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

2019 INTERIM REPORT

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Wang Qian
Mr. Zhou Jianzhong (appointed on 11 March 2019)
Mr. Liu Huijie (resigned on 14 June 2019)
Mr. Li Xiaobin (resigned on 11 March 2019)
Ms. Jia Dai (resigned on 13 February 2019)

Non-Executive Director

Mr. Cao Ye (appointed on 14 June 2019)

Independent Non-Executive Directors

Ms. Xiang Siying *(Chairlady)*
(appointed as the Chairlady on 11 March 2019)
Ms. Huang Mei
Mr. Chan Ping Kuen (appointed on 11 March 2019)
Mr. Cao Shiping (resigned on 11 March 2019)

AUDIT COMMITTEE

Ms. Huang Mei *(Chairlady)*
Ms. Xiang Siying
Mr. Chan Ping Kuen (appointed on 11 March 2019)
Mr. Cao Shiping (resigned on 11 March 2019)

Remuneration Committee

Ms. Xiang Siying *(Chairlady)*
Ms. Wang Qian
Ms. Huang Mei

Nomination Committee

Ms. Wang Qian *(Chairlady)*
Ms. Xiang Siying
Ms. Huang Mei

Authorised Representatives

Ms. Xiang Siying
Mr. Yau Hong Chun

Company Secretary

Mr. Yau Hong Chun

Independent Auditor

BDO Limited
25th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

Legal Advisers

as to laws of Hong Kong Special Administrative Region ("Hong Kong")
Sidley Austin

as to laws of People's Republic of China (the "PRC")
Global Law Office

as to Cayman Islands laws
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
Room 2805, 28/F
Harbour Centre
No. 25 Harbour Road
Wan Chai, Hong Kong

Corporate Information (Continued)

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 54, 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 2019

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

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

Project name	Classification	Quantity (kt)	Au Grade (g/t)	Au metal (t)
Project Huangjinmei	Measured	–	–	–
	Indicated	430	3.61	1.5
	Inferred	716	3.63	2.7
	Total	1,146	3.62	4.2

Mines Information (Continued)

Ore Reserves as of 30 June 2019

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

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

Note: The reports on mineral resources and ore reserves of the Project No. 20, Project H-989 and Project Baiganhu were prepared based on the independent technical report of Minacro-Mine Consult, an independent technical consultant, for determining mineral resources and ore reserves, while the report on mineral resources of the Project Huangjinmei was prepared based on Xinjiang Engineering & Research Institute of Nonferrous Metals Co., Ltd (新疆有色冶金設計研究院有限公司). The rounding of figures may result in minor computational discrepancies. Such discrepancies are deemed to be insignificant.

Mines Information (Continued)

Exploration Permits

Project name	Type of ore under exploration	Exploration Area (km²)	Permit expiry date (month/year)
Project Baiganhu Gold	Au	0.64	July 2018 (Note)
Project H-989	Cu, Ni	0.96	July 2018 (Note)
Project Huangshan	Cu, Ni	3.49	March 2019 (Note)

Mining Permits

Project name	Type of ore under mining	Mining Area (km²)	Permit expiry date (month/year)
Project No. 20	Cu, Ni	0.22	October 2019
Project Baiganhu	Pb, Zn	0.96	September 2021
Project Huangjinmei	Au	0.12	February 2021

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

Note: The Group is in the progress of renewing these permits, in which applications of renewal have been made to the relevant government departments.

Capital Expenditure and Exploration Expenses

The Group did not carry out any ore production during the six months ended 30 June 2019 and 2018.

For the six months ended 30 June 2019 and 2018, there was no capital expenditure for the development and mining activities.

For the six months ended 30 June 2019 and 2018, no exploration expense was charged to the interim condensed consolidated statement of comprehensive income.

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Six months ended 30 June 2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited) (restated)
Revenue	6	**11,801**	14,610
Cost of sales		**(8,255)**	(10,333)
Gross profit		**3,546**	4,277
Selling and marketing costs		**–**	(103)
Administrative expenses		**(11,703)**	(10,752)
Other gains — net	7	**20,599**	1,762
Operating profit/(loss)		**12,442**	(4,816)
Finance income	8	**1,071**	595
Finance costs	8	**(228)**	(164)
Finance income — net	8	**843**	431
Profit/(loss) before income tax expense	9	**13,285**	(4,385)
Income tax expense	10	**(734)**	(718)
Profit/(loss) and total comprehensive income for the period		**12,551**	(5,103)
Profit/(loss) attributable to:			
Equity holders of the Company		**11,421**	(4,904)
Non-controlling interests		**1,130**	(199)
		12,551	(5,103)
Earnings/(loss) per share attributable to the equity holders of the Company (expressed in RMB cents per share)			
— Basic and diluted	11	**0.71**	(0.30)

Interim Condensed Consolidated Balance Sheet

	Note	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	**65,460**	68,171
Right-of-use assets		**12,072**	–
Mining rights and exploration rights		**88,867**	88,867
Land use rights		**–**	8,613
Deferred tax assets		**2,823**	2,823
Restricted cash at banks		**2,653**	2,653
Total non-current assets		**171,875**	171,127
Current assets			
Inventories		**3,019**	3,019
Financial assets at fair value through other comprehensive income ("FVOCI")		**–**	2,300
Trade receivables	14	**–**	11,358
Loan receivable	15	**98,831**	98,856
Other receivables and prepayments	16	**44,665**	68,381
Cash and cash equivalents		**191,392**	167,923
Total current assets		**337,907**	351,837
Total assets		**509,782**	522,964

Interim Condensed Consolidated Balance Sheet (Continued)

	Note	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
LIABILITIES			
Non-current liabilities			
Provision for close down, restoration and environmental costs		**5,373**	5,307
Lease liabilities		**1,719**	–
Deferred tax liabilities		**17,965**	17,992
Total non-current liabilities		**25,057**	23,299
Current liabilities			
Trade payables	17	**3,318**	7,610
Other payables and accruals	18	**18,804**	43,890
Contract liabilities		**1,620**	–
Lease liabilities		**1,967**	–
Current tax liabilities		**5,801**	5,224
Borrowings	19	**–**	2,200
Total current liabilities		**31,510**	58,924
Total liabilities		**56,567**	82,223
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	20	**137,361**	137,361
Share premium	20	**668,768**	668,768
Other reserves		**(12,168)**	(12,168)
Accumulated losses		**(338,512)**	(349,856)
		455,449	444,105
Non-controlling interests		**(2,234)**	(3,364)
Total equity		**453,215**	440,741
Total equity and liabilities		**509,782**	522,964

Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company								
	Share capital RMB'000 (unaudited)	**Share premium** RMB'000 (unaudited)	**Safety funds** RMB'000 (unaudited)	**Maintenance funds** RMB'000 (unaudited)	**Capital reserve** RMB'000 (unaudited)	**Accumulated losses** RMB'000 (unaudited)	**Subtotal** RMB'000 (unaudited)	**Non-controlling interests** RMB'000 (unaudited)	**Total equity** RMB'000 (unaudited)
Balance at 31 December 2018 (audited) and 1 January 2019 (unaudited)	**137,361**	**668,768**	**221**	**1,583**	**(13,972)**	**(349,856)**	**444,105**	**(3,364)**	**440,741**
Initial application of HKFRS 16	**–**	**–**	**–**	**–**	**–**	**(77)**	**(77)**	**–**	**(77)**
At 1 January 2019, restated (unaudited)	**137,361**	**668,768**	**221**	**1,583**	**(13,972)**	**(349,933)**	**444,028**	**(3,364)**	**440,664**
Profit for the period (unaudited)	**–**	**–**	**–**	**–**	**–**	**11,421**	**11,421**	**1,130**	**12,551**
Total comprehensive income (unaudited)	**–**	**–**	**–**	**–**	**–**	**11,421**	**11,421**	**1,130**	**12,551**
Balance at 30 June 2019 (unaudited)	**137,361**	**668,768**	**221**	**1,583**	**(13,972)**	**(338,512)**	**455,449**	**(2,234)**	**453,215**
Balance at 31 December 2017 and 1 January 2018 (audited)	137,361	668,768	221	1,583	(13,972)	(302,225)	491,736	(1,080)	490,656
Initial application of HKFRS 9	–	–	–	–	–	(6,362)	(6,362)	(23)	(6,385)
At 1 January 2018, restated (audited)	137,361	668,768	221	1,583	(13,972)	(308,587)	485,374	(1,103)	484,271
Loss for the period (unaudited)	–	–	–	–	–	(4,904)	(4,904)	(199)	(5,103)
Total comprehensive loss (unaudited)	–	–	–	–	–	(4,904)	(4,904)	(199)	(5,103)
Balance at 30 June 2018 (unaudited)	137,361	668,768	221	1,583	(13,972)	(313,491)	480,470	(1,302)	479,168

Interim Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash flows from operating activities		
Cash generated from/(used in) operations	**25,166**	(1,413)
Income tax paid	**(184)**	–
Net cash generated from/(used in) operating activities	**24,982**	(1,413)
Net cash generated from investing activities	**2,141**	83,447
Net cash used in financing activities	**(3,307)**	–
Net increase in cash and cash equivalents	**23,816**	82,034
Cash and cash equivalents at beginning of period	**167,923**	54,410
Exchange differences on cash and cash equivalents	**(347)**	765
Cash and cash equivalents at the end of period	**191,392**	137,209

Notes to the Interim 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 principal place of business of the Company is located at Room 2805, 28/F., Harbour Centre, No. 25 Harbour Road, Wan Chai, Hong Kong.

The Company is an investment holding company and its subsidiaries (together with the Company, the "Group") are principally engaged in the mining, ore processing, sales of gold, nickel, copper, lead and zinc products, financial services, engineering and other related services and trading of coal in the PRC.

These interim condensed consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. The interim condensed consolidated financial statements, which has not been audited, have been approved and authorised for issue by the board (the "Board") of directors (the "Director(s)") of the Company on 30 August 2019.

2 Basis of Preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2019 (the "Period") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The interim condensed consolidated financial statements contain selected explanatory notes which include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group after the financial year ended 31 December 2018. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018 ("2018 Annual Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

These interim condensed consolidated financial statements have been prepared on the historical basis except for certain financial instruments which are measured at fair value.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

2 Basis of Preparation (Continued)

In preparing these interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2018 Annual Financial Statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 16.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

3 Changes in accounting policies

The Group has adopted the following new and revised HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by HKICPA for the first time for these interim consolidated financial statements.

HKFRS 16	Leases
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised HKFRSs has had no significant financial impact on these interim condensed consolidated financial statements. The nature and impact of the HKFRS 16 are described as below.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

3 Changes in accounting policies (Continued)

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the balance sheet as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

3 Changes in accounting policies (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The effect of adoption of HKFRS 16 is as follows:

(a) Impact on the interim condensed consolidated balance sheet as at 1 January 2019 (increase/(decrease)):

	RMB'000 (Unaudited)
Assets	
Right-of-use assets	13,167
Land use rights	(8,613)
Increase in total assets	4,554
Liabilities	
Lease liabilities	4,631
Increase in total liabilities	4,631
Equity	
Other reserves	–
Accumulated losses	77
Decrease in total equity	(77)

Notes to the Interim Condensed Consolidated Financial Information (Continued)

3 Changes in accounting policies (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

(b) The reconciliation of lease liabilities as at 1 January 2019 to the operating leases commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	4,902
Weighted average incremental borrowing rate as at 1 January 2019	5.13%
Discounted operating lease commitments as at 1 January 2019	4,631
Lease liabilities as at 1 January 2019	4,631

(c) Impact on the interim condensed consolidated balance sheet and interim condensed consolidated statement of comprehensive income:

	Right-of-use assets		
	Leasehold land RMB'000 (Unaudited)	**Buildings** RMB'000 (Unaudited)	**Lease Liabilities** RMB'000 (Unaudited)
As at 1 January 2019	8,613	4,554	4,631
Depreciation and amortisation	(122)	(961)	–
Interest expense	–	–	103
Payments	–	–	(1,036)
Exchange difference	–	(12)	(12)
As at 30 June 2019	8,491	3,581	3,686

Notes to the Interim Condensed Consolidated Financial Information (Continued)

3 Changes in accounting policies (Continued)

(ii) New definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset, i.e. with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the balance sheet of the lessee.

Under HKFRS 16, all leases are required to be capitalised in the balance sheet as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases; and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

3 Changes in accounting policies (Continued)

(iii) Accounting as a lessee (Continued)

Right-of-use assets

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liabilities

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

3 Changes in accounting policies (Continued)

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application on 1 January 2019. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the following practical expedients: (i) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application on 1 January 2019 and accounted for those leases as short-term leases; (ii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019; and (iii) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

4 Estimates

The preparation of these interim condensed consolidated financial statements require 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 these interim condensed consolidated financial statements, 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 2018 Annual Financial Statements.

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 and interest rate risk), credit risk and liquidity risk. The Group historically has not used derivative instruments for hedging or trading purposes.

These interim condensed consolidated financial statements do not include the disclosures of the Group's financial risk management information that were required in the annual financial information, and should be read in conjunction with the Group's 2018 Annual Financial Statements.

There have been no changes in the risk management policies since 31 December 2018.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

5 Financial Risk Management (Continued)

5.2 Fair value estimation

This section analyses the Group's financial instruments carried at fair value as at 30 June 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading securities and securities carried at FVOCI) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Except for the financial assets at FVOCI, the Group do not have any financial assets or liabilities that are measured at fair value as at 30 June 2019 and 31 December 2018.

6 Segment Information

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

The CODM reviews the operating performance from a business perspective (i.e. mining, financial services, engineering services and trading business). The reportable operating segments derive their revenue primarily from mining, financial services, engineering and other related services and trading of coal respectively.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

6 Segment Information (Continued)

For the six months ended 30 June 2019, the Group had four reportable segments:

(a) the "Mining" segment engages in the mining, ore processing and sales of gold, nickel, copper, lead and zinc products through Hami Jiatai Mineral Resource Exploiture Limited ("Hami Jiatai"), Hami Jinhua Mineral Resource Exploiture Limited ("Hami Jinhua") and Shaanxi Jiahe Mineral Exploiture Limited ("Shaanxi Jiahe") in the PRC;

(b) the "Financial services" segment engages in financial services through Jiayi Financial Leasing Company Limited ("Jiayi") in the PRC;

(c) the "Engineering services" segment engages in trading of materials for oil and gas exploration through Yonghe County Changshi Engineering Service Co., Ltd. ("Changshi") in the PRC; and

(d) the "Trading business" segment engages in trading of coal through Changzhi Runce Trading Company Limited ("Changzhi Runce") in the PRC.

For the six months ended 30 June 2018, the Group had three reportable segments:

(a) the "Mining" segment;

(b) the "Financial services" segment; and

(c) the "Engineering services" segment.

Apart from the above 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 these interim condensed consolidated 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.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

6 Segment Information (Continued)

(A) The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2019 and 2018 is as follows:

	For the six months ended										
	30 June 2019						30 June 2018				
	Mining RMB'000 (unaudited)	Financial services RMB'000 (unaudited)	Engineering services RMB'000 (unaudited)	Trading business RMB'000 (unaudited)	Unallocated RMB'000 (unaudited)	Total RMB'000 (unaudited)	Mining RMB'000 (unaudited)	Financial services RMB'000 (unaudited)	Engineering services RMB'000 (unaudited)	Unallocated RMB'000 (unaudited)	Total RMB'000 (unaudited)
Segment Revenue											
– Mineral products	-	-	-	-	-	-	-	-	-	-	-
– Interest income from financial services	-	3,500	-	-	-	3,500	-	3,345	-	-	3,345
– Engineering and other related services	-	-	-	-	-	-	-	-	11,265	-	11,265
– Trading of coal	-	-	-	8,301	-	8,301	-	-	-	-	-
	-	3,500	-	8,301	-	11,801	-	3,345	11,265	-	14,610
Segment operating profit/(loss) (Note (a))	21,154	2,997	(4,036)	(5)	(7,668)	12,442	(3,901)	1,732	1,307	(3,954)	(4,816)
Segment finance income/(costs) – net	27	51	124	-	641	843	(94)	1	(69)	593	431
Segment income tax credit/(expense)	27	(761)	-	-	-	(734)	27	(435)	(310)	-	(718)
Amortisation	122	-	-	-	-	122	122	-	-	-	122
Segment depreciation	1,098	-	416	-	127	1,641	1,122	-	591	-	1,713

Notes to the Interim Condensed Consolidated Financial Information (Continued)

6 Segment Information (Continued)

(A) The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2019 and 2018 is as follows: (Continued)

	As at 30 June 2019						As at 31 December 2018				
	Mining RMB'000 (unaudited)	Financial services RMB'000 (unaudited)	Engineering services RMB'000 (unaudited)	Trading business RMB'000 (unaudited)	Unallocated RMB'000 (unaudited)	Total RMB'000 (unaudited)	Mining RMB'000 (audited)	Financial services RMB'000 (audited)	Engineering services RMB'000 (audited)	Unallocated RMB'000 (audited)	Total RMB'000 (audited)
Segment assets (Note (b))	170,003	115,835	15,705	1,678	206,561	509,782	174,883	113,045	27,201	207,835	522,964
Segment liabilities (Note (c))	36,194	8,474	4,376	1,683	5,840	56,567	60,691	7,900	11,814	1,818	82,223

Notes:

(a) Unallocated operating loss mainly represented exchange gain, administrative and professional services expenses incurred by the Company for both the six months ended 30 June 2019 and 2018.

(b) Unallocated assets as at 30 June 2019 and 31 December 2018 mainly represented the other receivables and the bank deposits held by the Company.

(c) Unallocated liabilities as at 30 June 2019 and 31 December 2018 mainly represented other payables and accruals.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

6 Segment Information (Continued)

(B) Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical markets, major products and service lines and timing on revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

For the six months ended 30 June 2019

	Mining RMB'000 (unaudited)	Financial services RMB'000 (unaudited)	Engineering services RMB'000 (unaudited)	Trading business RMB'000 (unaudited)	Total RMB'000 (unaudited)
Primary geographical market					
The PRC	–	3,500	–	8,301	11,801
Major products and services					
Mining products	–	–	–	–	–
Financial services	–	3,500	–	–	3,500
Engineering and other related services	–	–	–	–	–
Trading of coal	–	–	–	8,301	8,301
	–	3,500	–	8,301	11,801
Timing of revenue recognition					
At a point in time	–	–	–	8,301	8,301
Transferred over time	–	3,500	–	–	3,500
	–	3,500	–	8,301	11,801

Notes to the Interim Condensed Consolidated Financial Information (Continued)

6 Segment Information (Continued)

(B) Disaggregation of revenue (Continued)

For the six months ended 30 June 2018

	Mining RMB'000 (unaudited)	Financial services RMB'000 (unaudited)	Engineering services RMB'000 (unaudited)	Total RMB'000 (unaudited)
Primary geographical markets				
The PRC	–	3,345	11,265	14,610
Major products and services				
Mining products	–	–	–	–
Financial services	–	3,345	–	3,345
Engineering and other related services	–	–	11,265	11,265
	–	3,345	11,265	14,610
Timing of revenue recognition				
At a point in time	–	–	9,637	9,637
Transferred over time	–	3,345	1,628	4,973
	–	3,345	11,265	14,610

Notes to the Interim Condensed Consolidated Financial Information (Continued)

6 Segment Information (Continued)

(C) Geographic information

The following table provides an analysis of the Group's revenue from customers and non-current assets other than restricted cash at banks and deferred tax assets ("Specified non-current assets"):

	Revenue from external customers (by customer location)		Specified non-current assets (by client location)	
	For the six months ended 30 June		As at 30 June	As at 31 December
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
Mainland China	11,801	14,610	161,767	164,471
Hong Kong Special Administrative Region, the PRC ("Hong Kong")	–	–	4,632	1,180
	11,801	14,610	166,399	165,651

7 Other Gains — Net

	For the six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Exchange gain	–	1,585
Expected credit losses on trade receivables	(2,490)	–
Expected credit losses on loan and other receivables	(1,553)	–
Reversal of impairment losses on other receivables	24,640	–
Others	2	177
	20,599	1,762

Notes to the Interim Condensed Consolidated Financial Information (Continued)

8 Finance Income — Net

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Finance income		
Interest income from bank deposits	**1,071**	595
Finance costs		
Interest expense		
– Unwinding of discount – provision for close down, restoration and environmental costs	**(66)**	(94)
– Lease liabilities	**(103)**	–
– Others	**(59)**	(70)
	(228)	(164)
Finance income – net	**843**	431

Notes to the Interim Condensed Consolidated Financial Information (Continued)

9 Profit/(loss) Before Income Tax Expense

Profit/(loss) before income tax expense is arrived at after charging:

	For the six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Cost of inventories recognised as expenses	**8,248**	8,553
Depreciation and amortisation		
– right-of-use assets	**1,083**	–
– own assets	**1,641**	1,713
Amortisation of land use rights	**–**	122
Employee benefit expenses	**4,083**	4,838

Notes to the Interim Condensed Consolidated Financial Information (Continued)

10 Income Tax Expense

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current income tax	**761**	745
Deferred income tax	**(27)**	(27)
Income tax expense	**734**	718

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.

The Group's subsidiaries incorporated in the British Virgin Islands ("BVI") were not liable for taxation in the BVI on their non-BVI income.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to a nominated qualifying entity in the Group during the six months ended 30 June 2019 and 30 June 2018.

The Group's subsidiaries in the PRC were subject to the corporate income tax at a rate of 25% in accordance with the Corporate Income Tax Law of the PRC for each of the six months ended 30 June 2019 and 2018.

All the Group's subsidiaries in Hong Kong and the PRC, except for Jiayi, did not have any assessable profit for the six months ended 30 June 2019 and 2018.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

11 Earnings/(loss) per share

The basic earnings/(loss) per share is calculated by dividing the earnings/(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	
	2019 (unaudited)	2018 (unaudited)
Earnings/(loss) attributable to equity holders of the Company (RMB'000)	**11,421**	(4,904)
Adjusted weighted average number of shares in issue (in thousands)	**1,620,000**	1,620,000
Basic and diluted earnings/(loss) per share (RMB cents)	**0.71**	(0.30)

Diluted earnings/(loss) per share equals to basic earnings/(loss) per share as there was no dilutive potential share outstanding for the six months ended 30 June 2019 and 2018.

12 DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 and 30 June 2018.

13 Property, Plant and Equipment

For the Period, no additions to property, plant and equipment (six months ended 30 June 2018: RMB1,460,000), while property, plant and equipment amounted to approximately RMB1,299,000 were disposed of during the Period (six months ended 30 June 2018: Nil).

Notes to the Interim Condensed Consolidated Financial Information (Continued)

14 Trade Receivables

Trade receivables are analysed as follows:

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Third parties	**2,648**	11,516
Less: Expected credit losses ("ECLs") of trade receivables	**(2,648)**	(158)
	–	11,358

The aging analysis of trade receivables based on invoice date is as follows:

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Up to 3 months	**–**	3,664
3 to 6 months	**–**	4,079
6 to 12 months	**–**	–
Over 12 months	**–**	3,615
	–	11,358

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

15 Loan Receivable

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Loan to a third party (note)	**100,000**	100,000
Less: ECLs of loan receivable	**(1,169)**	(1,144)
	98,831	98,856

Note: On 11 December 2018, Jiayi, one of the subsidiaries of the Group entered into a loan agreement (the "Loan Agreement") and a bank custodian agreement (the "Bank Custodian Agreement") with Shenzhen Sanjiu Danfeng Baila Hotel Commonweal Co., Ltd. * ("Danfeng"), an independent third party, to provide a loan of RMB100,000,000 for a term of 3 months, which is extendable for not more than 6 months, bearing annual interest of 7%. The Loan Agreement was extended to 1 April 2019 on 12 March 2019 and further extended to 11 September 2019 on 29 March 2019.

* The English name referred herein represent management's best effort at translating the Chinese name of the company as no English names has been registered.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

16 Other Receivables and Prepayments

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Other receivables		
– Amounts due from Warburg Energy Development Limited ("Warburg") (Note (a))	–	10,493
– Amounts due from Merit Progress Investments Limited ("Merit Progress") (Note (b))	35,154	52,705
– Amounts due from Shaanxi Jiatai Hengrun Mineral Resource Exploiture Limited* ("Shaanxi Jiatai") (Note (c))	32,480	47,618
– Amounts due from Mr. Wei Xing (Note (d))	28,480	28,548
– Amounts due from Shaanxi Mining Garner Co., Ltd. ("Shaanxi Garner") (Note (e))	–	9,502
– Interest income receivable from Danfeng (Note (f))	2,153	403
– Deductible value added tax ("VAT") input	2,182	2,139
– Others (Note (g))	10,885	7,792
Subtotal	111,334	159,200
Less: impairment provision (Note (h))	(68,907)	(92,019)
	42,427	67,181
Advances to suppliers – third parties	2,238	1,200
	44,665	68,381

* The English name referred herein represent management's best effort at translating the Chinese name of the company as no English names has been registered.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

16 Other Receivables and Prepayments (Continued)

Notes:

(a) In December 2015, Jiayi granted a loan of RMB100,000,000 to Warburg, which was unsecured, bearing annual interest of 9% with a fixed term of 5 years. The loan was early repaid to the Group in January 2018 while the interest receivable of approximately RMB10,493,000 was repaid in March 2019.

(b) The Group entered into a memorandum of terms (the "Memorandum") on 3 December 2015 and a series of supplemental terms (the "Supplementals") on 29 March 2016, 6 September 2016, 31 December 2016 and 30 June 2017 with three vendors (the "Vendors") in relation to a possible acquisition of the entire equity interests of China Green Energy Investment Limited (the "Target Company") at a total consideration of not more than US$150,000,000 (equivalent to approximately RMB980,202,000). The Target Company and its subsidiaries are principally engaged in exploration, development, production and sale of the coalbed methane in the Shanxi province, the PRC. Pursuant to the Memorandum, the Group paid US$25,000,000 (equivalent to approximately 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. The said share charge is not yet registered in the register of charges of the Target Company as at date of these interim condensed consolidated financial statements that were authorised for issue. Pursuant to the Memorandum and the Supplementals, 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.

Two Vendors have subsequently transferred their shares in the Target Company to Merit Progress, the remaining Vendor, which became the only legal and beneficial owner of the entire issued share capital of the Target Company since then.

The acquisition did not proceed and the exclusive negotiation right was expired, and the refundable deposit was thus reclassified to other receivables as at 30 June 2019 and 31 December 2018. As at 30 June 2019, the outstanding balance from Merit Progress was HK$40,000,000 (equivalent to approximately RMB35,154,000) (31 December 2018: HK$60,000,000 (equivalent to approximately RMB52,705,000)). Subsequently, HK$15,000,000 (equivalent to approximately RMB13,196,000) was collected by the Group before the date of issue of these interim condensed consolidated financial statements.

Pursuant to a letter received from Merit Progress in July 2019, Merit Progress shall settle the remaining HK$25,000,000 (equivalent to approximately RMB21,958,000) by end of December 2019. Considering (i) the value of share charge provided by Merit Progress; (ii) the personal guarantee provided by the ultimate beneficial owner of Merit Progress; and (iii) the value of assets owned by the ultimate beneficial owner and respective associates of Merit Progress, the Directors believe no provision is necessary for the remaining balance.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

16 Other Receivables and Prepayments (Continued)

Notes: (Continued)

(c) The balance mainly represented prepayment of RMB23,500,000 for acquisition of Shaanxi Jiarun Mining Development Co., Ltd. ("Shaanxi Jiarun") which was lapsed on 30 September 2013, proceeds of approximately RMB8,350,000 receivable from Shaanxi Jiatai arising from disposal of plant, property and equipment and advances of approximately RMB15,768,000 to Shaanxi Jiatai, a company owned by Mr. Wei Xing, an independent third party.

Pursuant to a set-off agreement entered between Shaanxi Jiahe and Hami Jiatai, both subsidiaries of the Company, Shaanxi Garner, Beijing Jiatai Hengrun Investment Co., Ltd. ("Beijing Jiatai"), and Shaanxi Jiatai, all are owned by Mr. Wei Xing, and Mr. Wei Xing dated 29 April 2019 (the "Set-off Agreement"), approximately RMB15,138,000 of the balance was used to offset against the certain amount payables to Mr. Wei Xing and Beijing Jiatai. The remaining balance of RMB32,480,000 was impaired because of dispute between Shaanxi Jiatai and the Group in 2014 and 2015.

(d) 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 (the "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 approximately HK$12,500,000) in 2013 and HK$20,000,000 (equivalent to approximately RMB15,621,000) in 2014 to Mr. Wei Xing in consideration of the grant of the exclusive negotiation rights.

As at 30 June 2019, full provision had been provided against the remaining receivables because of the expiration of the negotiation rights due to dispute between Mr. Wei Xing and the Group.

(e) The balance mainly represented advances of approximately RMB9,502,000 to Shaanxi Garner, a company owned by Mr. Wei Xing. Pursuant to the Set-off Agreement, the balance was used to offset against certain payables to Mr. Wei Xing and Beijing Jiatai.

(f) On 11 December 2018, Jiayi entered into the Loan Agreement and Bank Custodian Agreement with Danfeng. Pursuant to the Loan Agreement, Jiayi agreed to provide to Danfeng a loan of RMB100,000,000 for a term of 3 months, which is extendable for not more than 6 months bearing annual interest of 7%. The Loan Agreement was extended to 1 April 2019 on 12 March 2019 and further extended to 11 September 2019 on 29 March 2019 (see note 15).

Interest income receivable of approximately RMB2,153,000 and RMB403,000 was accrued and outstanding as at 30 June 2019 and 31 December 2018 respectively.

(g) The balances as at 30 June 2019 and 31 December 2018 mainly represented receivables from third parties, which were unsecured, interest free and had no fixed terms of repayment. An impairment of RMB5,232,000 was recognised as the debtors' default in payment.

(h) As of 30 June 2019, other receivables of approximately RMB68,907,000 (31 December 2018: RMB92,019,000) were impaired. Provision for other receivables was mainly the provision for the amount due from Shaanxi Jiatai of approximately RMB32,480,000 and provision for the amount due from Mr. Wei Xing of approximately RMB28,480,000, the receivables were provided in full due to the dispute between the Group and the counterparties.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

17 Trade Payables

Trade payables are analysed as follows:

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Third parties	**3,318**	7,610

The aging analysis of trade payables based on invoice date is as follows:

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
0–90 days	**23**	1,290
91–180 days	**301**	4,247
181–365 days	**816**	464
Over 365 days	**2,178**	1,609
	3,318	7,610

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

18 Other Payables and Accruals

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Other payables (Note)	**5,958**	30,196
Salary and welfare payables	**5,286**	5,805
Accrued taxes other than income tax	**7,560**	7,889
	18,804	43,890

Note:

Other payables were analysed as follows:

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Other payables		
— Amounts due to Mr. Wei Xing (Note (i))	**184**	5,011
— Amounts due to Beijing Jiatai (Note (ii))	**130**	18,380
— Third parties (Note (iii))	**5,644**	6,805
	5,958	30,196

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

(ii) Amounts due to Beijing Jiatai, a company owned by Mr. Wei Xing, were interest free and unsecured, and had no fixed terms of repayment.

(iii) Other payables to third parties mainly included payables of equipment purchasing cost, service charges payable and advances from third parties as at 30 June 2019 and 31 December 2018.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

19 Borrowings

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Loans from committees of Dongzheng and other villages (Note)	–	2,200

Note: The unsecured loans from the committees of Dongzheng and other villages were interest bearing of 10% per annum.

20 Share Capital and Share Premium

	Authorised Shares of HK$0.1 each
As at 31 December 2018 (audited), 1 January 2019 (unaudited) and 30 June 2019 (unaudited)	5,000,000,000

	Number of Shares (Thousands)	Share Capital RMB'000	Share Premium RMB'000	Total RMB'000
As at 31 December 2018 (audited), 1 January 2019 (unaudited) and 30 June 2019 (unaudited)	1,620,000	137,361	668,768	806,129

Notes to the Interim Condensed Consolidated Financial Information (Continued)

21 Business combination

On 22 May 2018, Hami Jiatai and Xiaoyi Dajieshan Coal Industry Co. Ltd ("Xiaoyi Dajieshan") reached the settlement that Shaanxi Jiahe became an indirect 95%-owned subsidiary of the Company according to a civil mediation order issued by the Intermediate People's Court of Lvliang Municipality (the "Court").

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

	22 May 2018 RMB'000 (unaudited)
Total purchase consideration	13,159
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	2
Constructions in progress	14,296
Mining rights and exploration rights	15,320
Trade and other receivables	18,231
Other long-term assets	349
Payables to third parties	(25,639)
Payables to the Company and its subsidiaries	(9,400)
Net deferred tax liability by offsetting deferred tax asset	(1,115)
Total identifiable net assets	12,044
Goodwill	1,115

	22 May 2018 RMB'000
Inflow of cash to acquire business, net of cash acquired	
— cash consideration	–
— cash and banks in subsidiary acquired	2
Cash inflow on the acquisition	2

Notes to the Interim Condensed Consolidated Financial Information (Continued)

22 Related Party Transactions

For the six months ended 30 June 2019 and 2018, the Group had the following material transactions with related parties:

(a) Key management compensation

Included in staff costs are key management personnel compensation, which also included Directors' remuneration, and comprises the following categories.

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Basic salaries, allowances and other benefits	**1,223**	2,226
Contributions to retirement benefit scheme	**18**	8
	1,241	2,234

Notes to the Interim Condensed Consolidated Financial Information (Continued)

23 Commitments

(a) Capital commitments

There was no contracted capital expenditure as at 30 June 2019 and 31 December 2018.

(b) Non-cancellable operating leases

Operating leases — lessee

The Group leases various offices under non-cancellable operating lease agreements.

At the end of the reporting period, the Group had commitments for future minimum lease payments under operating leases which fall due as follows:

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Within one year	**–**	2,101
Later than one year and no later than five years	**–**	2,801
	–	4,902

The Group is the lessee in respect of a number of offices held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases except short-term leases (see note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the interim condensed consolidated balance sheet in accordance with the policies set out in note 3.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

23 Commitments (Continued)

(b) Non-cancellable operating leases (Continued)

Operating leases — lessor

Certain properties may have been vacated prior to the end of the lease term. Where possible the Group always endeavours to sub-lease such vacant space on short-term lets. An onerous provision is recognised where the rents receivable over the lease term are less than the obligation to the head lessor.

The minimum rent receivables under non-cancellable operating leases are as follows:

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Within one year	**1,267**	1,267
Later than one year and no later than five years	**3,000**	3,600
	4,267	4,867

24 Comparative figures

Certain comparative figures have been reclassified to conform to the current period presentation, and the accumulated losses and the non-controlling interest as at 1 January, 2018 have been restated to conform to the audited result for the year ended 31 December 2018.

Management Discussion and Analysis

BUSINESS REVIEW

The Group mainly participate in non-ferrous ore mining and processing. The diversified non-ferrous metal minerals covered by the Company's operations include nickel, copper, zinc and lead in Xinjiang Uyghur Autonomous Region ("Xinjiang"), the PRC and gold in Shaanxi province, the PRC.

The mining and exploration tenements and ore processing plants in Xinjiang are located close to the municipal city of Hami county, which is approximately 400 kilometers ("km") southeast of Urumqi, the capital of Xinjiang. Huangjinmei tenement, which is the Company's gold operation, is located 15 km by sealed road from the regional town of Jinchuan, Ningshan county. The town of Jinchuan is located approximately 140 km south of Xi'an city and is connected by the G210 state highway.

The Company's subsidiaries, Hami Jinhua and Hami Jiatai, own two mining permits and three exploration permits of non-ferrous metals in Xinjiang, the PRC. Another subsidiary of the Company, Shaanxi Jiahe, owns a mining permit of gold in Shaanxi province, the PRC.

The price of gold, copper, nickel, zinc and lead fluctuated wildly during the Period as the factors that boosted or depressed the commodity's price alternated between one another, affecting supply and demand.

The price of copper, zinc and nickel reached at its peak in or about March 2019, and then dropped gradually to its trough in June 2019. On the other hand, during the Period, the price of the lead dropped gradually to its trough in May 2019 and slightly rebound near the end of the Period. In contrast, the market of gold fluctuated around its lowest level over the period until June 2019, which the market showed a sharp rebound of around 11% within a month in June 2019 (Source: The London Metal Exchange).

Since the Company is of the view that the commodities' price had not yet stabilised at a high enough level for the business segment to be profitable, the Group continued to temporarily suspend its mining activities and scheduled maintenance work during the Period, in order to extend the mine services lives and minimise the operating loss. This also allows the Group to preserve the value of the assets during the Period. The Group will closely monitor the window to restart its mines production and will also look for potential partners to jointly develop the mines in order to maximise their economic values.

Management Discussion and Analysis (Continued)

Mining Permits

Hami Jinhua and Hami Jiatai hold two mining permits, namely No. 20 Mine and Baiganhu Mine. No. 20 Mine produces copper and nickel ores. To meet new requirements of safety production, No. 20 Mine has to upgrade its lifting system before the production can be relaunched. Baiganhu Mine produces lead and zinc ores. The Group is assessing the possibility for the commencement of production. During the Period, Shaanxi Jiahe, which is the 95%-owned subsidiary of the Company, held the mining permit of Mine 1 of Project Huangjinmei that produces gold ore. The Group will engage mine construction company or identify potential cooperative parties to develop Project Huangjinmei as and when appropriate.

Exploration Permits

Hami Jiatai holds three exploration permits in Xinjiang namely Baiganhu Gold, Huangshan and H-989, with minerals covering gold, nickel and copper. 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 mineralisation band and the ore deposit. Subject to the market condition and local requirements, the Group will devote reasonable resources to carry out further exploration in order to enrich the resources and reserve base. In the meantime, the Group will continue to communicate with the relevant parties on the title transfer of the exploration right of Mine 2 of Project Huangjinmei.

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 process the ore extracted from the deposits, and adopt a non-conventional flotation circuit. The throughput capacity of both plants is 1,500 tons per day respectively. Nickel, copper, lead and zinc concentrates are separated and recovered from ore processing for sale. Hami Jiatai and Hami Jinhua did not carry out any mining and processing activities during the Period.

Financial Services

The financial services in the PRC were carried out by the Company's wholly-owned subsidiary, Jiayi. On 11 December 2018, Jiayi entered into a loan agreement (the "Loan Agreement") to provide a loan of RMB100 million to an independent third party with interest rate of 7% per annum for a term of 3 months, which was then extended to 1 April 2019 and further extended to 11 September 2019. Revenue of approximately RMB3.5 million (2018: RMB3.3 million) was generated by Jiayi during the Period. Further details of the Loan Agreement were disclosed in the announcements of the Company dated 11 December 2018.

Management Discussion and Analysis (Continued)

Engineering Services

The Group carried out business of engineering and other related services in Shanxi province, the PRC through a wholly-owned subsidiary of the Company, Changshi. Changshi was incorporated in Shanxi province, the PRC on 29 January 2016 and was acquired by the Group in April 2017 and is principally engaged in petrol, natural gas, coalbed gas engineering and pre-drilling service. During the period ended 30 June 2018 (the "Previous Period"), in order to diversify the business risks associated with the uncertain economic conditions, the Group diversified into the trade in materials for oil and gas exploration, including fracturing sands and water, gas drilling equipment and valves.

Trading Business

During the Period, the Group has commenced the coal trading business through its newly established wholly-owned subsidiary, Changzhi Runce. Changzhi Runce has contributed RMB8.3 million to the Group's revenue during the Period.

The customers of the Changzhi Runce are mainly local coal traders and energy company. Subsequent to the end of the Period and up to the date of this report, the Group further received purchases orders of approximately 78,100 tonnes of coal with the contract value of approximately RMB32.8 million.

Update in relation to Shaanxi Jiahe

On 22 May 2018, the Group and Xiaoyi Dajieshan reached the settlement in respect of the legal proceeding between the Group and Xiaoyi Dajishan regarding the disposal of the equity interests of Shaanxi Jiahe in 2015 (the "Disposal"), pursuant to which the entire equity interests of Shaanxi Jiahe together with the debts of RMB3.1 million due from Shaanxi Jiahe shall be transferred back to Hami Jiatai, and the RMB4.8 million paid by Xiaoyi Dajieshan to Hami Jiatai as part of the consideration for the Disposal shall be retained by Hami Jiatai as liquidated damages (the "Settlement"). Further, on 31 May 2018, the Group and Xiaoyi Dajieshan also entered into the debt settlement agreements, pursuant to which Xiaoyi Dajieshan agreed to re-assign the debts of RMB6.3 million to the Group. Immediately after the Settlement on 22 May 2018, Shaanxi Jiahe became an indirect 95%-owned subsidiary of the Company and Xiaoyi Dajieshan ceased to be entitled to any right to the aforementioned debts. For further details of the Settlement, please refer to announcements of the Company dated 28 March 2018, 30 April 2018, 31 May 2018, 12 June 2018, 15 June 2018, 17 July 2018, 14 August 2018 and 17 August 2018.

Management Discussion and Analysis (Continued)

Immediately after the transfer back of Shaanxi Jiahe and as at 31 December 2018, the Group carried out valuations to determine the fair value of the 100% equity interests in Shaanxi Jiahe (the "Equity Valuation") at the date of acquisition and the recoverable amount of the mining rights as at 31 December 2018 respectively, and have adopted the following assumptions:

(1) the title of the mining rights of Mine 2 will be transferred to Shaanxi Jiahe (the "Transfer") at no additional charges and will meet the legal requirements to commence commercial operation by the third quarter of 2020 ("Assumption 1"); and

(2) Shaanxi Jiahe's non-operating receivables due from certain independent third parties amounted to RMB17.8 million will be fully recoverable in the near future ("Assumption 2").

In connection with Assumption 1, the Company is having ongoing dialogues with the current owner of the exploration rights of Mine 2 (the "Current Owner") in relation to the Transfer. The Company expects that, with the cooperation of the Current Owner and the fulfilment of applicable requirements/procedures, the Transfer may be completed by 31 March 2020 after the applicable requirements/procedures have been complied with, and if so, Mine 2 will be able to meet the legal requirements to commence production by 30 September 2020. As disclosed in the announcement of the Company dated 11 June 2019, the Company has entered into a non-exclusive agent agreement to engage an independent consulting firm to advise on the possible disposal of Shaanxi Jiahe (the "Possible Disposal") and assist in sourcing potential buyers. Up to the date of this report, as a result of the Company's continuous efforts, the Company is in preliminary discussions with certain potential buyers with respect to the Possible Disposal, but no binding terms or agreements have been entered into. The Company will make further announcement(s) as and when appropriate in the event that the Possible Disposal materialises. As the Possible Disposal may or may not proceed, shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

Regarding Assumption 2, as at 30 June 2019, the relevant parties in respect of the non-operating receivables and the non-operating payables of Shaanxi Jiahe have concluded a set-off arrangement for such receivables and payables in April 2019. Upon the execution of such agreement, the non-operating receivables and the non-operating payables of Shaanxi Jiahe have been respectively fully recovered and settled.

Management Discussion and Analysis (Continued)

The Company will take the following proactive measures to safeguard the assets of Shaanxi Jiahe, including without limitation, (i) to maintain contact and hold meetings with the relevant parties to discuss and resolve any potential technical issues of the title transfer of the said exploration rights and to keep track of the progress of the said transfer; (ii) to engage mine construction company or identify potential cooperative parties to jointly develop Project Huangjinmei as and when appropriate; and (iii) to consider any potential offers from interested buyers for the disposal of Shaanxi Jiahe if the terms are commercially viable and such disposal is in the interests of the Company and the shareholders of the Company as a whole.

RESULTS REVIEW

Revenue and Gross profit

During the Period, the revenue was approximately RMB11.8 million, as compared with RMB14.6 million for the Prior Period, representing year on year decrease of approximately 19%. The cost of sales was approximately RMB8.3 million for the Period, as compared with the Prior Period of approximately RMB10.3 million, representing year on year decrease of approximately 19%.

The revenue and the corresponding costs of sales were manly contributed by the segments below for the Period and the Prior Period.

	For the Period			For the Prior Period		
	Revenue	**Costs of sales**	**Gross profit margin**	**Revenue**	**Costs of sales**	**Gross profit margin**
	RMB'million	RMB'million		RMB'million	RMB'million	
Trading of coal	8.3	8.3	0%	–	–	N/A
Interest income from financial services	3.5	–	100%	3.3	–	100%
Trading of materials for oil and gas exploration	–	–	N/A	11.3	9.0	20%
Mining	–	–	N/A	–	1.3	N/A
	11.8	8.3		14.6	10.3	

Management Discussion and Analysis (Continued)

During the Period, the Group continued to suspend the production plan of No.20 Mine, Baiganhu and Project Huangjinmei as the prices have not yet stabilised at a high enough level to make the business segment profitable. The Group will be closely monitoring the window to restart its mines production and will also look for cooperative partners to jointly develop the mines in order to maximise their economic values.

Selling and marketing costs and Administrative expenses

Selling and marketing costs for the Prior Period mainly represented marketing cost incurred for trading of materials for oil and gas exploration while no such cost was incurred during the Period. Administrative expenses for the Period, which included mainly depreciation charges, professional fees, staff costs and office overheads, amounted to approximately RMB11.7 million (2018: RMB10.8 million).

Other gains — net

Other gains for the Period of approximately RMB20.6 million mainly represented the reversal of the impairment losses on other receivables made in the previous years, while the other gains of approximately RMB1.8 million for the Prior Period mainly represented the net foreign exchange gains during the Prior Period.

Finance income — net

Finance income of approximately RMB0.8 million (2018: RMB0.4 million) during the Period mainly represented interest income, netted by interest expenses.

Income tax expense

During the Period, income tax expense remained relatively constant at approximately RMB0.7 million, as compared with the Prior Period. It mainly represents the tax provision for operations in the PRC and deferred tax during the Period. No provision for profits tax in Hong Kong was made during the Period.

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held as at 30 June 2019 and 31 December 2018.

MATERIAL ACQUISITIONS AND DISPOSALS

There were no material acquisitions and disposals during the Period.

Management Discussion and Analysis (Continued)

LIQUIDITY AND FINANCIAL REVIEW

The Group financed its day to day operations by internally generated cash flows during the Period. Primary uses of funds during the Period was mainly the payment of operating expenses. As at 30 June 2019, the Group had current assets of approximately RMB337.9 million (31 December 2018: RMB351.8 million) and current liabilities of approximately RMB31.5 million (31 December 2018: RMB58.9 million). The current ratios for the Group, being total current assets to total current liabilities, was 10.7 and 6.0 as at 30 June 2019 and 31 December 2018 respectively.

As at 30 June 2019, there was no outstanding interest-bearing bank loan and other borrowings while as at 31 December 2018, there was an unsecured loan of RMB2.2 million which was interest bearing of 10% per annum.

As at 30 June 2019, the Group maintained bank and cash balances of approximately RMB191.4 million (31 December 2018: RMB167.9 million), and the restricted cash deposit of approximately RMB2.7 million (31 December 2018: RMB2.7 million).

The Group conducted its continuing operational business transactions mainly in RMB 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 based on net debt divided by total capital. Net debt is calculated based on total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is calculated based on total equity plus net debt. As at 30 June 2019, the gearing ratio was 0% (31 December 2018: 0%).

Charges on Company's assets, Commitments and Contingent Liabilities

The Group had no contracted capital expenditure as at 30 June 2019 and 31 December 2018.

As at 31 December 2018, the future aggregate minimum lease payments under non-cancellable operating leases of various offices were approximately RMB4.9 million. Upon the application of HKFRS 16 from 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the interim condensed consolidated balance sheet and there will be no commitments for future minimum lease payments under operating leases.

Management Discussion and Analysis (Continued)

There was no charge on the Company's assets as at 30 June 2019 and 31 December 2018.

The Group may be subject to new environmental laws and regulations that may result in contingent liabilities for 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 costs and liabilities on the Group.

Save as disclosed above, as at 30 June 2019 and 31 December 2018, the Group had no material contingent liability.

DIVIDEND

The Directors do not recommend the payment of any interim dividend in respect of the Period (the Prior Period: Nil).

HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 30 June 2019, the Group employed 30 (31 December 2018: 39) employees. The total staff costs for the Period were approximately RMB4.1 million (The Prior Period: RMB4.8 million). The salaries of the 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 during the Period and as at 30 June 2019 and 31 December 2018.

Management Discussion and Analysis (Continued)

FUTURE OUTLOOK AND PROSPECTS

Sentiments of both the capital market and businesses have been affected by the prospect of a prolonged trade war between China and the United States and the former's decelerating economic growth. Despite the ongoing Sino-United States trade war and China's decelerating economic growth have cast uncertainty over the prospect of the commodity market, the Group will continue to, while mitigating the risk associated with external economic and business risk, study the feasibility of resuming the productions for the mines owned by the Group with the expectation in capitalising on China's economic growth in the future.

During the Period, the Group has commenced trading of coal and will continue to devote reasonable resources into the existing business segments, including financial services and engineering and other related services. Notably, the Group's new coal trading business has already contributed RMB8.3 million to the Group's revenue and further received purchases orders of approximately 78,100 tonnes of coal with the contract value of approximately RMB32.8 million in July 2019 and up to the date of this report. The Group will also continue to continuously seek for other opportunities to diversify the Group's businesses, both business segments and locations.

Currently, the Group is actively exploring the potential to fully utilise the Group's expertise and network in the industry through widening the scope of trading business to coal. This is part of the Group's ongoing move to strengthen its diverse businesses with the aim of broadening its income stream. It is also aimed at minimising the impact of the adverse commodities market conditions on the Group's overall business performance.

Looking ahead, the Company will do its best to carry out more active operation and explore opportunities for potential acquisition to capture the market opportunities in the PRC and to diversify the Group's business and broaden its revenue base.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

There was no important event affecting the Group after the Period up to the date of this report.

Management Discussion and Analysis (Continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, 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 (the "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.

INTEREST OF SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors and the chief executive of the Company, as at 30 June 2019, the following persons (not being a Director or chief executive of the Company) had an interest in 5% or more in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	**Nature of interests**	**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 controlled corporation and beneficial owner (Note 1)	454,958,702 (L)	28.08%
Affinitiv Mobile Ventures Ltd.	Beneficial owner (Note 2)	320,000,000 (L)	19.75%
China Huarong Asset Management Co., Ltd.	Interest in controlled corporations (Note 2)	320,000,000 (L)	19.75%

Management Discussion and Analysis (Continued)

INTEREST OF SUBSTANTIAL SHAREHOLDERS (Continued)

Name	Nature of interests	Total interests in shares	Approximate percentage of the Company's issued share capital
China Huarong Overseas Investment Holdings Co., Limited	Interest in controlled corporations (Note 2)	320,000,000 (L)	19.75%
Ministry of Finance of the People's Republic of China	Interest in controlled corporations (Note 2)	320,000,000 (L)	19.75%
Sun Siu Kit	Interest in controlled corporations (Note 2)	320,000,000 (L)	19.75%
Huarong Zhiyuan Investment & Management Co., Ltd. (華融致遠投資管理有限責任公司)	Interest in controlled corporations (Note 2)	320,000,000 (L)	19.75%
Huarong Overseas Chinese Asset Management Co., Ltd. (華融華僑資產管理股份有限公司)	Interest in controlled corporations (Note 2)	320,000,000 (L)	19.75%
Guangdong Kam Fung Group Company Limited (廣東錦峰集團有限公司)	Interest in controlled corporations (Note 2)	320,000,000 (L)	19.75%
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%

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

Management Discussion and Analysis (Continued)

INTEREST OF SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

1. Mr. Guo Jianzhong is the legal and beneficial owner of the entire issued share capital of Sky Circle International Limited which holds 412,592,702 shares of the Company. Mr. Guo also holds 42,366,000 shares of the Company.

2. Affinitiv Mobile Ventures Ltd. is wholly-owned by China Huarong Overseas Investment 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 respectively held 51% and 40% of equity interests of Huarong Overseas Chinese Asset Management Co., Ltd.

   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 interests 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 the issued share capital of Legend Vantage Limited.

Save as disclosed above, as at 30 June 2019, 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 an interests and/or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO.

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.

Management Discussion and Analysis (Continued)

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

Pursuant to a loan agreement (the "Loan Agreement") and a bank custodian agreement (the "Bank Custodian Agreement") entered between a subsidiary of the Company and Shenzhen Sanjiu Danfeng Baila Hotel Commonweal Co., Ltd. ("Danfeng") dated 11 December 2018, the Group agreed to provide a loan of RMB100 million (the "Loan") for a term of 3 months, which is extendable for not more than 6 months, bearing annual interest of 7%. The Loan Agreement was extended to 1 April 2019 pursuant to the supplemental agreement dated 12 March 2019 (the "1st Supplemental Agreement") and further extended to 11 September 2019 pursuant to the supplemental agreement dated 29 March 2019 (the "2nd Supplemental Agreement").

During the Period and as at 30 June 2019, the aggregate of the Loan, represents more than 8% of the assets ratio defined under Rule 14.07(1) of the Listing Rules. Accordingly, the advance to Danfeng triggered a general disclosure obligation under Rule 13.13 of the Listing Rules and the continuing disclosure requirement under Rule 13.20 of the Listing Rules. As at 30 June 2019, the Loan was secured by a bank account of Danfeng, and the balance of the Loan and the interest outstanding and accrued were RMB100 million and RMB2.2 million respectively. Pursuant to the Loan Agreement, 1st Supplemental Agreement and 2nd Supplemental Agreement, the Loan and the interest then accrued and outstanding are repayable on 11 September 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 which adopted practices that meet the requirements of the Corporate Governance Code (the "Code") set out in Appendix 14 of 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. Except for Mr. Chan Ping Kuen and Mr. Cao Ye who are appointed for a term of three years, all other non-executive Directors of the Company were not appointed for a specific term but 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") for directors' securities transactions. Having made specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code throughout the Period.

REVIEW BY AUDIT COMMITTEE

The Company has an audit committee (the "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. The Audit Committee has reviewed the interim results for the Period.

By order of the Board
Huili Resources (Group) Limited
Xiang Siying
Chairlady

Hong Kong, 30 August 2019