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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)

MAJOR TRANSACTION DISPOSAL OF A WHOLLY-OWNED SUBSIDIARY

THE DISPOSAL

On 28 March 2019 (after trading hours), the Company and the Repurchaser entered into the Agreement, pursuant to which the Repurchaser has conditionally agreed to re-acquire and the Company has conditionally agreed to re-sell interest in Gold Pearl (through sale of the Sale Share) at the Consideration of HK\$430,000,000.

The Target's sole asset is a 100% interest in Gold Pearl which was acquired by the Company back in 2017 from the Repurchaser for a consideration of HK\$430,000,000. The Disposal represents repurchase of the entire interest in Gold Pearl (through acquisition of the Target) at the same price by the Repurchaser.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Disposal exceed 25% but are less than 75%, the Disposal contemplated under the Agreement constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL INFORMATION

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal. A circular containing, among other things, (i) further information in respect of the Agreement and the Disposal; (ii) other information as required by the Listing Rules; and (iii) notice of the SGM, is expected to be despatched to the Shareholders on or before 31 May 2019 to allow sufficient time for the preparation and finalization of certain information of the circular including the indebtedness statement.

Completion is conditional upon the satisfaction of the conditions set out in the section headed “Conditions precedent” in this announcement and accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 28 March 2019 (after trading hours), the Company and the Repurchaser entered into the Agreement, pursuant to which the Repurchaser has conditionally agreed to re-acquire and the Company has conditionally agreed to re-sell interest in Gold Pearl through the sale of the Sale Share, representing the entire issued share capital of the Target at the Consideration in accordance with the terms and conditions of the Agreement.

THE AGREEMENT

The major terms of the Agreement are set out below:

Date : 28 March 2019 (after trading hours)

Parties : The Repurchaser; and

The Company

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the Repurchaser is an Independent Third Party.

Assets to be disposed of:

Pursuant to the Agreement, the Company has agreed to re-sell and the Repurchaser has agreed to re-acquire interest in Gold Pearl through the sale and purchase of the Sale Share.

The Sale Share represents the entire issued share capital of the Target and are beneficially owned by the Company.

Consideration:

The Consideration of the Disposal is HK\$430,000,000 which shall be settled by instalments in the following manner:

1. HK\$20,000,000 shall be payable in cash by the Repurchaser upon execution of the Agreement;
2. HK\$210,000,000 shall be payable in cash by the Repurchaser within 1 year after execution of the Agreement; and
3. HK\$200,000,000 shall be payable in cash by the Repurchaser before 28 March 2020.

In order to protect the interests of the Company, the Repurchaser shall execute a share charge in favour of the Company as chargee upon Completion pursuant to which the Sale Share shall be charged to the benefit of the Company to guarantee the payment of the outstanding balance of the Consideration by the Repurchaser.

The aggregate value of the Consideration in respect of the Sale Share was determined by the parties after arm's length negotiations on normal commercial terms after taking into consideration of various factors, in particular, the current financial situation of the Target and its business prospects. The Consideration represents the original consideration the Company paid to the Repurchaser for the acquisition of 100% interest in Gold Pearl. The Directors (including the independent non-executive Directors) consider that the Consideration of the Disposal is fair and reasonable and on normal commercial terms and are in the interests of the Company and its Shareholders as a whole.

Conditions precedent

Completion is conditional upon the satisfaction of the following conditions:

- (a) the approval by the Shareholders in accordance with the Listing Rules and the applicable laws and regulations by passing the requisite resolutions(s) at a general meeting of the Company;
- (b) the results of the due diligence conducted by the Repurchaser on the Target and the Sale Share (whether legal, accounting, financial, operational or other aspects deemed necessary by the Repurchaser) are satisfactory to the Repurchaser;
- (c) an independent international professional valuer appointed by the Repurchaser to issue a valuation report on the valuation of the Target;

- (d) the approval and consent from relevant government authorities required to re-acquire the Target and transfer ownership of the Sale Share; and
- (e) the Target is the legal and beneficial owner of the entire share capital of Gold Pearl.

Completion

Completion shall take place within 10 business days (or such later date as agreed by the parties in writing) after the delivery of a written notice by the Repurchaser to the Company subject to the fulfilment or waiver by the Repurchaser of the conditions precedent of the Agreement on or before 30 June 2019.

INFORMATION OF THE TARGET COMPANY

The Target is an investment holding company incorporated in the British Virgin Islands with limited liability which holds a 99.99% equity interest in Gold Pearl as at the date of this announcement. The remaining 0.01% equity interest in Gold Pearl is held by the Company and such 0.01% equity interest in Gold Pearl will be transferred to the Target before Completion. The major subsidiaries of Gold Pearl are Xinjiang Group, which are principally engaged in the research and product development of face recognition technology and intelligent video analysis technology and application.

Set out below is a summary of the unaudited financial information of Gold Pearl and its subsidiaries for the two financial years ended 31 December 2017 and 2018 respectively:

	For the year ended 31 December 2017 HK\$'000 (approximately)	For the year ended 31 December 2018 HK\$'000 (approximately)
Revenue	58,492	13,689
Net profit/(loss) before taxation	24,687	(61,703)
Net profit/(loss) after taxation	18,480	(61,703)

The unaudited total asset value of Gold Pearl and its subsidiaries as at 31 December 2018 was approximately HK\$145,394,000 and as at the same date Gold Pearl and its subsidiaries had an unaudited consolidated net liability position of approximately HK\$163,049,000.

Upon Completion, the Target will cease to be a direct wholly-owned subsidiary of the Company and its financial results will cease to be consolidated into the Group's financial statements.

REASONS FOR THE DISPOSAL TRANSACTION AND USE OF PROCEEDS

The Group is principally engaged in (i) mining operations (including exploitation, exploration and trading of mineral resources), (ii) property management operations, (iii) trading of chemical products and (iv) sale of security technologies.

During the year ended 31 December 2018, the Group's revenue generated from the security technologies operation provided by Xinjiang Group was approximately HK\$13.7 million and incurred loss of approximately HK\$61.7 million.

Xinjiang Group was acquired by the Group in 2017 at the consideration of HK\$430 million through the acquisition of Gold Pearl and the major assets of Xinjiang Group were a contract backlog relating to the contracts for the sales of terminal device to the government authority in Xin Jiang, the PRC.

During the year ended 31 December 2018, the performance of Xinjiang Group was not as good as expected because there was no sale of terminal device generated from the contract backlog. The reason for such situation was that the Group produced the first batch of terminal device to customer in 2017, however, the customer had certain feedback and required Xinjiang Group to adjust and add several functions to achieve the best performance of the terminal device. Accordingly, Xinjiang Group was in the process of adjusting the device but still not satisfied during the year ended 31 December 2018.

The management of Xinjiang Group consider that they will continue to develop the function of terminal device in order to satisfy the customer's requirement. Nevertheless, in order to protect the interests of the Group and in view of the uncertainty on whether the sale of terminal device can produce the expected income flow under the contract backlog, the Group had discussed with the former shareholder of Xinjiang Group and he agreed to re-acquire the entire equity interests of Xinjiang Group. Accordingly, the Group entered into the Agreement with the Repurchaser who is a former shareholder of Gold Pearl to dispose of its entire equity interests in Xinjiang Group at the Consideration through the disposal of the Sale Share, being the consideration paid for the acquisition of Xinjiang Group in 2017.

The net proceeds of the Disposal will be approximately HK\$410 million after deducting professional fees and all related expenses. The Company intends to apply the net proceeds from the Disposal to repay outstanding indebtedness owed by the Group, which will help improve the Group's financial position and working capital, subject to the ongoing assessment of the Group's business development and funding requirements from time to time for future allocation of all or part of the proceeds.

After deducting the estimated expenses attributable to the Disposal of approximately HK\$2 million, it is estimated that the Group will record a gain of approximately HK\$150 million from the Disposal, being the difference between (i) the net proceeds of HK\$410 million; and (ii) the consolidated net asset value of the Target Group as at 31 December 2018 (i.e. approximately HK\$278 million). Shareholders should note that the actual amount of the gain or loss on the Disposal to be recognised in the consolidated financial statements of the Company depends on the consolidated net asset/net liability value of the Target Group as at the date of Completion and therefore may be different from the amount mentioned above.

Accordingly, the Directors consider that the terms (including the Consideration) of the Agreement are on normal commercial terms, fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Disposal exceed 25% but are less than 75%, the Disposal contemplated under the Agreement constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL INFORMATION

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal. A circular containing, among other things, (i) further information in respect of the Agreement and the Disposal; (ii) other information as required by the Listing Rules; and (iii) notice of the SGM, is expected to be despatched to the Shareholders on or before 31 May 2019 to allow sufficient time for the preparation and finalization of certain information of the circular including the indebtedness statement.

Completion is conditional upon the satisfaction of the conditions set out in the section headed "Conditions precedent" in this announcement and accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.

DEFINITIONS

Unless the context requires otherwise, the capitalised terms used in this announcement shall have the following meanings:

“Agreement”	the sale and purchase agreement dated 28 March 2019 entered into between the Company and the Repurchaser in relation to the Disposal
“Board”	the board of Directors
“Company”	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)
“Completion”	Completion of the Disposal as contemplated under the Agreement
“Consideration”	HK\$430,000,000, being the aggregate value of the consideration for the sale and purchase of the Sale Share
“Director(s)”	director(s) of the Company
“Disposal”	the sale of the Sales Share by the Company pursuant to the terms of the Agreement and the transactions contemplated thereunder
“Gold Pearl”	Gold Pearl Investment Limited, a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Repurchaser”	Mr. Zhu Wei Min
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Sale Share”	one issued share in the capital of the Target representing the entire issued share capital of the Target
“SGM”	a special general meeting of the Company to be convened for the purpose of considering and approving the Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Full Empire Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Company
“Target Group”	the Target and its subsidiaries
“Xinjiang Group”	Xinjiang Casiavision Security Technology Company Limited and Xinjiang Xintongxing Telecommunication Engineering Company Limited, the major subsidiaries of Gold Pearl
“%”	per cent.

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

Hong Kong, 28 March 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. William Fong, Mr. Leung Kar Fai and Dato Dr. Cheng Chak Ho as Independent Non-executive Directors.