滙力集團
HUILI GROUP

# Huili Resources (Group) Limited
# 滙力資源(集團)有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1303

# 2017
# INTERIM REPORT

# Corporate Information

## Board of Directors

### Executive Directors

Mr. Li Xiaobin *(Chairman)*
Ms. Wang Qian
Ms. Jia Dai
Mr. Liu Huijie

### Independent Non-Executive Directors

Mr. Cao Shiping
Mr. Cao Kuangyu
Ms. Sun Zhili

## Audit Committee

Ms. Sun Zhili *(Chairman)*
Mr. Cao Shiping
Mr. Cao Kuangyu

## Remuneration Committee

Mr. Cao Kuangyu *(Chairman)*
Ms. Wang Qian
Ms. Sun Zhili

## Nomination Committee

Ms. Wang Qian *(Chairman)*
Mr. Cao Kuangyu
Ms. Sun Zhili

## Authorised Representatives

Mr. Li Xiaobin
Mr. Ip Wing Wai

## Company Secretary

Mr. Ip Wing Wai

## Independent Auditor

PricewaterhouseCoopers
22 Floor, Prince's
Building Central, Hong Kong

## Legal Advisers

*as to Hong Kong law*
Michael Li & Co

*as to PRC law*
Global Law Office

*as to Cayman Islands law*
Conyers Dill & Pearman

## Registered Office and Principal Place of Business

*In the PRC*
No. 38 Guangchang Bei Road
Hami City
Xinjiang Uygur Autonomous Region
PRC

*In Hong Kong*
3rd Floor
No. 8 Queen's Road Central
Central, Hong Kong

## Share Registrar and Transfer Office

*In the Cayman Islands*
Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*In Hong Kong*
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

## Company Website

www.huili.hk

## Stock Code

1303

# Mines Information

## Mineral Resources as of 30 June 2017

| Project name | Classification | Quantity (kt) | Ni Grade (%) | Cu Grade (%) | Ni metal (t) | Cu metal (t) |
|---|---|---|---|---|---|---|
| Project No. 20 | Measured | – | – | – | – | – |
| | Indicated | 1,330 | 0.71 | 0.24 | 9,430 | 3,150 |
| | Inferred | 1,260 | 0.69 | 0.25 | 8,660 | 3,160 |
| | Sub-total | 2,590 | 0.70 | 0.24 | 18,090 | 6,310 |
| Project H-989 | Measured | – | – | – | – | – |
| | Indicated | 3,390 | 0.49 | 0.23 | 16,540 | 7,750 |
| | Inferred | 2,370 | 0.51 | 0.19 | 12,100 | 4,390 |
| | Sub-total | 5,760 | 0.50 | 0.21 | 28,640 | 12,140 |
| Grand total | Measured | – | – | – | – | – |
| | Indicated | 4,720 | 0.55 | 0.23 | 25,970 | 10,900 |
| | Inferred | 3,630 | 0.57 | 0.21 | 20,760 | 7,550 |
| | Total | 8,350 | 0.56 | 0.22 | 46,730 | 18,450 |

| Project name | Classification | Quantity (kt) | Zn Grade (%) | Pb Grade (%) | Zn metal (t) | Pb metal (t) |
|---|---|---|---|---|---|---|
| Project Baiganhu | Measured | – | – | – | – | – |
| | Indicated | 1,730 | 6.57 | 4.13 | 113,540 | 71,440 |
| | Inferred | 2,150 | 6.42 | 3.96 | 137,910 | 85,140 |
| | Total | 3,880 | 6.49 | 4.03 | 251,450 | 156,580 |

# Mines Information (Continued)

## Ore Reserves as of 30 June 2017

| Project name | Reserve classification | Ore Quantity (kt) | Ni Grade (%) | Cu Grade (%) | Ni metal (t) | Cu metal (t) |
|---|---|---|---|---|---|---|
| Project No. 20 | Proved | – | – | – | – | – |
| | Probable | 1,099 | 0.64 | 0.21 | 7,071 | 2,362 |

| Project name | Reserve classification | Ore Quantity (kt) | Zn Grade (%) | Pb Grade (%) | Zn metal (t) | Pb metal (t) |
|---|---|---|---|---|---|---|
| Project Baiganhu | Proved | – | – | – | – | – |
| | Probable | 1,055 | 5.95 | 3.73 | 62,773 | 39,352 |

Source: Independent Technical Report prepared by Minarco-Mine Consult (rounding errors affect the total metal amounts reported above)

# Mines Information (Continued)

## Exploration Permits

| Project name | Type of ore under exploration | Exploration Area (km²) | Permit expiry date (month/year) |
|---|---|---|---|
| Project Baiganhu Gold | Au | 1.28 | June 2017 (note) |
| Project H-989 | Cu, Ni | 1.91 | June 2017 (note) |

Note: The Group is in progress to renew the exploration permits.

## Mining Permits

| Project name | Type of ore under mining | Mining Area (km²) | Permit expiry date (month/year) |
|---|---|---|---|
| Project No. 20 | Cu, Ni | 0.22 | June 2018 |
| Project Baiganhu | Pb, Zn | 0.96 | September 2021 |

Glossary:
Au: Gold
Cu: Copper
Ni: Nickel
Pb: Lead
Zn: Zinc

## Capital Expenditure and Exploration Expenses

The Group did not carry out any production during the six months ended 30 June 2017.

For the six months ended 30 June 2017, there was no capital expenditure for the development and mining activities (six months ended 30 June 2016: nil).

For the six months ended 30 June 2017, no exploration expense was charged to the statement of comprehensive income (six months ended 30 June 2016: nil).

# Interim Condensed Consolidated Balance Sheet

| | Note | 30 June 2017 RMB'000 (unaudited) | 31 December 2016 RMB'000 (audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | **62,334** | 60,729 |
| Mining rights and exploration rights | 9 | **99,300** | 99,300 |
| Land use rights | 10 | **8,978** | 9,099 |
| Deferred tax assets | 17 | **2,823** | 2,823 |
| Refundable deposit | 11 | **163,367** | 163,367 |
| Restricted cash at banks | | **2,525** | 2,525 |
| Other receivables and prepayments | 14 | **113,586** | 109,123 |
| **Total non-current assets** | | **452,913** | 446,966 |
| **Current assets** | | | |
| Available-for-sale financial assets | 12 | **–** | 114,825 |
| Inventories | | **3,045** | 3,045 |
| Trade receivables | 13 | **6,579** | 100 |
| Other receivables and prepayments | 14 | **68,622** | 362,660 |
| Cash and cash equivalents | 15 | **67,548** | 8,970 |
| **Total current assets** | | **145,794** | 489,600 |
| **Total assets** | | **598,707** | 936,566 |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | 16 | **137,361** | 137,361 |
| Share premium | 16 | **668,768** | 668,768 |
| Other reserves | | **(12,168)** | (7,111) |
| Accumulated losses | | **(258,013)** | (256,096) |
| | | **535,948** | 542,922 |
| **Non-controlling interests** | | **819** | 977 |
| **Total equity** | | **536,767** | 543,899 |

# Interim Condensed Consolidated Balance Sheet (Continued)

| | Note | 30 June 2017 RMB'000 (unaudited) | 31 December 2016 RMB'000 (audited) |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Provision for close down, restoration and environmental costs | | **3,196** | 3,160 |
| Deferred tax liabilities | 17 | **24,522** | 24,548 |
| **Total non-current liabilities** | | **27,718** | 27,708 |
| **Current liabilities** | | | |
| Trade payables | 18 | **11,794** | 1,318 |
| Other payables and accruals | 19 | **17,699** | 315,611 |
| Income tax payable | | **4,729** | 2,005 |
| Current portion of long-term borrowings | 20 | **–** | 46,025 |
| **Total current liabilities** | | **34,222** | 364,959 |
| **Total liabilities** | | **61,940** | 392,667 |
| **Total equity and liabilities** | | **598,707** | 936,566 |

# Interim Condensed Consolidated Income Statement

| | Note | Six months ended 30 June 2017 RMB'000 (unaudited) | 2016 RMB'000 (unaudited) |
|---|---|---|---|
| **Revenue** | 6 | **28,132** | 8,975 |
| Cost of sales | 21 | **(20,012)** | (9,110) |
| **Gross profit/(loss)** | | **8,120** | (135) |
| Administrative expenses | 21 | **(11,416)** | (11,916) |
| Other gains - net | 22 | **4,230** | 1,357 |
| **Operating profit/(loss)** | | **934** | (10,694) |
| Finance income | | **145** | 62 |
| Finance costs | | **(853)** | (1,559) |
| Finance costs – net | 23 | **(708)** | (1,497) |
| **Profit/(Loss) before income tax** | | **226** | (12,191) |
| Income tax expense | 24 | **(2,301)** | (1,352) |
| Loss for the period | | **(2,075)** | (13,543) |
| **Loss attributable to:** | | | |
| Equity holders of the Company | | **(1,917)** | (13,310) |
| Non-controlling interests | | **(158)** | (233) |
| | | **(2,075)** | (13,543) |
| **Loss per share attributable to the equity holders of the Company (expressed in RMB per share)** | | | |
| – Basic and diluted | 25 | **(0.001)** | (0.009) |

# Interim Condensed Consolidated Income Statement (Continued)

| | Note | Six months ended 30 June **2017** **RMB'000** **(unaudited)** | 2016 RMB'000 (unaudited) |
|---|---|---|---|
| **Loss for the period** | | **(2,075)** | (13,543) |
| **Other comprehensive loss:** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Available-for-sale financial assets | | | |
| – Change in value | | **–** | (1,052) |
| – Transferred to profit or loss upon disposal | 12 | **(5,057)** | – |
| Other comprehensive loss for the period, net of tax | | **(5,057)** | (1,052) |
| **Total comprehensive loss for the period** | | **(7,132)** | (14,595) |
| **Total comprehensive loss for the period attributable to:** | | | |
| Equity holders of the Company | | **(6,974)** | (14,362) |
| Non-controlling interests | | **(158)** | (233) |
| **Total comprehensive loss for the period** | | **(7,132)** | (14,595) |

# Interim Condensed Consolidated Statement of Changes in Equity

| | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Safety funds RMB'000 | Maintenance funds RMB'000 | Capital reserve RMB'000 | Available-for-sale financial assets RMB'000 | Accumulated losses RMB'000 | Subtotal RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance at 1 January 2017** | **137,361** | **668,768** | **221** | **1,583** | **(13,972)** | **5,057** | **(256,096)** | **542,922** | **977** | **543,899** |
| **Loss for the period (unaudited)** | **-** | **-** | **-** | **-** | **-** | **-** | **(1,917)** | **(1,917)** | **(158)** | **(2,075)** |
| **Transferred from OCI and recognised in profit or loss (unaudited) (Note 22)** | **-** | **-** | **-** | **-** | **-** | **(5,057)** | **-** | **(5,057)** | **-** | **(5,057)** |
| **Total comprehensive loss (unaudited)** | **-** | **-** | **-** | **-** | **-** | **(5,057)** | **(1,917)** | **(6,974)** | **(158)** | **(7,132)** |
| **Balance at 30 June 2017 (unaudited)** | **137,361** | **668,768** | **221** | **1,583** | **(13,972)** | **-** | **(258,013)** | **535,948** | **819** | **536,767** |
| Balance at 1 January 2016 | 127,362 | 577,878 | 221 | 1,583 | (13,972) | 2,518 | (221,481) | 474,109 | 1,631 | 475,740 |
| Loss for the period (unaudited) | – | – | – | – | – | – | (13,310) | (13,310) | (233) | (13,543) |
| Other comprehensive loss for the period (unaudited) | – | – | – | – | – | (1,052) | – | (1,052) | – | (1,052) |
| Total comprehensive loss (unaudited) | – | – | – | – | – | (1,052) | (13,310) | (14,362) | (233) | (14,595) |
| Total transactions with owners, recognised directly in equity: | | | | | | | | | | |
| Proceeds from shares issued | 9,999 | 90,890 | – | – | – | – | – | 100,889 | – | 100,889 |
| Balance at 30 June 2016 (unaudited) | 137,361 | 668,768 | 221 | 1,583 | (13,972) | 1,466 | (234,791) | 560,636 | 1,398 | 562,034 |

# Interim Condensed Consolidated Statement of Cash Flows

| | Note | Six months ended 30 June 2017 RMB'000 (unaudited) | 2016 RMB'000 (unaudited) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash used in operations | | **(9,246)** | (12,063) |
| Income tax paid | | **(27)** | – |
| **Net cash used in operating activities** | | **(9,273)** | (12,063) |
| **Cash flows from investing activities** | | | |
| Net proceeds from disposal of available-for-sale financial assets after netting off the borrowings | 12 | **68,016** | – |
| Net cash generated from/(used in) acquisition of subsidiaries | 7 | **764** | (42) |
| Interest received | 23 | **145** | 62 |
| **Net cash generated from investing activities** | | **68,925** | 20 |
| **Cash flows from financing activities** | | | |
| Repayment of the convertible bonds | | **–** | (62,582) |
| Interest paid | | **–** | (379) |
| **Net cash used in financing activities** | | **–** | (62,961) |
| **Net increase/(decrease) in cash and cash equivalents** | | **59,652** | (75,004) |
| Cash and cash equivalents at beginning of period | | **8,970** | 103,333 |
| Exchange differences on cash and cash equivalents | | **(1,074)** | 427 |
| Cash and cash equivalents at end of period | | **67,548** | 28,756 |

# Notes to the Condensed Consolidated Financial Information

## 1 General Information

Huili Resources (Group) Limited (the "Company") was incorporated in the Cayman Islands on 19 February 2010 as an exempted company with limited liability under Companies Law (Cap 22, as amended and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 12 January 2012.

The Company is an investment holding company and its subsidiaries (collectively the "Group") are principally engaged in the mining, ore processing, sales of nickel, copper, lead and zinc products, financial leasing business and engineering services in the People's Republic of China (the "PRC").

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. The condensed consolidated interim financial information, which has not been audited, was approved for issue by the Board of Directors on 29 August 2017.

### Significant events and transactions

The operational highlight of the period was the acquisition of Yonghe County Changshi Engineering Service Co., Ltd. ("Changshi"), a company principally engaged in providing engineering service for exploiting oil, natural gas, coal-bed methane and pre-drilling engineering services in Shanxi Province in the PRC. Further details are given in Note 7.

During the six months ended 30 June 2017, there has been no exploration, development or production activity related to the mineral operation.

## 2 Basis of Preparation

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with HKAS 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

# Notes to the Condensed Consolidated Financial Information (Continued)

## 2 Basis of Preparation (Continued)

### 2.1 Going concern

The Group entered into a Memorandum of Terms (the "Memorandum") on 3 December 2015 and four Supplemental Terms (the "Supplementals") respectively on 29 March 2016, 6 September 2016, 31 December 2016 and 30 June 2017 with certain vendors in relation to a possible acquisition of the entire equity interest of a Target Group, which is principally engaged in exploration, development, production and sale of the coalbed methane in Shanxi Province, at a total consideration of not more than US$ 150 million (equivalent to HK$1,170 million). The consideration will be payable as to: (i) US$ 100 million in cash (including issuance of debt securities, if applicable); and (ii) the remaining consideration of not more than US$50 million by the allotment and issue of up to 600,000,000 ordinary shares of the Company at an issue price of HK$0.65 per share upon completion. Pursuant to the Memorandum, the Group has already paid US$25 million, equivalent RMB163,367,000 to the vendors in December 2015 as a refundable deposit for the exclusive negotiation rights from the date of the Memorandum to end of March 2016 (which was subsequently extended to end of December 2017 pursuant to the Supplementals).

The above matter indicated that the Group may need to secure a substantial amount of funds in the foreseeable future to finance the possible acquisition before the end of December 2017 upon signing of a binding purchase and sale agreement with the vendors. If the Company decides to finance the possible acquisition by short-term or long-term borrowings, it is uncertain as to whether the Group will be able to generate adequate financial resources during the terms of the borrowings to service these principal and interest payments, or meet the relevant loan covenant requirements, if any, and these matters may cast significant doubt about the Group's ability to continue as a going concern in the foreseeable future.

The Directors of the Company (the "Directors") confirmed that before a binding sale and purchase agreement is entered into, the Directors would: (i) complete and be satisfied with the due diligence on the financial and non-financial status of the target to ensure the acquisition of the target would not create an adverse impact on the financial position of the Group at least in the coming twelve months from 30 June 2017; and (ii) secure a long-term debt financing of not less than US$75million at terms (including covenant requirements, if any, and payment terms) that would not create an adverse impact on the financial position of the Group for at least twelve months from 30 June 2017. No binding sale and purchase agreement or financing arrangements have been entered into by the Company as at the date of the condensed consolidated interim financial information. The directors of the Company confirmed that the Company will enter into a binding purchase and sale agreement with the vendors only after the conditions (i) and (ii) as mentioned above have been satisfied in order to obtain sufficient additional funding to maintain the Group's ability to continue as a going concern.

# Notes to the Condensed Consolidated Financial Information (Continued)

## 2 Basis of Preparation (Continued)

### 2.1 Going concern (Continued)

On the basis set out in the preceding paragraph, the directors are of the opinion that, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from end of the reporting period, and are satisfied that it is appropriate to prepare the condensed consolidated interim financial information of the Group on a going concern basis.

## 3 Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016 as described in those annual financial statements, except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

(a) Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

(b) Impact of standards issued but not yet applied by the Group

Up to the date of this report, the following new standards, amendments to standards and interpretations which are relevant to the Group's operations but are not yet effective for the annual accounting periods beginning after 1 January 2017 and which have not been early adopted by the Group:

| | | **Effective for annual periods beginning on or after** |
|---|---|---|
| HKFRS 9 "Financial Instruments" | HKFRS 9 is the first standard issued as part of a wider project to replace HKAS 39. HKFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in HKAS 39 on impairment of financial assets and hedge accounting continues to apply. | 1 January 2018 |

# Notes to the Condensed Consolidated Financial Information (Continued)

## 3 Accounting Policies (Continued)

| | | **Effective for annual periods beginning on or after** |
|---|---|---|
| HKFRS 15 "Revenue from Contracts with Customers" | HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations and (5) Recognise revenue when performance obligation is satisfied. | 1 January 2018 |
| HKFRS16 "Leases" | HKFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 'Leases', and related interpretations. | 1 January 2019 |

The Group does not plan to early adopt any of these standards. For these new standards not yet effective, the Group had assessed the impact and does not expect any significant impact on the Group's operating result or financial position.

# Notes to the Condensed Consolidated Financial Information (Continued)

## 4 Estimates

The preparation of this condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

## 5 Financial Risk Management

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, commodity price risk and interest rate risk), credit risk and liquidity risk.

This condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial information, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There have been no changes in the risk management policies since the year end.

# Notes to the Condensed Consolidated Financial Information (Continued)

## 5 Financial Risk Management (Continued)

### 5.2 Liquidity risk

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | **Less than 1 year** RMB '000 | **Between 1 and 2 years** RMB'000 | **Between 2 and 5 years** RMB'000 | **Over 5 years** RMB'000 |
|---|---|---|---|---|
| **At 30 June 2017** | | | | |
| **Trade and other payables** | **15,505** | **–** | **–** | **–** |
| At 31 December 2016 | | | | |
| Trade and other payables | 304,412 | – | – | – |
| Borrowings | 46,025 | – | – | – |

### 5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group did not have any financial assets or liabilities that are measured at fair value as at 30 June 2017.

# Notes to the Condensed Consolidated Financial Information (Continued)

## 5 Financial Risk Management (Continued)

### 5.3 Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 31 December 2016.

| | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| Assets | | | | |
| Available-for-sale financial assets | | | | |
| Equity investment | | | | |
| - Investment in a fund (Note 12) | – | – | 114,825 | 114,825 |
| Total assets | – | – | 114,825 | 114,825 |

The following table presents the changes in level 3 instruments for the six months ended 30 June 2017.

| | **Available-for-sale financial assets**<br>**RMB'000** |
|---|---|
| **Opening balance** | **114,825** |
| **Disposal (Note 12)** | **(114,825)** |
| **Closing balance** | **–** |

# Notes to the Condensed Consolidated Financial Information (Continued)

## 5 Financial Risk Management (Continued)

### 5.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the six months ended 30 June 2016.

| | Available-for-sale financial assets RMB'000 |
|---|---|
| Opening balance | 112,286 |
| Loss recognised in other comprehensive loss (Note 12) | (1,052) |
| Closing balance | 111,234 |
| Changes in unrealised gains or losses for the period included in other comprehensive loss | (1,052) |

The fair value of available-for-sale financial assets was determined based on information available to the management regarding the investment portfolio, investment percentage and operating results.

For fair value measurements categorised within Level 3 of the fair value hierarchy, the significant quantitative unobservable inputs used are as follows.

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

| Description | Valuation technique | Unobservable input | inputs |
|---|---|---|---|
| Available-for-sale financial assets | Net asset value | Not applicable | Not applicable |

# Notes to the Condensed Consolidated Financial Information (Continued)

## 6 Segment Information

Management has determined the operating segments based on the reports reviewed by the Group's chief operating decision maker ("CODM") that are used to make strategic decisions. The CODM has been identified as the Company's Board of Directors.

The CODM reviews the operating performance from a business perspective (i.e. nickel/copper mine, lead/zinc mine, financial leasing and engineering services). The reportable operating segments derive their revenue primarily from mining, ore processing and sales of nickel, copper, lead, zinc products, business of financial leasing and engineering service.

For the six months ended 30 June 2017, the Group had four (note a, b, c and d) reportable segments:

(a) Hami Jiatai Mineral Resources Exploiture Limited ("Hami Jiatai") which held two nickel/copper mines and was mainly engaged in the mining, ore processing and sales of nickel and copper products;

(b) Hami Jinhua Mineral Resources Exploiture Limited ("Hami Jinhua") which held a lead/zinc mine and was mainly engaged in the mining, ore processing and sales of lead and zinc products; and

(c) Jia Zhao Ventures Limited ("Jiazhao") which is principally engaged in financial leasing business through Jiayi Financial Leasing Company Limited ("Jiayi") in the PRC.

(d) Changshi which is principally engaged in providing engineering service for exploiting oil, natural gas, coal-bed methane and pre-drilling engineering services in Shanxi Province in the PRC.

For the six months ended 30 June 2016, the Group had three (note e, f and g) reportable segments:

(e) Hami Jiatai;

(f) Hami Jinhua; and

(g) Jiazhao.

# Notes to the Condensed Consolidated Financial Information (Continued)

## 6 Segment Information (Continued)

Apart from the four reportable segments, other activities of the Group were mainly investment holdings which are not considered as an operating segment and therefore grouped as "Unallocated" for the purpose of financial statements disclosures.

The CODM assesses the performance of the operating segments based on operating profit. This measurement basis excludes the operating results of other insignificant activities of the Group.

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2017 and 2016 is as follows:

| | For the six months ended | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 30 June 2017 | | | | | 30 June 2016 | | | |
| | Hami Jiatai RMB'000 | Hami Jinhua RMB'000 | Jiazhao RMB'000 | Changshi RMB'000 | Total RMB'000 | Hami Jiatai RMB'000 | Hami Jinhua RMB'000 | Jiazhao RMB'000 | Total RMB'000 |
| | (unaudited) | | | | | (unaudited) | | | |
| Segment Revenue | | | | | | | | | |
| Mineral products | - | - | - | - | - | – | – | – | – |
| –Interest income from financial service | - | - | 5,883 | - | 5,883 | – | – | 8,975 | 8,975 |
| –Engineering service | - | - | - | 22,249 | 22,249 | – | – | – | – |
| | - | - | 5,883 | 22,249 | 28,132 | – | – | 8,975 | 8,975 |
| Segment operating (losses)/gains | (996) | (2,145) | 4,103 | 5,197 | 6,159 | (1,222) | (3,203) | 2,230 | (2,195) |
| Unallocated operating losses (note (a)) | - | - | - | - | (5,225) | – | – | – | (8,499) |
| Operating (loss)/profit | (996) | (2,145) | 4,103 | 5,197 | 934 | (1,222) | (3,203) | 2,230 | (10,694) |
| Segment finance (costs)/income – net | (18) | (18) | 1 | 7 | (28) | (17) | (5) | – | (22) |
| Unallocated finance costs | - | - | - | - | (680) | – | – | – | (1,475) |
| Finance (costs)/income – net | (18) | (18) | 1 | 7 | (708) | (17) | (5) | – | (1,497) |
| Income tax (credit)/expense | (9) | (17) | 1,026 | 1,301 | 2,301 | (9) | 214 | 1,147 | 1,352 |
| Amortisation (Note 10) | 40 | 81 | - | - | 121 | 40 | 82 | – | 122 |
| Depreciation (Note 8) | 571 | 1,008 | - | 132 | 1,711 | 594 | 1,320 | – | 1,914 |

# Notes to the Condensed Consolidated Financial Information (Continued)

## 6 Segment Information (Continued)

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follow:

| | As at 30 June 2017 | | | | | As at 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Hami Jiatai RMB'000 | Hami Jinhua RMB'000 | Jiazhao RMB'000 | Changshi RMB'000 | Total RMB'000 | Hami Jiatai RMB'000 | Hami Jinhua RMB'000 | Jiazhao RMB'000 | Total RMB'000 |
| | | | (unaudited) | | | | (unaudited) | | |
| Segment assets | 82,852 | 147,386 | 113,647 | 23,228 | 367,113 | 83,787 | 148,570 | 409,658 | 642,015 |
| Unallocated assets (note (b)) | - | - | - | - | 231,594 | – | – | – | 294,551 |
| Total | 82,852 | 147,386 | 113,647 | 23,228 | 598,707 | 83,787 | 148,570 | 409,658 | 936,566 |
| Segment liabilities | 19,264 | 21,504 | 5,126 | 13,802 | 59,696 | 19,233 | 21,732 | 304,213 | 345,178 |
| Unallocated liabilities (note (c)) | - | - | - | - | 2,244 | – | – | – | 47,489 |
| Total | 19,264 | 21,504 | 5,126 | 13,802 | 61,940 | 19,233 | 21,732 | 304,213 | 392,667 |

Notes:

(a) Unallocated operating losses for the six months ended 30 June 2017 and 2016 mainly represented administrative expenses incurred by the Company and Realty Investment (Group) Limited ("Realty Investment"), which is a subsidiary of the Company incorporated in Hong Kong.

(b) Unallocated assets as at 30 June 2017 mainly represented the refundable deposit and the bank deposits held by the Company. Unallocated assets as at 31 December 2016 mainly represented the available-for-sale financial assets, refundable deposit and the bank deposits held by the Company.

(c) Unallocated liabilities as at 31 December 2016 mainly represented by long-term borrowings of the Company.

# Notes to the Condensed Consolidated Financial Information (Continued)

## 7 Business combination

On 27 April 2017, the Group acquired 100% of the equity interests in Changshi, a company principally engaged in providing engineering service for exploiting oil, natural gas, coal-bed methane and pre-drilling engineering services in Shanxi Province in the PRC. After the acquisition, Changshi became a directly owned subsidiary of the Group.

The following table summarises the consideration, the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

| | **27 April 2017** RMB'000 |
|---|---|
| **Total purchase consideration** | – |
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | |
| Cash and banks | 764 |
| Receivables | 15,276 |
| Property, plant and equipment | 3,316 |
| Payables | (18,833) |
| Total identifiable net assets | 523 |
| Gains on bargain purchase | 523 |

| | **27 April 2017** RMB'000 |
|---|---|
| Inflow of cash to acquire business, net of cash acquired | |
| – cash consideration | – |
| – cash and banks in subsidiary acquired | 764 |
| Cash inflow on the acquisition | 764 |

# Notes to the Condensed Consolidated Financial Information (Continued)

## 8 Property, Plant and Equipment

| | Buildings | Machinery and equipment | Office equipment and others | Motor vehicles | Mining structures | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **For the six months ended 30 June 2017 (unaudited)** | | | | | | | |
| **Opening net book amount** | **19,825** | **4,540** | **46** | **224** | **4,502** | **31,592** | **60,729** |
| **Acquisition of subsidiary (Note 7)** | **–** | **–** | **81** | **3,235** | **–** | **–** | **3,316** |
| **Depreciation (Note 21)** | **(904)** | **(662)** | **(26)** | **(119)** | **–** | **–** | **(1,711)** |
| **Closing net book amount** | **18,921** | **3,878** | **101** | **3,340** | **4,502** | **31,592** | **62,334** |
| **At 30 June 2017** | | | | | | | |
| **Cost** | **35,281** | **25,205** | **446** | **10,204** | **14,393** | **31,592** | **117,121** |
| **Accumulated depreciation** | **(16,360)** | **(21,327)** | **(345)** | **(6,864)** | **(1,243)** | **–** | **(46,139)** |
| **Impairment charge** | **–** | **–** | **–** | **–** | **(8,648)** | **–** | **(8,648)** |
| **Net book amount** | **18,921** | **3,878** | **101** | **3,340** | **4,502** | **31,592** | **62,334** |
| For the six months ended 30 June 2016 (unaudited) | | | | | | | |
| Opening net book amount | 21,618 | 6,304 | 10 | 224 | 4,502 | 31,592 | 64,250 |
| Depreciation (Note 21) | (904) | (1,002) | (8) | – | – | – | (1,914) |
| Closing net book amount | 20,714 | 5,302 | 2 | 224 | 4,502 | 31,592 | 62,336 |
| At 30 June 2016 | | | | | | | |
| Cost | 35,281 | 25,205 | 301 | 6,969 | 14,393 | 31,592 | 113,741 |
| Accumulated depreciation | (14,567) | (19,903) | (299) | (6,745) | (1,243) | – | (42,757) |
| Impairment charge | – | – | – | – | (8,648) | – | (8,648) |
| Net book amount | 20,714 | 5,302 | 2 | 224 | 4,502 | 31,592 | 62,336 |

# Notes to the Condensed Consolidated Financial Information (Continued)

## 8 Property, Plant and Equipment (Continued)

Depreciation of property, plant and equipment has been charged to administrative expenses, cost of sales and other losses as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Total depreciation | **1,711** | 1,914 |
| Less: capitalised depreciation in construction in progress | **–** | – |
| | **1,711** | 1,914 |
| Administrative expenses | **26** | 8 |
| Cost of sales | **1,685** | 1,906 |
| | **1,711** | 1,914 |

# Notes to the Condensed Consolidated Financial Information (Continued)

## 9 Mining Rights and Exploration Rights

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **Mining rights** | Mining rights |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Opening net book amount | **99,300** | 99,300 |
| Amortisation charge(note (a)) | **–** | – |
| Closing net book amount | **99,300** | 99,300 |
| **At 30 June** | | |
| Cost | **133,523** | 133,523 |
| Accumulated amortisation | **(3,812)** | (3,812) |
| Impairment charge | **(30,411)** | (30,411) |
| Net book amount | **99,300** | 99,300 |

Notes:

(a) There was no amortisation for the six months ended 30 June 2017 and 2016 as there was no exploration, development or production activity.

# Notes to the Condensed Consolidated Financial Information (Continued)

## 10 Land Use Rights

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Opening net book amount | **9,099** | 9,342 |
| Amortisation charge (Note 21) | **(121)** | (122) |
| Closing net book amount | **8,978** | 9,220 |
| **At 30 June** | | |
| Cost | **11,136** | 11,136 |
| Accumulated amortisation | **(2,158)** | (1,916) |
| Net book amount | **8,978** | 9,220 |

## 11 REFUNDABLE DEPOSIT

| | **As at 30 June 2017** | As at 31 December 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (audited) |
| Refundable deposit | **163,367** | 163,367 |

Note:

The Group entered into a Memorandum of Terms (the "Memorandum") on 3 December 2015 and Supplemental Terms (the "Supplementals") on 29 March 2016, 6 September 2016, 31 December 2016 and 30 June 2017 with certain vendors in relation to a possible acquisition of the entire equity interest of a target group, which is principally engaged in exploration, development, production and sale of the coalbed methane in Shanxi Province, at a total consideration of not more than US$ 150 million (equivalent to HK$1,170 million). Pursuant to the Memorandum, the Group paid US$25 million (equivalent to RMB163,367,000) to the vendors in December 2015 as a refundable deposit for the exclusive negotiation rights from the date of the Memorandum to end of March 2016 (which was subsequently extended to end of December 2017 pursuant to the Supplementals). The earnest money was secured by the share charge in respect of all the shares of the Vendors in favour of the Company. In the event that no sale and purchase agreement is entered into or the possible acquisition does not proceed on or before 31 December 2017, the earnest money shall be refunded to the Company in no more than 3 working days.

# Notes to the Condensed Consolidated Financial Information (Continued)

## 12 Available-for-sale Financial Assets

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| At the beginning of the period | **114,825** | 112,286 |
| Net loss recognised in other comprehensive loss | **–** | (1,052) |
| Disposal | **(114,825)** | – |
| At the end of the period | **–** | 111,234 |

Available-for-sale financial assets include the following:

| | **As at 30 June 2017** | As at 31 December 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (audited) |
| Equity investment | | |
| – Investment in a fund (note) | **–** | 114,825 |

Note:

Net losses of nil and RMB1,052,000 were recognised in other comprehensive income for the period ended 30 June 2017 and 2016. The liquidation progress of the fund had been completed in January 2017, net proceeds of HK$76,915,000 (equivalent to RMB68,016,000) were fully collected in February 2017 after netting off against the long-term borrowings of HK$51,452,000 (equivalent to RMB45,499,000) (Note 20). Loss of RMB1,310,000 was recognised in profit or loss upon the disposal of the fund and accumulated other comprehensive income of RMB5,057,000 was reclassified to profit or loss (Note 22).

# Notes to the Condensed Consolidated Financial Information (Continued)

## 13 Trade Receivables

Trade receivables are analysed as follows:

| | **As at 30 June 2017 RMB'000 (unaudited)** | As at 31 December 2016 RMB'000 (audited) |
|---|---|---|
| – Third parties | **6,579** | 100 |

The aging analysis of trade receivables is as follows:

| | **As at 30 June 2017 RMB'000 (unaudited)** | As at 31 December 2016 RMB'000 (audited) |
|---|---|---|
| 0-90 days | **6,579** | – |
| Over 180 days | **–** | 100 |
| | **6,579** | 100 |

The carrying amounts of trade receivables approximated to their fair values. The balances were denominated in RMB.

# Notes to the Condensed Consolidated Financial Information (Continued)

## 14 Other Receivables and Prepayments

| | **As at 30 June 2017 RMB'000 (unaudited)** | As at 31 December 2016 RMB'000 (audited) |
|---|---|---|
| **Non-current assets:** | | |
| Other receivables | | |
| – Amounts due from Warburg Energy Development Limited ("Warburg") (note (a)) | **113,586** | 109,123 |
| **Current assets:** | | |
| Other receivables | | |
| – Amounts due from Shanxi Panorama Corporate Management Consulting Co., Ltd. ("Shanxi Panorama") (note (b)) | **–** | 200,318 |
| – Amounts due from Warburg (note (c)) | **–** | 100,159 |
| – Amounts due from Xiaoyi Dajieshan Coal Limited ("Xiaoyi Dajieshan") (note (d)) | **52,600** | 52,600 |
| – Amounts due from Shaanxi Jiatai Hengrun Mineral Resource Exploiture Limited ("Shaanxi Jiatai") (note (e)) | **39,350** | 39,350 |
| – Amounts due from Mr. Wei Xing (note (f)) | **26,756** | 26,756 |
| – Deductible VAT input | **1,821** | 1,780 |
| – Others (note (g)) | **11,800** | 7,644 |
| Less: impairment provision (note (h)) | **(66,422)** | (66,422) |
| | **65,905** | 362,185 |
| Advances to suppliers – third parties | **2,717** | 475 |
| | **68,622** | 362,660 |

# Notes to the Condensed Consolidated Financial Information (Continued)

## 14 Other Receivables and Prepayments (Continued)

Notes:

a) In December 2015, Jiayi granted a loan of RMB100 million to Warburg, which was unsecured bearing annual interest of 9% with a fixed term of 5 years.

b) Jiayi and Shanxi Panorama entered into an agreement pursuant to which Jiayi granted a loan of RMB200 million to Shanxi Panorama in March 2016 bearing annual interest of 9%. The loan matured on 31 January 2017 and was collected in January 2017 by the Group.

c) In January 2016, Jiayi entered into a secured loan agreement with Warburg. According to which, Jiayi granted loan of RMB300 million to Warburg pledged by certain of its gas properties. The loan bearing annual interest of 9% with fixed term of 13 months, of which RMB200 million was early repaid in March 2016. The remaining loan of RMB100 million matured in February 2017 which was early repaid to the Group in January 2017.

d) The amounts of RMB52,600,000 due from Xiaoyi Dajieshan arised from disposal of Shaanxi Jiahe. In December 2015, the Company and Xiaoyi Dajieshan Coal Limited entered into an agreement, pursuant to which i>Hami Jitai sold 100% equity interests in Shaanxi Jiahe to Xiaoyi Dajieshan for a consideration of RMB48,000,000. ii>receivables due from Shaanxi Jiahe to the Company and its subsidiaries, amounted to RMB9,400,000, was transferred to Xiaoyi Dajieshan for a consideration of RMB9,400,000. The transfer was completed in December 2015. Until 31 December 2015, the Group received RMB4,800,000 from Xiaoyi Dajieshan and the remaining balance of RMB52,600,000 would be collected by end of 2016 according to the agreement.

In February 2017, the Company, Hami Jiatai and Xiaoyi Dajieshan entered into a supplemental agreement, pursuant to which, Xiaoyi Dajieshan would pay RMB10,000,000 in February 2017, the due date of remaining RMB42,600,000 was extended to December 2017 and the directors believe no provision is necessary for the remaining balance. Notes receivables of RMB10,000,000 was received from Xiaoyi Dajieshan in February 2017 which was expired before its acceptance by the bank by end of June 2017. Xiaoyi Dajieshan will make the payment again during the second half of 2017 to Hami Jiatai.

# Notes to the Condensed Consolidated Financial Information (Continued)

## 14 Other Receivables and Prepayments (Continued)

Notes: (Continued)

e) The balance mainly represented prepayment of RMB23,500,000 for acquisition of Shaanxi Jiarun which was lapsed on 30 September 2013, proceeds of RMB8,350,000 receivable from Shaanxi Jiatai arising from disposal of plant, property and equipment and advances of RMB7,500,000 to Shaanxi Jiatai, a company owned by Mr. Wei Xing. The balance was fully impaired because of dispute between Shaanxi Jiatai and the Group in 2014 and 2015.

f) In 2013 and 2014, the Company, Geo-Tech Resources Group Investment Limited and Mr. Wei Xing have entered into a framework agreement and supplemental agreements in relation to the possible acquisitions of gold mines and mining processing plants in the Republic of Ghana. Pursuant to the agreements, the Company paid earnest money of RMB10,000,000 (equivalent to HK$12,500,000) in 2013 and HK$20,000,000 (equivalent to RMB15,621,000) in 2014 to Mr. Wei Xing in consideration of the grant of the exclusive negotiation rights.

At 31 December 2015, full provision were provided against the receivables because of the expiration of the negotiation rights due to dispute between Mr. Wei Xing and the Group.

g) The balances as at 30 June 2017 and 31 December 2016 mainly represented receivables from third parties, which were unsecured, interest free and had no fixed terms of repayment.

h) As of 30 June 2017, other receivables of RMB66,422,000 (31 December 2016: RMB RMB66,422,000) were impaired. The amount of the provision was RMB66,422,000 as of 30 June 2017 (31 December 2016: RMB66,422,000) which was recognised in administrative expenses in 2015. The individually impaired receivables mainly related to Shaanxi Jiatai (Note 14 (e)) and Mr. Wei Xing (Note 14 (f)), which were in dispute with the Group upon the refund of the receivables.

i) The carrying amounts of other receivables and prepayments approximated their fair values. The balances were mainly denominated in RMB.

# Notes to the Condensed Consolidated Financial Information (Continued)

## 15 Cash and Cash Equivalents

| | **As at 30 June 2017 RMB'000 (unaudited)** | As at 31 December 2016 RMB'000 (audited) |
|---|---|---|
| Cash on hand | **–** | – |
| Current deposits with banks | **67,548** | 8,970 |
| Cash and cash equivalents | **67,548** | 8,970 |

## 16 Share Capital and Share Premium

| | **Authorised Shares of HK$0.1 each** |
|---|---|
| As at 30 June 2017 and 31 December 2016 | 5,000,000,000 |

| | **Number of Shares** (Thousands) | **Share Capital** RMB'000 | **Share Premium** RMB'000 | **Total** RMB'000 |
|---|---|---|---|---|
| **As at 1 January 2017 and 30 June 2017** | **1,620,000** | **137,361** | **668,768** | **806,129** |
| Opening balance 1 January 2016 | 1,500,000 | 127,362 | 577,878 | 705,240 |
| Proceeds from shares issued | 120,000 | 9,999 | 90,890 | 100,889 |
| At 30 June 2016 | 1,620,000 | 137,361 | 668,768 | 806,129 |

# Notes to the Condensed Consolidated Financial Information (Continued)

## 17 Deferred Income Tax

### Deferred tax assets

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| At the beginning of the period | **2,823** | 2,823 |
| Charged to consolidated income statement | **–** | (232) |
| At the end of the period | **2,823** | 2,591 |

Deferred tax assets were related to depreciation as at 30 June 2017 and 2016.

### Deferred tax liabilities

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| At the beginning of the period | **24,548** | 24,602 |
| Credited to consolidated income statement | **(26)** | (27) |
| At the end of the period | **24,522** | 24,575 |

Deferred tax liabilities as at 30 June 2017 and 2016 related to the valuation surplus of mining rights and land use rights upon business combinations.

# Notes to the Condensed Consolidated Financial Information (Continued)

## 18 Trade Payables

Trade payables are analysed as follows:

| | As at 30 June 2017 RMB'000 (unaudited) | As at 31 December 2016 RMB'000 (audited) |
|---|---|---|
| – Third parties | **11,794** | 1,318 |

The aging analysis of trade payables is as follows:

| | As at 30 June 2017 RMB'000 (unaudited) | As at 31 December 2016 RMB'000 (audited) |
|---|---|---|
| 0-90 days | **10,710** | 18 |
| Over 365 days | **1,084** | 1,300 |
| | **11,794** | 1,318 |

The carrying amounts of trade payables approximated to their fair values. The balances were denominated in RMB.

# Notes to the Condensed Consolidated Financial Information (Continued)

## 19 Other Payables and Accruals

| | **As at 30 June 2017 RMB'000 (unaudited)** | As at 31 December 2016 RMB'000 (audited) |
|---|---|---|
| Other payables (note (a)) | **3,711** | 303,094 |
| Salary and welfare payables | **5,711** | 5,548 |
| Accrued taxes other than income tax (note (b)) | **8,277** | 6,969 |
| | **17,699** | 315,611 |

Notes:

(a) Other payables are analysed as follows:

| | **As at 30 June 2017 RMB'000 (unaudited)** | As at 31 December 2016 RMB'000 (audited) |
|---|---|---|
| Other payables | | |
| – Amounts due to Zhong Ou Sheng Shi Asset Management Co., Ltd. (Zhong Ou Sheng Shi) (note (i)) | **–** | 300,477 |
| – Amounts due to Mr. Wei Xing (note (ii)) | **186** | 186 |
| – Third parties (note (iii)) | **3,525** | 2,431 |
| | **3,711** | 303,094 |

(i) In January 2016, Jiayi entered into an agreement with an asset management plan operated by Zhong Ou Sheng Shi. Zhong Ou Sheng Shi granted a loan of RMB300 million to Jiayi, which was pledged on 20% equity interests in Warburg held by Shanxi Panorama, bearing interest rate of 9% with fixed term of 13 months. The loan was granted to Warburg and Shanxi Panorama by Jiayi afterwards. The loan was repaid to Zhong Ou Sheng Shi by the Group in January 2017 after Jiayi collected back the loan repayment proceeds from Warburg and Shanxi Panorama in January 2017.

(ii) Amounts due to Mr. Wei Xing were interest free and unsecured, and had no fixed terms of repayment.

(iii) Other payable to third parties mainly included advances from third parties as at 30 June 2017 and 31 December 2016.

# Notes to the Condensed Consolidated Financial Information (Continued)

## 19 Other Payables and Accruals (Continued)

Notes: (Continued)

(b) Accrued taxes other than income tax are analyzed as follows:

| | **As at 30 June 2017 RMB'000 (unaudited)** | As at 31 December 2016 RMB'000 (audited) |
|---|---|---|
| Value added tax | **3,495** | 2,275 |
| Resource tax | **284** | 284 |
| Resource compensation fee | **4,269** | 4,269 |
| Others | **229** | 141 |
| | **8,277** | 6,969 |

The carrying amounts of other payables approximated their fair values.

## 20 Current-Portion of Long-Term Borrowings

| | **As at 30 June 2017 RMB'000 (unaudited)** | As at 31 December 2016 RMB'000 (unaudited) |
|---|---|---|
| Long-term borrowings to ACE Axis Limited (Note 12) | **–** | 46,025 |

In January 2017, the borrowings was netted off against the liquidation proceeds from the investment in the fund (Note12).

# Notes to the Condensed Consolidated Financial Information (Continued)

## 21 Expenses by Nature

The following items have been charged to the operating profit/(loss) for the six months ended 30 June 2017 and 2016:

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Subcontract cost for engineering services | **14,602** | – |
| Borrowing cost of financial service | **1,773** | 6,731 |
| Depreciation (Note 8) | **1,711** | 1,914 |
| Amortisation (Note 10) | **121** | 122 |
| Employee benefit expenses | **5,197** | 4,761 |
| Office expenses and operating lease payments | **3,717** | 3,053 |
| Consulting and professional expenses | **3,294** | 4,179 |
| Others | **1,013** | 266 |
| Total of cost of sales and administrative expenses | **31,428** | 21,026 |

## 22 Other Gains - Net

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Net gains transferred from other comprehensive income upon the disposal of available-for-sale financial assets (Note 12) | **5,057** | – |
| Loss on disposal of available-for-sale financial assets (Note 12) | **(1,310)** | – |
| Bargain purchase (Note 7) | **523** | 1,402 |
| Others | **(40)** | (45) |
| | **4,230** | 1,357 |

# Notes to the Condensed Consolidated Financial Information (Continued)

## 23 Finance Costs – Net

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| **Finance income** | | |
| – Interest income from bank deposits | **(145)** | (62) |
| **Finance costs** | | |
| Foreign exchange losses | **817** | 310 |
| Interest expense | | |
| – Long term borrowing | **–** | 1,224 |
| – Unwinding of discount – provision for close down, restoration and environmental costs | **36** | 25 |
| | **853** | 1,559 |
| Finance costs – net | **708** | 1,497 |

## 24 Income Tax Expense

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Current income tax | **2,327** | 1,147 |
| Deferred income tax | **(26)** | 205 |
| Income tax expense | **2,301** | 1,352 |

The Company is an exempted company incorporated in the Cayman Islands and, as such, is not liable for taxation in the Cayman Islands on its non-Cayman Islands income.

# Notes to the Condensed Consolidated Financial Information (Continued)

## 24 Income Tax Expense (Continued)

The Group's subsidiaries Right Source International Limited, Fortune In Investment Limited, Xie He Limited and Jiazhao are exempted companies incorporated in the BVI and, as such, are not liable for taxation in the BVI on their non-BVI income.

The Group's subsidiaries Surplus Plan Limited, Business Factoring (China) Limited and Realty Investment are subject to Hong Kong profits tax at a rate of 16.5% for each of the six months ended 30 June 2016 and 2017.

The Group's subsidiaries in Mainland China are subject to the corporate income tax at a rate of 25% in accordance with the Corporate Income Tax Law of the PRC.

The applicable tax rate of Huili Runce Investment Consultation (Beijing) Limited, Hami Jinhua, Hami Jiatai and Jiayi for each of the six months ended 30 June 2016 and 2017 were 25%.

All the Group's subsidiaries in Hong Kong and the Mainland China except for Chang shi and Jiayi did not have any assessable profit for the six months ended 30 June 2017; and all the Group's subsidiaries in Hong Kong and the Mainland China except for Jiayi did not have any assessable profit for the six months ended 30 June 2016.

## 25 Loss per Share

The basic loss per share is calculated by dividing the loss attributable to the equity holders of the Company by weighted average number of ordinary shares in issue during the period.

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Loss attributable to equity holders of the Company | **(1,917)** | (13,310) |
| Adjusted weighted average number of shares in issue (in thousands) | **1,620,000** | 1,529,918 |
| Basic and diluted loss per share (RMB) | **(0.001)** | (0.009) |

Diluted loss per share equals to basic loss per share as there was no dilutive potential share outstanding for the six months ended 30 June 2017 and 2016.

# Notes to the Condensed Consolidated Financial Information (Continued)

## 26 Related Party Transactions

(a) 

| Name of related party | Relationship with the Group |
|---|---|
| Warburg | Mr. Li Xiaobin and Mr. Liu Huijie, who are directors of Warburg, were appointed as directors of the Company in April 2017. |

(b) During each of the six months ended 30 June 2017 and 2016, the Company had the following material transactions with related parties:

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Engineering service provided to related party | **22,249** | – |
| Interest income from related party | **2,117** | – |
| | **24,366** | – |

(c) Key management compensation

Key management includes the company secretary and the chief financial officer, vice president of the Company.

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Basic salaries, allowances and other benefits | **701** | 560 |

# Notes to the Condensed Consolidated Financial Information (Continued)

## 27 Commitments

### (a) Capital commitments

There is no contracted capital expenditure as at 30 June 2017 and 31 December 2016.

### (b) Operating lease commitments

The Company leases various offices under non-cancelable operating lease agreements.

The future aggregate minimum lease payments under non-cancelable operating lease are as follows:

| | **As at 30 June 2017 RMB'000 (unaudited)** | As at 31 December 2016 RMB'000 (audited) |
|---|---|---|
| No later than 1 year | **2,699** | 2,979 |
| Later than 1 year and no later than 5 years | **418** | 1,739 |
| | **3,117** | 4,718 |

# Management Discussion and Analysis

## BUSINESS REVIEW

The Company participates in non-ferrous mineral ore mining and processing. The diversified nonferrous metal minerals covered by the Company's operation include nickel, copper, zinc and lead in Xinjiang province, China. The mining and exploration tenements and ore processing plants in Xinjiang are located close to the municipal city of Hami, which is approximately 400 km south east of Urumqi, the capital of Xinjiang Uygur Autonomous Region. The Company's subsidiaries Hami Jinhua Mineral Resource Exploitation Limited ("Hami Jinhua") and Hami Jiatai Mineral Resource Exploitation Limited ("Hami Jiatai"), own two mining permits and two exploration permits in Xinjiang. The prices of copper, nickel, zinc and lead turned around in 2016 and fluctuated at relatively stable level in the first half of 2017. The Company still deferred the mining activities and scheduled maintenance work in order to extend the mine services lives and preserve the value of the assets. As the global base metal markets recovers, the Company has been actively studying and preparing a feasible re-launching production plan.

The Company has continually explored acquisition opportunities in natural resources industry with promising return in order to expand and diversify its business and to enhance the investment return. On 6 September 2016, the Company entered into a framework agreement in relation to a possible acquisition over an upstream natural gas project in Shanxi Province, the PRC. The validity period of such agreement was further extended to 31 December 2017.

To diversify the business activities and broaden the revenue base of the Group, on 10 March 2017, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement to acquire 100% equity interest of Yonghe County Changshi Engineering Service Company Limited (永和縣長實工程服務有限公司) ("Changshi"). Changshi currently provides engineering service for exploiting oil and gas in Shanxi Province. Such acquisition was completed on 27 April 2017.

## Mines under Operation

Hami Jinhua and Hami Jiatai hold two mining permits, namely No. 20 Mine and Baiganhu Mine. No. 20 Mine produces copper and nickel ore. Further exploration and study of the deep ore deposit on the west of Shaft 6 had been considered. To meet new requirements of safety production, No. 20 Mine is to upgrade its lifting system before the production relaunching. Baiganhu Mine produces lead and zinc ore. Further exploration and study of ore bodies had been considered. It plans to set up the underground production systems and facilities for safety production before the production initiation.

## Exploration Permits

Hami Jiatai holds two exploration permits in Xinjiang namely Baiganhu Gold and H-989, with minerals covering gold, nickel and copper and is currently in progress to renew the exploration permits. Preliminary exploration and/or drilling plans for such tenements had been considered. Hami Jiatai had conducted some exploration at Baiganhu Gold tenement, and identified the preliminary mineralization band and the ore deposit. Subject to the market condition and local requirements, the Company will devote reasonable resources to carry out further exploration in order to enrich the resources and reserve base.

## Ore Processing Plants

Hami Jiatai operates a copper-nickel ore processing plant and Hami Jinhua owns a lead-zinc ore processing plant. Both plants were set up to treat ore extracted from the deposits, and adopt a non-conventional flotation circuit. The throughput capacity of both plants is 1,500 tpd. Nickel, copper, lead and zinc concentrates are separated and recovered from bulk concentrate for sale. During the first half of 2017, Hami Jiatai and Hami Jinhua did not carry out any mining and processing activities.

## Financial Leasing

The financial leasing business in the PRC was carried out by the Company's wholly-owned subsidiary Jiayi Financial Leasing Company Limited ("Jiayi") which was acquired in 2016. Such business generated revenue of approximately RMB5.9 million (2016: RMB9 million) during the six months ended 30 June 2017 (the "Period").

## Engineering Service

The Group commenced business of engineering service in Shanxi Province through Changshi which generated revenue of approximately RMB22.2 million (2016: nil) during the Period. The Group is actively developing and exploring this business and it is expected that such business continues to contribute considerable revenue and profits to the Group in future.

# RESULTS REVIEW

## Revenue and cost of sales

The revenue for the Period was approximately RMB28.1 million (2016: RMB9 million) which represented revenue generated from engineering service provided by Changshi of approximately RMB22.2 million (2016: nil) and interest income from finance service of approximately RMB5.9 million (2016: RMB9 million).

Cost of sales of RMB20 million (2016: RMB9.1 million) mainly represented subcontract cost for engineering service and borrowing cost of financial leasing service of approximately RMB14.6 million (2016: nil) and RMB1.8 million (2016: RMB6.7 million) respectively. Gross profit for the Period amounted to RMB8.1 million (2016: gross loss of RMB0.1 million). Gross profit margin for engineering service and financial leasing service was 26% and 70% (2016: 25%)respectively.

## Administrative expenses

Administrative expenses for the Period, which included mainly depreciation charges, consulting fees, staff costs and office overheads, amounted to approximately RMB11.4 million (2016: RMB11.9 million). There was no material fluctuation noted during the Period.

## Other gains – net

Other gains for the Period of approximately RMB4.2 million (2016: RMB1.4 million) mainly represented net gains transferred from other comprehensive income upon the disposal of the investment fund of approximately RMB5.1 million (2016: nil) and bargain purchase in respect of acquisition of Changshi of approximately RMB0.5 million (2016: acquisition of Jia Zhao of RMB1.4 million) netting off against loss on disposal of the investment fund of approximately RMB1.3 million (2016: nil) during the Period.

## Finance costs – net

Finance cost mainly represented foreign exchange losses of approximately RMB0.8 million (2016: RMB0.3 million) during the Period. In 2016, interest for long term borrowing, which was netted off against the liquidation proceeds from the investment in the fund in February 2017, of approximately RMB1.2 million was recongised. No such interest was recorded during the Period.

## Income tax expense

Income tax expense for the Period was approximately RMB2.3 million (2016: RMB1.4 million). It mainly represented tax provision for operations in the PRC. No provision for profits tax in Hong Kong was made during the Period.

# SIGNIFICANT INVESTMENTS HELD

As at 31 December 2016, the Group held investment in a fund, which was a limited partnership focusing on mining and natural resources industries and has been classified as an available-for-sale financial instrument in the consolidated balance sheet of the Group, of approximately RMB114.8 million. The fund has been early terminated by the general partner in its sole discretion pursuant to terms of the limited partnership agreement in December 2016. Accordingly, the general partner has in its sole discretion caused the fund to make the final distribution to all Class B limited partnership interests (i.e., the Company) in February 2017. Net proceeds of approximately HK$76.9 million (equivalent to RMB68 million) was fully collected after netting off against the long-term borrowings of approximately HK$51.5 million (equivalent to RMB46 million). There were no significant investments held as at 30 June 2017.

# MATERIAL ACQUISITIONS AND DISPOSALS

Save as acquisition of Changshi during the Period as detailed above, there were no other material acquisitions and disposals during the Period.

## LIQUIDITY AND FINANCIAL REVIEW

The Group financed its day to day operations by internally generated cash flow and net proceeds from disposal of investment fund of approximately RMB68 million during the Period. Primary uses of funds during the Period was mainly payment of operating expenses.

As at 30 June 2017, current assets of approximately RMB145.8 million (31 December 2016: RMB489.6 million) were comprised of inventories of RMB3 million, trade receivables of RMB6.6 million, other receivables and prepayments of RMB68.6 million and cash and cash equivalents of RMB67.6 million. Current liabilities of RMB34.2 million (31 December 2016: RMB365 million) were comprised of trade payables of RMB11.8 million, other payables and accruals of RMB17.7million and income tax payable of RMB4.7 million. Current ratios, being total current assets to total current liabilities, were 1.34 and 4.26 as at 31 December 2016 and 30 June 2017 respectively.

As at 30 June 2017, there was no outstanding interest-bearing bank loan (31 December 2016: Nil). As at 31 December 2016, borrowings of HK$50,000,000 (equivalent to RMB44,726,000) together with interest payable of HK$1,452,000 (equivalent to RMB1,299,000) were classified as current portion of long-term borrowings. There were no borrowings as at 30 June 2017.

The Group conducted its continuing operational business transactions mainly in Renminbi and Hong Kong dollars. The Group did not arrange any forward currency contracts for hedging purposes.

### Gearing Ratio

Gearing ratio of the Group is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is calculated as total equity plus net debt. As at 30 June 2017, the gearing ratio was 0% (31 December 2016: 6.38%).

## CHARGES ON COMPANY'S ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no contracted capital expenditure (31 December 2016: nil).

As at 30 June 2017, the future aggregate minimum lease payments under non-cancellable operating leases of various offices were approximately RMB3.1 million (31 December 2016: RMB4.7 million).

There was no charge on the Company's assets as at 30 June 2017 (31 December 2016: Nil).

The Group may be subject to new environmental laws and regulations that may impose contingencies upon the Group in the future. The Group may also be subject to the effect of under-insurance on future accidents incurred by the employees. Such (i) new environmental laws and regulations; and (ii) under insurance on the employees may impose significant costs and liabilities on the Group.

Save as disclosed above, as at 30 June 2017, the Group had no material contingent liability (31 December 2016: nil).

## HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 30 June 2017, the Group employed 54 (31 December 2016: 45) employees. The total staff costs for the Period were approximately RMB5.2 million (2016: RMB4.8 million). The salaries of employees largely depend on their job nature, performance and length of service with the Group. The directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of the Group. Discretionary bonuses are also available to the Group's employees depending on the overall performance of the Group. In addition to the basic remuneration, the Group also provides employees with employees benefits, including pension, medical scheme and other applicable social insurance as required by the applicable laws and regulations. Apart from regular on-job training, the Group provides training to new employees including an introduction to relevant regulations and general safety awareness and a workshop specific training to the work area and the role of individual within the workshop. Directors and employees, among others, are entitled to participate in the share option scheme at the discretion of the board. No share option was issued and outstanding as at 30 June 2017.

## FUTURE OUTLOOK

According to International Copper Study Group ("ICSG") , world refined copper balance projections indicate a deficit of about 150,000 tons for 2017 and 170,000 tons for 2018. According to International Nickel Study Group ("INSG") , world primary nickel production could reach around 2.07Mt in 2017 and world primary nickel usage would increase to around 2.11Mt. The above forward-looking market balance is good news for global copper and nickel prices.

According to International Lead and Zinc Study Group ("ILZSG") , there are some dynamics for zinc and lead markets: zinc is still the major coating material for façade and frames; technology advancement leads to thinner coating consuming less zinc; the zinc usage evolvement shows a substitution by aluminium, carbon fiber etc.; lead usage volume change since 2014 shows an apparent substitution by other batteries; and lead-acid retains dominant position in auto sector. Estimates show that there is a slight deficit for world refined lead metal balance in 2017, and around 230,000 tons deficit for zinc metal world balance. Forward-looking market balance is also optimistic to support global zinc and lead prices.

The Company considers the recovery of global base metal markets would last for several years ahead. To catch the advantage of bull markets, the Company plans to carry out more active operation and acquisition in natural resources in the coming years. At the same time, the Company will continue to devote reasonable resources into the existing financial leasing business and engineering service business in order to maintain a balanced income growth.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, none of the directors or the chief executives of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO") ) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

## PERSON WHO HAVE AN INTEREST IN SHARES AND UNDERLYING SHARES DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

So far as was known to the Directors and the chief executive of the Company, as at 30 June 2017, the following persons (not being directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name | Nature of interest | Total interests in shares | Approximate percentage of the Company's issued share capital |
|---|---|---|---|
| Sky Circle International Limited | Beneficial owner (Note 1) | 412,592,702 (L) | 25.47% |
| Mr. Guo Jianzhong | Interest in a contorted corporation | 412,592,702 (L) | 25.47% |
| Affinitiv Mobile Ventures Ltd | Beneficial owner (Note 2) | 200,000,000 (L) | 12.35% |
| China Huarong Asset Management Co., Ltd. | Interest in a controlled corporation (Note 2) | 200,000,000 (L) | 12.35% |
| China Huarong Overseas Invesment Holdings Co., Limited | Interest in a controlled corporation (Note 2) | 200,000,000 (L) | 12.35% |

## PERSON WHO HAVE AN INTEREST IN SHARES AND UNDERLYING SHARES DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO (Continued)

| Name | Nature of interest | Total interests in shares | Approximate percentage of the Company's issued share capital |
|---|---|---|---|
| Ministry of Finance of the People's Republic of China | Interest in a controlled corporation (Note 2) | 200,000,000 (L) | 12.35% |
| Sun Siu Kit | Interest in a controlled corporation (Note 2) | 200,000,000 (L) | 12.35% |
| Huarong Zhiyuan Investment & Management Co., Ltd. (華融致遠投資管理有限責任公司) | Interest in a controlled corporation (Note 2) | 200,000,000 (L) | 12.35% |
| Huarong Overseas Chinese Asset Management Co., Ltd. (華融華僑資產管理股份有限公司) | Interest in a controlled corporation (Note 2) | 200,000,000 (L) | 12.35% |
| Guangdong Kam Fung Group Company Limited (廣東錦峰集團有限公司) | Interest in a controlled corporation (Note 2) | 200,000,000 (L) | 12.35% |
| Legend Vantage Limited | Beneficial owner (Note 3) | 188,638,883 (L) | 11.64% |
| Mr. Li Guangrong | Interest in a controlled corporation (Note 3) | 188,638,883 (L) | 11.64% |
| Ms. Gao Miaomiao | Interest in a controlled corporation (Note 3) | 188,638,883 (L) | 11.64% |
| Proficient Expert Investments Limited | Beneficial owner (Note 4) | 120,000,000 (L) | 7.41% |
| Best Lead Holdings Limited | Interest in a controlled corporation (Note 4) | 120,000,000 (L) | 7.41% |
| Mr. Li Bin | Interest in a controlled corporation (Note 4) | 120,000,000 (L) | 7.41% |

Remarks: (L): Long position; (S): Short position

## PERSON WHO HAVE AN INTEREST IN SHARES AND UNDERLYING SHARES DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO (Continued)

Notes:

1. Mr. Guo Jianzhong is the legal and beneficial owner of the entire issued share capital of Sky Circle International Limited.

2. Affinitiv Mobile Ventures Ltd is wholly owned by China Huarong Overseas Invesment Holdings Co., Limited which is wholly owned by Huarong Overseas Chinese Asset Management Co., Ltd. Huarong Zhiyuan Investment & Management Co., Ltd. and Guangdong Kam Fung Group Company Limited held 51% and 40% of equity interest of Huarong Overseas Chinese Asset Management Co., Ltd. respectively.

   Huarong Zhiyuan Investment & Management Co., Ltd. is wholly owned by China Huarong Asset Management Co., Ltd., and Ministry of Finance of the People's Republic of China held 67.75% of equity interest of China Huarong Asset Management Co., Ltd.

   Guangdong Kam Fung Group Company Limited is wholly owned by Hong Kong Kam Fung Group Company Limited which is wholly owned by Sun Siu Kit.

3. Each of Mr. Li Guangrong and Ms. Gao Miaomiao holds 50% of issued share capital of Legend Vantage Limited.

4. Proficient Expert Investments Limited is wholly owned by Best Lead Holdings which is wholly owned by Mr. Li Bin.

Save as disclosed above, as at 30 June 2017, the directors and the chief executive of the Company were not aware of any other person (other than the directors and chief executive of the Company) who had, or was deemed to have, interests and/or short positions in the shares or underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO.

## DIVIDEND

The directors do not recommend the payment of any interim dividend in respect of the Period.

## PURCHASE, REDEMPTION OR SALE OF SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance and has taken appropriate steps to adopt and comply with the provisions of its Code on Corporate Governance Practices (the "Code") which adopted practices that meet the requirements set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited (the "Listing Rules") during the Period, with the following exception:

Under provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. All independent non-executive directors of the Company were not appointed for a specific term but all of them are subject to retirement by rotation in accordance with the Articles of Association of the Company. The Board considers that sufficient measures were taken to ensure the corporate governance practices of the Company are not less than those in the Code.

## MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for directors' securities transactions. Having made specific enquiry of all directors, all directors of the Company have complied with required standard set out in the Model Code throughout the Period.

## REVIEW BY AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process, internal controls and risk management systems. The audit committee comprises three independent non-executive directors of the Company. The audit committee has reviewed the interim results for Period.

By order of the Board
**Huili Resources (Group) Limited**
**Li Xiaobin**
*Chairman*

Hong Kong, 29 August 2017