fall due for the period of twelve months from the date of consolidated financial statements. Accordingly, the consolidated financial statements of the Group have been prepared on the going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the value of 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 potential adjustments have not been reflected in these consolidated financial statements.

3. REVENUE

An analysis of the Group's revenue and other income is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue:		
Sales of molybdenum concentrate	–	221,332
Sales of chemical products	<u>1,533,714</u>	<u>1,074,334</u>
	<u><u>1,533,714</u></u>	<u><u>1,295,666</u></u>

4. SEGMENT INFORMATION

Operating segments have been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM") for the purpose of allocating resources to segments and to assessing their performance.

For management purposes, the Group is organised into business units based on their products and services and two reportable operating segments as follows:

- (a) Mining operation: — Exploration of mineral mines
— Exploitation of molybdenum mines
- (b) Chemical trading operation: Manufacturing and sale of chemical products

The management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Information regarding the above segment is reported below.

4.1 Operating segment information

Segment revenue and results

For the year ended 31 December 2023

	Mining exploitation <i>HK\$'000</i>	Trading of chemical products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue:			
Segment revenue	<u>—</u>	<u>1,533,714</u>	<u>1,533,714</u>
Results:			
Segment results	(151,911)	(79,898)	(231,809)
Unallocated corporate income			304
Finance costs			(132,193)
Other gains or losses			(18,549)
Loss on debt restructuring			(1,343,925)
Impairment losses under expected credit loss, net			(17,278)
Unallocated corporate expenses			<u>(29,313)</u>
Loss before income tax			(1,772,763)
Income tax			<u>12,891</u>
Loss for the year			<u><u>(1,759,872)</u></u>

For the year ended 31 December 2022

	Mining exploitation <i>HK\$'000</i>	Trading of chemical products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue:			
Segment revenue	<u>221,332</u>	<u>1,074,334</u>	<u>1,295,666</u>
Results:			
Segment results	(14,913)	(90,844)	(105,757)
Unallocated corporate income			80
Finance costs			(140,030)
Other gains or losses			4,218
Impairment losses under expected credit loss, net			(542)
Unallocated corporate expenses			<u>(3,863)</u>
Loss before income tax			(245,894)
Income tax			<u>(164)</u>
Loss for the year			<u><u>(246,058)</u></u>

- (a) Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment result represents the profit earned or loss incurred by each segment without allocation of corporate income and expenses, some amount of other gains or losses, impairment loss under expected credit loss, net, central administrative expenses, directors' salaries and finance costs. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

	Mining exploitation <i>HK\$'000</i>	Trading of chemical products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2023				
Segment assets	<u>1,350,143</u>	<u>387,581</u>	<u>21,223</u>	<u>1,758,947</u>
Segment liabilities	<u>1,076,850</u>	<u>988,783</u>	<u>30,480</u>	<u>2,096,113</u>
	Mining exploitation <i>HK\$'000</i>	Trading of chemical products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2022				
Segment assets	<u>1,501,088</u>	<u>477,774</u>	<u>38,138</u>	<u>2,017,000</u>
Segment liabilities	<u>1,108,860</u>	<u>946,099</u>	<u>1,468,119</u>	<u>3,523,078</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than goodwill, intangible assets and assets used jointly reportable segments which are classified as “Others” in segment assets.
- all liabilities are allocated to reportable segments other than liabilities for which reportable segments are jointly liable and classified as “Others” in segment liabilities.

Other segment information

	Mining exploitation <i>HK\$'000</i>	Trading of chemical products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2023				
Depreciation and amortisation	38,833	36,178	5,146	80,157
Capital expenditures	10,775	2,036	–	12,811
	<u>10,775</u>	<u>2,036</u>	<u>–</u>	<u>12,811</u>
	Mining exploitation <i>HK\$'000</i>	Trading of chemical products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2022				
Depreciation and amortisation	24,225	38,142	5,412	67,779
Capital expenditures	151,730	2,760	–	154,490
	<u>151,730</u>	<u>2,760</u>	<u>–</u>	<u>154,490</u>

4.2 Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's current and non-current assets. The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the segment assets is based on the physical location of the asset, in the case of mining rights, the location of the operation to which they are allocated.

The Group's operations are located in the following geographical areas. The following table provides an analysis of the Group's revenue from external customers and assets by geographical location:

	Segment revenue from		Segment assets	
	External customers			
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	–	–	2,473	78
The PRC	1,533,714	1,295,666	1,756,474	2,016,922
	<u>1,533,714</u>	<u>1,295,666</u>	<u>1,758,947</u>	<u>2,017,000</u>

Information about major customers

	2023	2022
	HK\$'000	HK\$'000
Customer A (Chemical trading operation)	163,385	N/A
Customer B (Chemical trading operation)	<u>158,791</u>	<u>N/A</u>

Notes:

1. The corresponding year's revenue did not contribute over 10% to the total sales of the Group.
2. Excepts for the customers stated above, there is no other single customer contributing over 10% of total revenue.

5. LOSS ON DEBT RESTRUCTURING

Pursuant to the restructuring agreement entered between the Company and its creditors, on 27 September 2023, the Company allotted and issued a total of 11,086,710,827 New Shares to its creditors for settlement of their debt, and upon which all debts of its creditors will be discharged and extinguished in full and its creditors will not be allowed to make any claim against the Company in respect of debts. Accordingly, loss on debt restructuring of approximately HK\$1,343,925,000 were recognised in profit or loss for the year ended 31 December 2023.

6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Auditors' remuneration	1,000	1,320
Cost of inventories recognised as an expense	1,441,307	1,108,585
Depreciation of property, plant and equipment	74,270	61,591
Depreciation of right-of-use assets	5,887	6,188
Staff costs (including directors' remuneration)		
— Wages and salaries	36,359	55,790
— Retirement benefits contributions	3,761	6,879
Operating lease payments in respect of office premises	46	19
Impairment losses on mining rights (<i>note</i>)	51,564	–
Impairment losses on goodwill (<i>note</i>)	13,403	–
Impairment losses on right-of-use assets (<i>note</i>)	149	–
Impairment losses on property, plant and equipment (<i>note</i>)	31,609	–
	<u>31,609</u>	<u>–</u>

Note: Included in other gains and losses.

7. TAXATION

No provision for Hong Kong Profits Tax has been made since the Group incurred taxation losses for the year. Taxes on profits assessable elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Deferred tax	(12,891)	–
Current tax:		
PRC corporate income tax	–	164
	<u>(12,891)</u>	<u>164</u>

Hong Kong profits tax is calculated at 16.5% (2022: 16.5%) on the estimated assessable profit for the year ended 31 December 2023. No provision for Hong Kong Profits Tax has been made since the Group incurred taxation losses for the year ended 31 December 2023.

PRC corporate income tax charge represents the PRC Enterprise Income Tax paid or payable during the year. Enterprise Income Tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2022: 25%).

Taxes on profits assessable elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

8. DIVIDENDS

The directors of the Company do not recommend the payment of any final dividend in respect of the year ended 31 December 2023 (2022: Nil).

9. LOSS PER SHARE

The calculation of basic and diluted earnings/(loss) per share was based on the loss attributable to owners of the Company of HK\$1,632,535,000 (2022: HK\$162,643,000) and the weighted average number of 16,103,157,000 (2022: 1,168,519,000 (restated)) ordinary shares in issue during the year.

The weighted average number of ordinary shares for the year ended 31 December 2022 for the purposes of calculating basic and diluted loss per share have been adjusted for capital reorganisation which took place on 29 September 2023.

10. TRADE AND BILL RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade and bill receivables	118,486	11,159
Less: Allowance for credit losses	<u>(2,485)</u>	<u>(1,691)</u>
	<u>116,001</u>	<u>9,468</u>

As at 31 December 2023 and 2022, trade receivables from contracts with customers amounted to HK\$118,486,000 and HK\$11,159,000, respectively.

As at 31 December 2023, allowance for credit losses was recognised approximately of HK\$2,485,000 (2022: HK\$1,691,000). The range of expected loss rate is 36.40% (2022: 36.40% to 38.00%).

The following is an aged analysis of trade receivables presented based on dates of delivery of goods and service rendered.

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	22,883	9,462
31–60 days	52,990	6
61–90 days	35,067	–
91–180 days	4,610	–
Over 180 days but within one year	451	–
	<u>116,001</u>	<u>9,468</u>

For the year ended 31 December 2023, trade debtors that were not impaired nor past due related to customers for whom there was no recent history of default. Based on experience, management believe that no impairment loss shall be recognised as there has not been a significant change in credit quality and the balances are still considered recoverable (2022: Nil).

The directors of the Company consider that the fair values of trade receivables are not materially different from their carrying value because these amounts have short maturity period on their inception.

For the Group's mining operation, sales of molybdenum concentrates are largely on cash basis with no credit terms being granted to customers, except for sizable customers with good credit history, the Group will allow a credit term not more than 30 days.

11. TRADE AND BILL PAYABLES

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	219,617	4,472
31–60 days	15	3,101
61–90 days	102,957	55,986
91–180 days	14,822	67,672
Over 180 days but within one year	36,587	155,213
	<u>373,998</u>	<u>286,444</u>

The directors of the Company consider that the carrying amounts of trade and bill payables approximate to their fair values at the end of reporting period.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is the extract of the independent auditor’s report from the external auditor of the Company:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 2.1 to the consolidated financial statements that the Group sustained a loss of HK\$1,759,872,000 for the year ended 31 December 2023 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK\$1,520,388,000 and HK\$337,166,000 respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. In light of the measures to improve the Group’s liquidity and financial position as set forth in note 2.1 to the consolidated financial statements, the directors of the Company are of the opinion that the Group will have sufficient working capital to finance its operations and to fulfil its financial obligations as and when they fall due in the foreseeable future upon successfully implementing these measures. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL FINANCIAL PERFORMANCE

During the year ended 31 December 2023, the Group recorded a revenue of approximately HK\$1,533,714,000, representing an increase of approximately 18.37% as compared with last corresponding year of approximately HK\$1,295,666,000. The revenue was mainly attribute to the Group’s chemical trading operation, as there was no operation performed and no revenue generated from mining operation during the year.

For the year ended 31 December 2023, the Group recorded a loss attributable to owners of the Company of approximately HK\$1,632,535,000 (2022: loss of approximately HK\$162,643,000), representing an increase in loss of approximately 9 times as compared with last corresponding year. The increase in loss was mainly due to (i) the impairment loss on mining rights, property, plant and equipment, right-of-use assets and goodwill of approximately HK\$51.56 million, HK\$31.61 million, HK\$149,000 and HK\$13.40 million respectively; and (ii) recognised a loss on debt restructuring of approximately HK\$1.34 billion.

BUSINESS REVIEW

The principal profit generation 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. An analysis of each of these business segments is presented below:

Mining Operations — Exploitation and Exploration of Mineral Resources

Molybdenum Mine

The Group's mining operation mainly includes the exploitation, exploration and production 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%.

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.

The management of the Group will continue to work closely with the government authorities to complete the grant of other ancillary licences for the mine (i.e., Safety Production Licence). The Group cooperates closely with the Shaanxi Provincial Emergency Management Department of PRC, follows the policies and guidance of relevant government departments, and completes the construction requirements of the government departments as soon as possible. In the opinion of the directors, the mining operation of the Group will be able to resume full operation within second half of 2024.

During the year under review, no molybdenum concentrate products were produced due to Jiu Long Kuang Ye still need time to be granted the Safety Production Licence and would resume exploitation and production activities after renew this licence. During the year under review, the mining operation did not contribute revenue (31 December 2022: approximately HK\$221,332,000) to the Group and the Group did not recognise an amortisation of mining rights cost.

Performance of mining operation

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 and production once the Safety Production Licence is granted.

Major assets in mining operation

As at 31 December 2023, the major assets included in the Group's mining operation were mining rights and property, plant and equipment associated with the Group's molybdenum mine of approximately HK\$1,279,188,000. At the end of the reporting period, the Group carried out impairment assessment to assess whether the recoverable amounts of the assets were below the carrying amount.

For the purpose of impairment testing, the Directors hired an independent professional valuation firm to assess the value in use of the Group's mining operation on yearly basis. The basis for assessing the value in use was based on Discount Cash Flow (“**DCF**”) method. In the opinion of the Directors, the adoption of DCF method is the best to reflect the value in use of the Group's mining operation. During the year under review, there was no change in the valuation method used and the Directors have consensus to adopt a consistent valuation methodology and accounting policy in accounting for such mining operation over time given that no fundamental changes in the mining industry and such external environment will occur.

Based on the assessment of the value in use, an impairment loss on mining right and property, plant and equipment of approximately HK\$51.56 million and HK\$30.82 million respectively have been provided in the consolidated financial statements for the year ended 31 December 2023. In the opinion of the Directors, the impairment loss was mainly due to resumption of production timetable has been postponed, and Jiu Long Kuang Ye would resume its operation and production once the Safety Production Licence is granted.

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. During the year ended 31 December 2023, the Group's revenue generated from chemical trading operation was approximately HK\$1,533,714,000 (2022: approximately HK\$1,074,334,000).

As at 31 December 2023, the major assets included in the Group's chemical trading operation were property, plant and equipment and Right-of-use assets of total approximately HK\$112,454,000. At the end of the reporting period, the Group carried out impairment assessment to assess whether the recoverable amounts of the assets were below the carrying amount.

For the purpose of impairment testing, the Directors hired an independent professional valuation firm to assess the value in use of the Group's chemical operation on yearly basis. The basis for assessing the value in use was based on Discount Cash Flow ("DCF") method. In the opinion of the Directors, the adoption of DCF method is the best to reflect the value in use of the Group's chemical operation. During the year under review, there was no change in the valuation method used and the Directors have consensus to adopt a consistent valuation methodology and accounting policy in accounting for such chemical operation over time given that no fundamental changes in the mining industry and such external environment will occur.

Based on the assessment of the value in use, an impairment loss on property, plant and equipment and right-of-use assets of approximately HK\$790,000 and HK\$149,000 respectively have been provided in the consolidated financial statements for the year ended 31 December 2023. In the opinion of the Directors, the impairment loss was mainly due to (i) continue loss for the year; and (ii) low gross profit rate which was approximately 6.03% (2022: approximately 8.3%).

PROSPECTS

As we enter 2024, our Group is striving to build resilience in a time of uncertainty.

The economic outlook remains uncertain in 2024. Global economies will continue to face multiple macroeconomic headwinds, including geopolitical uncertainties, inflation and tightened financial conditions. Many industries are still plagued by supply chain issues that emerged in recent years. Ongoing inflation and subdued economic growth are expected. In order to combat this, our Group aims to improve our resilience in through strategic management, development and expansion of our two core businesses as well as building protective measures into supply chains to deal with shortages and rising business costs.

For mining operation, the Group has successful renewed the mining licence of molybdenum mine and will further invest in and upgrade the mining operation machine system in production to improve the production efficiency, safety and environmental level. For chemical operation, through research and development and additional production facilities, we continue to improve our product quality and increase our product competitiveness.

The Group will continue to be receptive to the market's views candidly and humbly. It will endeavor to maintain effective communication with stakeholders. As a way to gauge capital markets' perception of the Group, we will continue to improve the quality of investor relations management and will ponder on investors' concerns and advices in order to further enhance the Group's operating management and cooperate governance. The investor relations department will maintain professionalism at its work so that capital markets will be able to gain a thorough understanding of the Group's business. This will help unlock the potential investment value and contribute to the long term and healthy development of the Group.

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 2024.

The Group will make every endeavor to keep abreast of the changing market conditions, to 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 appropriate. Moreover, the Group is seeking for further operating efficiency for its business. We are confident in the future prospect and committed to the continuous growth of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and proceeds from suitable source of funding. During the year ended 31 December 2023, the Group recorded a cash outflow of approximately HK\$6,275,000 (2022: outflow of approximately HK\$496,000) which was mainly due to increase in cash outflow from operating activities during the year ended 31 December 2023. As at 31 December 2023, the Group had outstanding bank loans and other borrowings at the amount of approximately HK\$696,948,000 (2022: approximately HK\$1,342,265,000).

As at 31 December 2023, the Group's current ratio was approximately 0.17 (2022: approximately 0.12). The increase in current ratio was mainly due to the success of the debts restructuring exercise to be carried out which involve the conversion of other payables, other borrowings and corporate bond into share of the Company during the year ended 31 December 2023.

As at 31 December 2023, the Group's debt to equity ratio was approximately 52.44 (2022: approximately 2.66). The increase in debt to equity ratio was mainly due the success of the debts restructuring as said above and the success of the Capital Reorganisation (as defined below). Reference is made to the announcement dated 29 September 2023 and the circular dated 13 June 2023 (the "**Circular**"). The ratio was calculated by dividing the total liabilities of approximately HK\$2,096,113,000 (2022: approximately HK\$3,523,078,000) by equity attributable to owners of the Company of approximately deficit HK\$39,972,000 (2022: approximately deficit HK\$1,326,499,000). It is confident that the Group would have adequate financial resources to satisfy full repayment of the current liabilities.

CAPITAL STRUCTURE AND TREASURY POLICIES

Capital Structure

The Group's capital structure as at 31 December 2023 mainly comprised of current assets of approximately HK\$321,732,000 (2022: approximately HK\$407,052,000), current liabilities of approximately HK\$1,842,120,000 (2022: approximately HK\$3,261,215,000) and equity attributable to owners of the Company of approximately deficit HK\$39,972,000 (2022: approximately deficit HK\$1,326,499,000). Current assets mainly comprised of (i) cash and cash equivalents of approximately HK\$5,941,000 (2022: approximately HK\$11,344,000); (ii) inventories of approximately HK\$156,176,000 (2022: approximately HK\$271,949,000); (iii) Trade and bill receivables of approximately HK\$116,001,000 and (iv) prepayments, deposits and other receivables of approximately HK\$43,614,000 (2022: approximately HK\$114,291,000). Current liabilities mainly comprised of (i) bank loans and other borrowings of approximately HK\$669,415,000 (2022: approximately HK\$1,325,375,000); (ii) trade and bill payables of approximately HK\$373,998,000 (2022: approximately HK\$286,444,000); and (iii) other payables and accruals of approximately HK\$682,241,000 (including interest payables) (2022: approximately HK\$1,022,009,000).

Debenture and Bond Issued

Upon the maturity date of convertible bond in an aggregate principal amount of HK\$250,000,000 ("CB") on 28 December 2018, the Group entered into standstill deed in relation to turn into a Bond with a principal amount of HK\$250,000,000 at a price equal to 100% of its principal amount to Sfund International, having made all reasonable enquires, an independent third party of the Company.

Sfund International was one of the creditors in the Creditor Scheme. Due to the success of issuance of Scheme Shares on 29 September 2023, the total amount of HK\$250,000,000 and the interest payable were fully conversion into shares under the Scheme. Reference is made to the announcement dated 29 September 2023 and the Circular.

Treasury Policies

During the year ended 31 December 2023, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. It is not considered that the Group is significantly exposed to any foreign currency exchange risk. It is the Group's treasury policy to manage its foreign currency exposure whenever such financial impact is material to the Group. For the years ended 31 December 2023 and 2022, the Group did not employ any financial instruments for hedging purpose and was not engaged in foreign currency speculative activities.

BANK LOANS AND OTHER BORROWING AND CHARGES OF GROUP ASSETS

As at 31 December 2023, the Group had bank loans and other borrowings in current liabilities and non-current liabilities amounted to approximately HK\$696,948,000 (2022: HK\$1,342,265,000). As at 31 December 2023, the Group's interest bearing bank loans and other borrowings were carried at effective interest rates from 6.09% to 15% per annum and were secured by (i) guarantees from a subsidiary of the Group and the subsidiary's minority shareholders; (ii) pledged property, plant and equipment; (iii) pledged prepaid land lease; and (iv) pledged equity of subsidiaries.

EVENTS AFTER REPORTING PERIOD

The Company announced that on 19 January 2024, the Transferee, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with a vendor pursuant to which the vendor conditionally agreed to transfer his equity interest of 51% of a target company to the Transferee.

In respect of the Equity Transfer Agreement, all the conditions precedent of the Equity Transfer Agreement have been fulfilled and completion took place on 28 March 2024.

Reference is made to the announcements dated 19 January 2024 and 28 March 2024.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2023, the Group employed 659 full time employees (2022: 708 employees). Employees' remuneration packages are generally structured by reference to market norms, individual qualifications, relevant experience and performance.

DIVIDEND

No dividend is recommended for the year ended 31 December 2023.

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 year ended 31 December 2023.

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.

APPLICATION AND GRANT FOR STAY OF WINDING UP ORDER

As disclosed in the announcement of the Company dated 31 August 2023, at the Creditors' meeting held on 28 August 2023, the Scheme was approved by the requisite statutory majorities of the Creditors. On 15 September 2023, the High Court has granted an order (the "**Sanction Order**") to approve and sanction the Scheme. The Company will arrange for the Sanction Order to be delivered to and registered with the Companies Registry of Hong Kong. Subject to the fulfillment of the condition precedents to the Scheme, the Scheme shall become effective.

At the hearing at the High Court on 25 September 2023, the Court has given a conditional order to permanently stay the winding up order and proceedings against the Company, subject to the fulfilment of the conditions precedent to the Restructuring Transactions and that Completion has taken place.

(I) ISSUANCE OF INVESTOR’S SUBSCRIPTION SHARES AND SCHEME SHARES UNDER SPECIFIC MANDATE; (II) FULFILMENT OF RESUMPTION GUIDANCE; AND (III) RESUMPTION OF TRADING

(I) Issuance of Investor’s Subscription Shares and Scheme Shares

On 29 September 2023, all the conditions precedent of both the Investor’s Subscription and the Scheme have been fulfilled. A total of 256,410,256 New Shares have been allotted and issued to the Investor at the Subscription Price of HK\$0.156 per New Share. The gross proceeds of HK\$40,000,000 from the Investor’s Subscription will be applied in the manner as disclosed in the paragraph headed “6. Reasons for and benefits of the entering into of the Restructuring Agreement and the use of proceeds” in the Circular. Another total of 11,086,710,827 New Shares have been allotted and issued to the Scheme Company, which shall hold the Scheme Shares on trust for the benefit of the Creditors pending adjudication of the claims and determination of all Admitted Claims and distribution of the Scheme Shares to the relevant Creditors.

(II) Fulfilment of Resumption Guidance

- a) publish all outstanding financial results required under the Listing Rules have been published and the audit modifications have been addressed.
- b) The Company considers that it has a sufficient size of operation and assets to maintain its listing under Rule 13.24 of the Listing Rules.
- c) The Company has from time to time published announcements to disclose the information, financial results and resumption progress update to the Shareholders and potential investors.
- d) At the hearing at the High Court on 25 September 2023, the Court has given a conditional order to permanently stay the winding up order and proceedings against the Company, subject to the fulfilment of the conditions precedent to the Restructuring Transactions and that Completion has taken place (the “**Order**”).
- e) Reference is made to the Company’s announcement dated 12 September 2023 in relation to the appointments of three independent non-executive Directors (the “**Appointments**”) subject to the permanent stay of the winding up order and proceedings of the Company. As the Order has been granted and the Completion has taken place, the Appointments have taken effective simultaneously upon Completion.

(III) As all the Resumption Guidance as said above have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 3 October 2023 on the Stock Exchange.

CHANGE IN DIRECTORS' INFORMATION

During the year ended 31 December 2023 and up to the date of this announcement, the following changes in the composition of the board of the Company (the “**Board**”) and Board committees took place:

- (i) Ms. Guo Xiao Ying has resigned as an independent non-executive Director and ceased to be a member of the Audit Committee and the chairman of the Remuneration Committee with effect from 1 April 2022.
- (ii) Mr. Zhang Jia Kun has resigned as an executive Director and ceased to be a member of each of the corporate governance committee and the financial reporting committee of the Board with effect from 19 January 2022.
- (iii) Dato Dr. Cheng Chak Ho Tony 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.
- (iv) Mr. Huang Zhidan has been appointed as an executive director with effect from 29 November 2023.
- (v) Mr. Shek Man Ho has been appointed as an independent non-executive Director, the chairman of each of the Audit Committee and the Financial Reporting Committee and a member of the Corporate Governance Committee with effect from 29 September 2023.
- (vi) Mr. Shen Ming Jie has been appointed as an independent non-executive Director, the chairman of Remuneration Committee and a member of each of the Audit Committee, the Nomination Committee, the Corporate Governance Committee and the Financial Reporting Committee with effect from 29 September 2023.
- (vii) Mr. Feng Jia Wei has been appointed as an independent non-executive Director, the chairman of the Corporate Governance Committee and a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Financial Reporting Committee with effect from 29 September 2023.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2023, 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 C.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.

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 year ended 31 December 2023.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company confirmed that all directors had fully complied with the required standard set out in the Model Code for the year ended 31 December 2023.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors, namely Mr. Shek Man Ho, Mr. Shen Ming Jie and Mr. Feng Jia Wei. The purpose of the establishment of the audit committee is for reviewing and supervising the financial reporting process, risk management and internal control systems of the Group. The audit committee has reviewed the Group's financial statements for the year ended 31 December 2023.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the consolidated financial statements as set out in this result announcement have been agreed by the Group's independent auditor, Elite Partners CPA Limited, to the amounts set out in the consolidated financial statements for the year ended 31 December 2023. The work performed by Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Elite Partners CPA Limited on this result announcement.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The result announcement is published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at www.northmining.com.hk. The Annual Report containing all the information required by the Listing Rules will be despatched to its shareholders and published on the above websites in due course.

Shareholders and potential investors of the Company are advised to exercise extreme caution when dealings in the shares of the Company.

For and on behalf of
North Mining Shares Company Limited
Yang Ying Min
Chairman

Hong Kong, 31 March 2024

As at the date of this announcement, the Board of the Company comprises Mr. Yang Ying Min, Mr. Qian Yi Dong, Mr. Huang Zhidan and Mr. Shen Jian as Executive Directors; and Mr. Shek Man Ho, Mr. Shen Ming Jie and Mr. Feng Jia Wei as Independent Non-executive Directors.