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

Interim Report 2020

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Wang Qian
Mr. Zhou Jianzhong

Non-Executive Director

Mr. Cao Ye

Independent Non-Executive Directors

Ms. Xiang Siying *(Chairlady)*
Ms. Huang Mei
Mr. Chan Ping Kuen

AUDIT COMMITTEE

Ms. Huang Mei *(Chairlady)*
Ms. Xiang Siying
Mr. Chan Ping Kuen

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

ZHONGHUI ANDA CPA Limited
Unit 701–3 & 8,
Citicorp Centre,
18 Whitfield Road,
Causeway Bay,
Hong Kong

LEGAL ADVISERS

as to laws of the Hong Kong Special Administrative Region ("Hong Kong") of the People's Republic of China (the "PRC")
Sidley Austin

as to laws of 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 2020(Note)

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

Mines Information (Continued)

Ore Reserves as of 30 June 2020(Note)

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. The rounding of figures may result in minor computational discrepancies. Such discrepancies are deemed to be insignificant.

Exploration Permits

Project name	Type of ore under exploration	Exploration Area (km^2)	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)

Mines Information (Continued)

Mining Permits

Project name	Type of ore under mining	Mining Area (km^2)	Permit expiry date (month/year)
Project No. 20	Cu, Ni	0.22	October 2019 (Note)
Project Baiganhu	Pb, Zn	0.96	September 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 2020 and 2019.

For the six months ended 30 June 2020 and 2019, there was no capital expenditure for the development and mining activities.

For the six months ended 30 June 2020 and 2019, 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 2020 RMB'000 (unaudited)	Six months ended 30 June 2019 RMB'000 (unaudited)
Revenue	6	**17,499**	11,801
Cost of sales		**(15,698)**	(8,255)
Gross profit		**1,801**	3,546
Administrative expenses		**(10,892)**	(11,703)
Other gains	7	**3,891**	2
Expected credit losses ("ECLs") on trade receivables		**(2,021)**	(2,490)
ECLs on loan and other receivables		**(4,342)**	(1,553)
Reversal of impairment losses on other receivables		**–**	24,640
Operating (loss)/profit		**(11,563)**	12,442
Finance income	8	**653**	1,071
Finance costs	8	**(97)**	(228)
Finance income — net	8	**556**	843
(Loss)/profit before income tax expense	9	**(11,007)**	13,285
Income tax expense	10	**(178)**	(734)
(Loss)/profit and total comprehensive (expense)/income for the period		**(11,185)**	12,551
(Loss)/profit attributable to:			
Equity holders of the Company		**(11,208)**	11,421
Non-controlling interests		**23**	1,130
		(11,185)	12,551
(Loss)/earnings per share attributable to the equity holders of the Company (expressed in RMB cents per share)			
— Basic and diluted	11	**(0.69)**	0.71

Interim Condensed Consolidated Statement of Financial Position

	Note	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	**50,418**	51,611
Mining rights and exploration rights		**90,752**	90,752
Right-of-use assets		**10,031**	10,997
Restricted cash at banks		**247**	247
Loan receivables	15	**76,101**	–
Total non-current assets		**227,549**	153,607
Current assets			
Trade and bills receivables	14	**3,981**	5,943
Loan receivables	15	**5,930**	64,535
Other receivables and prepayments	16	**24,859**	36,178
Cash and cash equivalents		**204,032**	218,238
		238,802	324,894
Assets of a disposal group classified as held for sale	19	**–**	15,669
Total current assets		**238,802**	340,563
Total assets		**466,351**	494,170
LIABILITIES			
Non-current liabilities			
Provision for close down, restoration and environmental costs		**2,826**	2,770
Deferred tax liabilities		**21,626**	21,626
Lease liabilities		**–**	708
Total non-current liabilities		**24,452**	25,104

Interim Condensed Consolidated Statement of Financial Position (Continued)

	Note	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Current liabilities			
Trade payables	17	5,821	1,803
Other payables and accruals	18	15,428	17,948
Contract liabilities		1,060	11,654
Lease liabilities		1,790	2,075
Current tax liabilities		3,671	4,603
		27,770	38,083
Liabilities of a disposal group classified as held for sale	19	–	5,669
Total current liabilities		27,770	43,752
Total liabilities		52,222	68,856
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		(10,885)	(11,291)
Accumulated losses		(378,551)	(366,937)
		416,693	427,901
Non-controlling interests		(2,564)	(2,587)
Total equity		414,129	425,314
Total equity and liabilities		466,351	494,170

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)	Statutory reserves RMB'000 (unaudited)	Accumulated losses RMB'000 (unaudited)	Subtotal RMB'000 (unaudited)	Non-controlling interests RMB'000 (unaudited)	Total equity RMB'000 (unaudited)
At 1 January 2020	137,361	668,768	221	1,583	(13,972)	877	(366,937)	427,901	(2,587)	425,314
(Loss)/profit and total comprehensive (expense)/ income for the period	–	–	–	–	–	–	(11,208)	(11,208)	23	(11,185)
Appropriations to statutory reserves	–	–	–	–	–	406	(406)	–	–	–
Balance at 30 June 2020	137,361	668,768	221	1,583	(13,972)	1,283	(378,551)	416,693	(2,564)	414,129
At 1 January 2019	137,361	668,768	221	1,583	(13,972)	–	(350,047)	443,914	(3,364)	440,550
Profit and total comprehensive income for the period	–	–	–	–	–	–	11,421	11,421	1,130	12,551
Balance at 30 June 2019	137,361	668,768	221	1,583	(13,972)	–	(338,626)	455,335	(2,234)	453,101

Interim Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash flows from operating activities		
Cash (used in)/generated from operations	**(22,714)**	25,166
Income tax paid	**(1,110)**	(184)
Net cash (used in)/generated from operating activities	**(23,824)**	24,982
Net cash generated from investing activities	**10,652**	2,141
Net cash used in financing activities	**(1,034)**	(3,307)
Net (decrease)/increase in cash and cash equivalents	**(14,206)**	23,816
Cash and cash equivalents at beginning of period	**218,238**	167,923
Exchange differences on cash and cash equivalents	**–**	(347)
Cash and cash equivalents at the end of period	**204,032**	191,392

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 have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 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 and sales of nickel, copper, lead and zinc products, financial services and trading of coal in the PRC during the six months ended 30 June 2020 (the "Period").

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 28 August 2020.

2 Basis of Preparation

These interim condensed consolidated financial statements for 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). These 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 2019. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019 ("2019 Annual Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Notes to the Interim Condensed Consolidated Financial Information (Continued)

2 Basis of Preparation (Continued)

These interim condensed consolidated financial statements have been prepared on the historical cost basis.

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 2019 Annual Financial Statements.

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

3.1 New and amended standards adopted by the Group

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 condensed consolidated financial statements.

HKAS 1 and HKAS 8 (Amendment)	Definition of Material
HKFRS 3 (Amendment)	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

Except as described below, the Group concluded that the application of the Amendments to Reference to the Conceptual Framework in HKFRS and the amendments to HKFRSs in the current period has had no material impact on the amounts reported and/or disclosures set out in these interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

3 Changes in accounting policies (Continued)

3.1 New and amended standards adopted by the Group (Continued)

Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the Period had no impact on these interim condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

3 Changes in accounting policies (Continued)

3.2 New standards and amendments to standards issued but not yet effective for the accounting period beginning on 1 January 2020 and not early adopted by the Group

		Effective for accounting periods beginning on or after
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions	1 June 2020
HKFRS 17	Insurance contracts	1 January 2021
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-Current	1 January 2023
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Conceptual Framework for Financial Reporting	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020 Cycle	1 January 2022
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment on the impact of these new standards and amendments to standards and preliminary results showed that their application are not expected to have material impact on the financial performance and the financial position of the Group.

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 carrying amounts of assets and liabilities, income and expense that are not readily apparent from other sources. 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 2019 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 2019 Annual Financial Statements.

There have been no changes in the risk management policies since 31 December 2019.

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 2020 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 fair value through other comprehensive income) 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.

The Group do not have any financial assets or liabilities that are measured at fair value as at 30 June 2020 and 31 December 2019.

Notes to the Interim 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 (the "CODM") that are used to make strategic decisions. The CODM has been identified as the Board.

During the Period, the CODM considered that it is the best interest of the Company to concentrate the resources in its mining, financial services and trading business, and decided to temporarily suspend the activities of the engineering services segment. As such, the financial performance of the engineering services segment was no longer presented separately and therefore grouped in "Unallocated".

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

For the six months ended 30 June 2020, the Group had three reportable segments:

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

(b) the "Financial services" segment engages in financial services through Runxi Energy Technology (Shanghai) Company Limited ("Runxi Energy") in the PRC; and

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

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, Hami Jinhua and Shaanxi Jiahe Mineral Resource Exploiture Limited ("Shaanxi Jiahe") in the PRC;

(b) the "Financial services" segment through Jiayi Financial Leasing Company Limited ("Jiayi");

(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.

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. Interest income and expenditure at the level of the Group are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. 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 2020 and 2019 is as follows:

	For the six months ended										
	30 June 2020					30 June 2019					
	Mining RMB'000 (unaudited)	Financial 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)	Trading business RMB'000 (unaudited)	Unallocated RMB'000 (unaudited)	Total RMB'000 (unaudited)
Segment Revenue											
— Mineral products	–	–	–	–	–	–	–	–	–	–	–
— Interest income from financial services	–	2,888	–	–	2,888	–	3,500	–	–	–	3,500
— Trading of coal	–	–	14,611	–	14,611	–	–	–	8,301	–	8,301
	–	2,888	14,611	–	17,499	–	3,500	–	8,301	–	11,801
Segment operating (loss)/profit (Note (a))	(2,092)	1,451	(27)	(4,532)	(5,200)	(2,117)	3,024	(1,388)	(5)	7,669	(8,155)
Segment ECLs on trade receivables	–	–	515	1,506	2,021	–	–	2,490	–	–	2,490
Segment ECLs on loan and other receivables	2,788	374	–	1,180	4,342	1,370	26	157	–	–	1,553
Reversal of impairment losses on other receivables	–	–	–	–	–	24,640	–	–	–	–	24,640
Segment finance (costs)/income — net	(54)	25	–	585	556	27	51	124	–	641	843
Segment income tax (expense)/credit	–	171	7	–	(178)	27	(761)	–	–	–	(734)
Depreciation of right-of-use assets	14	–	–	952	966	122	–	–	–	961	1,083
Depreciation of property, plant and equipment	1,080	–	–	113	1,193	1,098	–	416	–	127	1,641

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 2020 and 2019 is as follows: (Continued)

	As at 30 June 2020					As at 31 December 2019					
	Mining RMB'000 (unaudited)	Financial 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)	Trading business RMB'000 (audited)	Unallocated RMB'000 (audited)	Total RMB'000 (audited)
Segment assets (Note (b))	163,292	97,221	17,184	188,654	466,351	170,357	99,487	8,465	32,772	183,089	494,170
Segment liabilities (Note (c))	38,792	4,101	5,172	4,157	52,222	43,878	7,390	618	11,832	5,138	68,856

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 2020 and 2019, as well as the administrative expenses incurred by Changshi for the six months ended 30 June 2020.

(b) Unallocated assets mainly represented the other receivables and the bank deposits held by the Company, and those of the Company and Changshi as at 31 December 2019 and 30 June 2020 respectively.

(c) Unallocated liabilities mainly represented other payables and accruals of the Company and Changshi as at 30 June 2020, and other payables and accruals of the Company as at 31 December 2019.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

6 Segment Information (Continued)

(B) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers are disaggregated by primary geographical markets, major products and service lines and timing on revenue recognition.

For the six months ended 30 June 2020

	Mining RMB'000 (unaudited)	Trading business RMB'000 (unaudited)	Total RMB'000 (unaudited)
Primary geographical market			
The PRC	–	14,611	14,611
Major products and services			
Mining products	–	–	–
Trading of coal	–	14,611	14,611
	–	14,611	14,611
Timing of revenue recognition			
At a point in time	–	14,611	14,611

Notes to the Interim Condensed Consolidated Financial Information (Continued)

6 Segment Information (Continued)

(B) Disaggregation of revenue from contracts with customers (Continued)

For the six months ended 30 June 2019

	Mining RMB'000 (unaudited)	Trading business RMB'000 (unaudited)	Total RMB'000 (unaudited)
Primary geographical market			
The PRC	–	8,301	8,301
Major products and services			
Mining products	–	–	–
Trading of coal	–	8,301	8,301
	–	8,301	8,301
Timing of revenue recognition			
At a point of time	–	8,301	8,301

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Mining products	**–**	–
Trading business — trading of coal	**14,611**	8,301
Revenue from contracts with customers	**14,611**	8,301
Financial services — interest income from financial services	**2,888**	3,500
Total revenue	**17,499**	11,801

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 ("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
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	**2020 RMB'000 (unaudited)**	2019 RMB'000 (audited)
The PRC	**17,499**	11,801	**224,780**	149,772
Hong Kong	**–**	–	**2,522**	3,588
	17,499	11,801	**227,302**	153,360

7 Other Gains

	For the six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Exchange gain	**3,624**	–
Government subsidy	**267**	–
Others	**–**	2
	3,891	2

Notes to the Interim Condensed Consolidated Financial Information (Continued)

8 Finance Income — Net

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Finance income		
Interest income	**653**	1,071
Finance costs		
Interest expense		
— Unwinding of discount — provision for close down, restoration and environmental costs	**(56)**	(66)
— Interest on lease liabilities	**(41)**	(103)
— Others	**–**	(59)
	(97)	(228)
Finance income — net	**556**	843

9 (Loss)/profit Before Income Tax Expense

(Loss)/profit before income tax expense is arrived at after charging:

	For the six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
Cost of inventories recognised as expenses	**14,444**	8,248
Depreciation		
— right-of-use assets	**966**	1,083
— own assets	**1,193**	1,641
Employee benefit expenses	**4,307**	4,083

Notes to the Interim Condensed Consolidated Financial Information (Continued)

10 Income Tax Expense

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current income tax	**178**	761
Deferred income tax	**–**	(27)
Income tax expense	**178**	734

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.

The Group's subsidiaries in Hong Kong were subject to Hong Kong profits tax at a rate of 16.5% for each of the six months ended 30 June 2020 and 2019.

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 2020 and 30 June 2019.

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 2020 and 2019.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

11 (Loss)/earnings per share

The basic (loss)/earnings per share is calculated by dividing the (loss)/earnings attributable to the equity holders of the Company by weighted average number of ordinary shares in issue during the six months ended 30 June 2020 and 2019.

	For the six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
(Loss)/earnings attributable to equity holders of the Company (RMB'000)	**(11,208)**	11,421
Weighted average number of shares in issue (in thousands)	**1,620,000**	1,620,000
Basic and diluted (loss)/earnings per share (RMB cents)	**(0.69)**	0.71

Diluted (loss)/earnings per share equals to basic (loss)/earnings per share as there was no dilutive potential share outstanding for the six months ended 30 June 2020 and 2019.

12 Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 and 30 June 2019.

13 Property, Plant and Equipment

No additions to property, plant and equipment for both the six months ended 30 June 2020 and 2019, and no property, plant and equipment were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB1,299,000).

Notes to the Interim Condensed Consolidated Financial Information (Continued)

14 Trade and Bills Receivables

Trade and bills receivables are analysed as follows:

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Trade receivables	6,894	2,835
Less: ECLs of trade receivables	(3,181)	(1,141)
Trade receivables, net	3,713	1,694
Bills receivables	300	4,300
Less: ECLs of bills receivables	(32)	(51)
Bills receivables, net	268	4,249
Total trade and bills receivables, net	3,981	5,943

The aging analysis of trade receivables, after ECLs recognised as at end of reporting period, based on invoice date was as follows:

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Up to 3 months	3,666	132
3 to 6 months	–	–
6 to 12 months	47	1,562
Over 12 months	–	–
	3,713	1,694

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

15 Loan Receivables

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Loans to third parties (Note)	**83,000**	65,000
Less: ECLs of loan receivables	**(969)**	(465)
	82,031	64,535
Representing:		
Non-Current	**76,101**	–
Current	**5,930**	64,535
	82,031	64,535

Note: On 4 December 2019, Runxi Energy, one of the subsidiaries of the Group, entered into a loan agreement (the "Loan Agreement") and a mortgage agreement with Beijing Fengwo Technology Company Limited* ("Beijing Fengwo"), an independent third party, to provide a loan (the "Loan") of RMB65,000,000, interest bearing at 7% per annum for a term of 5 months. Beijing Fengwo has pledged its properties located in Beijing, the PRC, with fair value higher than the loan principal amount. On 28 February 2020, the Board approved the extension of the term of The loan to 5 December 2022 (in respect of RMB45,000,000 drawn down on 5 December 2019) and 6 December 2022 (in respect of RMB20,000,000 drawn down on 6 December 2019).

On 6 January 2020, the Group entered into two loan agreements with two independent third parties to provide loans of RMB6,000,000 each. Both loans are interest bearing at 7% per annum for a term of 36 months.

On 17 January 2020, the Group entered into a loan agreement with an independent third party to provide loan of RMB6,000,000, bearing an interest rate at 7% per annum for a term of 6 months.

* 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 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Other receivables		
— Amounts due from Merit Progress Investments Limited ("Merit Progress") (Note (a))	22,807	22,349
— Amounts due from Shaanxi Jiatai Hengrun Mineral Resource Exploiture Limited* ("Shaanxi Jiatai") (Note (b))	32,480	32,480
— Amounts due from Mr. Wei Xing (Note (c))	29,784	29,054
— Interest income receivables	3,220	333
— Deductible input value added tax ("VAT")	2,136	2,134
— Others (Note (d))	7,231	10,506
Subtotal	97,658	96,856
Less: ECLs on other receivables (Note (e))	(94,426)	(93,227)
	3,232	3,629
Advances to suppliers — third parties	21,627	32,549
Total	24,859	36,178

* 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) 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 expired, and the refundable deposit was therefore reclassified to other receivables as at 30 June 2020 and 31 December 2019. As at 30 June 2020, the outstanding balance from Merit Progress was HK$25,000,000 (equivalent to approximately RMB22,807,000) (31 December 2019: HK$25,000,000 (equivalent to approximately RMB22,349,000)). No further settlement was made before 30 June 2020 and after the end of the reporting period up to the date of this report. As the Directors considered that the default risk is high, full impairment provision was made against with outstanding balance as at 30 June 2020 and 31 December 2019.

(b) The balance as at 31 December 2018 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 RMB8,350,000 receivable from Shaanxi Jiatai arising from disposal of plant, property and equipment and advances of RMB15,768,000 to Shaanxi Jiatai, a company owned by Mr. Wei Xing, an independent third party. RMB8,268,000 was impaired for the year ended 31 December 2018 and the remaining balances had been impaired in previous years because of dispute between Shaanxi Jiatai and the Group in 2014 and 2015.

Pursuant to a set-off agreement dated 29 April 2019 (the "Set-off Agreement") entered into among Shaanxi Jiahe and Hami Jiatai, both subsidiaries of the Company, Shaanxi Garner, Beijing Jiatai Hengrun Investment Co., Ltd.* ("Beijing Jiatai"), and Shaanxi Jiatai, all being owned by Mr. Wei Xing, and Mr. Wei Xing, approximately RMB15,138,000 of the balance as at 31 December 2018 was used to offset against the certain amounts payable to Mr. Wei Xing and Beijing Jiatai. Accordingly, a reversal of impairment loss of RMB15,138,000 was accounted for during the year ended 31 December 2019.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

16 Other Receivables and Prepayments (Continued)

Notes: (Continued)

(c) In 2013 and 2014, the Company, Geo-Tech Resources Group Investment Limited and Mr. Wei Xing 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 in 2013 and HK$20,000,000 (equivalent to approximately RMB18,245,000) in 2014 to Mr. Wei Xing in consideration of the grant of the exclusive negotiation rights.

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.

(d) The balances as at 30 June 2020 and 31 December 2019 mainly represented receivables from third parties, which were unsecured, interest free and had no fixed terms of repayment. An impairment provision of approximately RMB7,231,000 as at 30 June 2020 (31 December 2019: approximately RMB9,174,000) was recognised due to the debtors' default in payment.

(e) As at 30 June 2020, the provision of impairment loss on other receivables mainly included (i) Shaanxi Jiatai of RMB32,480,000 (31 December 2019: approximately RMB32,480,000); (ii) provision for the amount due from Mr. Wei Xing of approximately RMB29,784,000 (31 December 2019: RMB29,054,000); and (iii) amount due from Merit Progress of approximately RMB22,807,000 (31 December 2019: RMB22,349,000).

17 Trade Payables

The aging analysis of trade payables as the end of reporting period, based on invoice date was as follows:

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
0–90 days	**3,936**	–
91–180 days	**–**	–
181–365 days	**–**	–
Over 365 days	**1,885**	1,803
	5,821	1,803

The carrying amounts of trade payables approximated their fair values due to their short-term nature. The balances were denominated in RMB.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

18 Other Payables and Accruals

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Other payables (Note)	**4,334**	4,353
Salary and welfare payables	**5,508**	5,649
Accrued taxes other than income tax	**5,586**	7,946
	15,428	17,948

Note: Other payables mainly included payables of equipment purchasing cost, service charges payable and advances from third parties as at 30 June 2020 and 31 December 2019.

19 Assets and Liabilities of a Disposal Group Classified as Held for Sale

On 24 December 2019, Hami Jiatai and an independent third party purchaser (the "Purchaser") entered into the disposal agreement (the "Disposal Agreement") in which Hami Jiatai has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, Shaanxi Jiahe at the consideration of RMB10,000,000. The Board considered that the disposal of Shaanxi Jiahe allows the Group to better optimise its business portfolio from a risk management perspective, and offers an opportunity for the Group to exit at acceptable terms and reallocate its financial and management resources to other businesses of the Group with a view to generate better return to the shareholders of the Company.

As at 31 December 2019, the Group retained the control over Shaanxi Jiahe as the entire equity interests were not yet transferred to the Purchaser. Shaanxi Jiahe was classified as held for sale as at 31 December 2019 due to the fact that the Board considered the sale is expected to complete within 12 months from the end of the relevant reporting period.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

19 Assets and Liabilities of a Disposal Group Classified as Held for Sale (Continued)

The following major classes of assets and liabilities relating to the disposal group have been classified as held for sale as at 31 December 2019.

	RMB'000
Cash and cash equivalents	392
Property, plant and equipment	15,148
Mining rights and exploration rights	9,320
Assets of a disposal group classified as held for sale before written down to fair value less costs to sell	24,860
Less: Fair value loss on a disposal group classified as held for sale	(9,191)
Assets of a disposal group classified as held for sale	15,669
Payables to third parties	368
Provision for close down, restoration and environmental costs	2,746
Payables to the Company and its subsidiaries	18,634
Deferred tax liabilities	2,555
Total liabilities of a disposal group classified as held for sale	24,303
Less: Payables to the Company and its subsidiaries	(18,634)
Liabilities of a disposal group classified as held for sale	5,669

Upon the classification of the disposal group as held for sale, a fair value loss on the disposal group of RMB9,191,000 was recognised in the other operating gains in the consolidated statement of comprehensive income from continuing operations for the year ended 31 December 2019, after measuring the disposal group at the lower of their carrying amounts and fair value less costs to sell.

The fair value less costs to sell of Shaanxi Jiahe was determined based on the consideration mutually agreed between the Purchaser and Hami Jiatai in the Disposal Agreement. This is a non-recurring fair value measurement.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

19 Assets and Liabilities of a Disposal Group Classified as Held for Sale (Continued)

Shaanxi Jiahe does not constitute a discontinued operation as it does not represent a major line of business or geographical area of operation.

The process in relation to the change of shareholders of Shaanxi Jiahe with the relevant government authorities has been completed with effect from 23 March 2020 (Note 21).

20 Share Capital and Share Premium

	Authorised Shares of HK$0.1 each
As at 1 January 2019 (unaudited), 31 December 2019 (audited), 1 January 2020 (unaudited) and 30 June 2020 (unaudited)	5,000,000,000

	Number of Shares (Thousands)	**Share Capital** RMB'000	**Share Premium** RMB'000	**Total** RMB'000
As at 1 January 2019 (unaudited), 31 December 2019 (audited), 1 January 2020 (unaudited) and 30 June 2020 (unaudited)	1,620,000	137,361	668,768	806,129

Notes to the Interim Condensed Consolidated Financial Information (Continued)

21 Disposal of Shaanxi Jiahe

As referred to in note 19 to these interim condensed consolidated financial statements, the Group completed the process in relation to the change of shareholders of Shaanxi Jiahe with relevant government authorities on 23 March 2020 and since then, Shaanxi Jiahe has ceased to be the subsidiary of the Company.

Net assets, which were included as assets and liabilities of a disposal group classified as held for sale, at the date of disposal were as follows:

	RMB'000
Cash and cash equivalents	392
Property, plant and equipment	10,361
Mining rights and exploration rights	4,916
Payables to third parties	(368)
Provision for close down, restoration and environmental costs	(2,746)
Payables to the Company and its subsidiaries	(18,634)
Deferred tax liabilities	(2,555)
	(8,634)
Add: Payables to the Company and its subsidiaries	18,634
Net assets disposed of and total consideration — satisfied by cash	10,000
Net cash inflow arising on disposal:	
Cash consideration received	10,000
Cash and cash equivalents disposed of	(392)
	9,608

Notes to the Interim Condensed Consolidated Financial Information (Continued)

22 Related Party Transactions

For the six months ended 30 June 2020 and 2019, 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	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Basic salaries, allowances and other benefits	**1,867**	1,223
Contributions to retirement benefit scheme	**31**	18
	1,898	1,241

23 Capital Commitments

There was no contracted capital expenditure as at 30 June 2020 and 31 December 2019.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

24 Contingent Liabilities

The Group had contingent liabilities as at 30 June 2020 and 31 December 2019 in respect of:

(a) Environmental contingencies

Historically, the Group has not incurred any significant expenditure for environmental remediation. The Group has made provision for close down, restoration and environmental costs, and the Group is presently not involved in any environmental remediation and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislations, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, may move further towards the adoption of more stringent environmental standards.

Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including but not limited to mines and land development areas, whether operating, closed or sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under future environmental legislations cannot reasonably be estimated at present, and could be material.

(b) Insurance

The Group carries commercial insurance for its employees who work underground for personal injury. However, such insurance may not be sufficient to cover the potential future losses. While the effect of under-insurance on future incidents cannot be reasonably assessed at present, management believes this can have a material adverse impact on the results of operations or the financial position of the Group.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

25 Event after reporting period

Since January 2020, the outbreak of coronavirus disease ("COVID-19") pandemic has impact on the global business environment. Up to the date of this report, the COVID-19 pandemic has not caused material financial difficulties to the Group. Depending on the development and spread of the COVID-19 pandemic subsequent to the date of this report, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this report. The Group will pay continuous attention to the situation of the COVID-19 pandemic and react actively to its impact on the financial position and operating results of the Group.

26 Comparative figures

Certain comparative figures have been reclassified to conform to the current period presentation.

Management Discussion and Analysis

BUSINESS REVIEW

The Group mainly participates 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.

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. 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.

During the Period, the commodities markets were largely influenced by the COVID-19 pandemic. The prices of zinc, nickel, lead and copper dropped to their bottom in March 2020 with approximately 16% to 25% decrease in prices. Although there was sign of recovery from April 2020, except for lead market, the prices of zinc, nickel and copper still recorded a drop of around 2% to 11% during the Period.

Due to the government mandated closures across the PRC as the result of the COVID-19 pandemic, the Group was forced to suspend its mining activities and scheduled maintenance work during the Period. Despite of this, the Group will closely monitor the development and spread of the COVID-19 pandemic, and consider the window to restart its mines production. The Group will also look for potential partners to jointly develop the mines in order to maximise their economic values.

Meanwhile, in view of the potentially long investment horizon of Shaanxi Jiahe and the adverse commodities market conditions that posed financial risks to the Group's overall operations and business portfolio, on 24 December 2019, the Group entered into the Disposal Agreement with the Purchaser to dispose the entire equity interests of Shaanxi Jiahe (the "Jiahe Disposal"). The Jiahe Disposal allowed the Group to better optimise its business portfolio from a risk management perspective, and offered an opportunity for the Group to exit at acceptable terms and reallocated its financial and management resources to other businesses of the Group with a view to generate better return. On 23 March 2020, completion of the Jiahe Disposal took place and since then, Shaanxi Jiahe had ceased to be a subsidiary of the Company.

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 productions of both mines and will also look for potential partners to jointly develop the mines to capture the economic values of both mines.

In December 2019, the Group entered into the Disposal Agreement to dispose the entire equity interests of Shaanxi Jiahe, which held the mining permit of Mine 1 of Project Huangjinmei that produces gold ore, and completion of the Jiahe Disposal took place on 23 March 2020.

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 and/or co-operate with potential partners to carry out further exploration in order to enrich the resources and reserve bases.

In relation to the exploration right of Mine 2 of Project Huangjinmei, on 23 March 2020, the Group disposed the entire equity interests of Shaanxi Jiahe, the subsidiary of the Group that owned 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 their 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.

Management Discussion and Analysis (Continued)

Financial Services

On 4 December 2019, the Group entered into the Loan Agreement with an independent third party to provide the Loan of RMB65 million, bearing interest at 7% per annum for a term of 5 months, which may be extended for 19 months, and may thereafter further be extended for 12 months.

On 28 February 2020, upon the request of the borrower of the Loan and with the approval of the Board, the Loan was extended for 31 months after the end of the initial 5-month term. Further details of the Loan and its extension were disclosed in the announcements of the Company dated 4 December 2019 and 28 February 2020.

During the Period, the Group entered into three separate loan agreements with three different independent third parties to provide three loans of RMB6 million each. Among the three loans, two carry a term of 36 months and one carries a term of 6 months (which was extended for 3 months in July 2020), and all bearing interest of 7% per annum. To the best of the knowledge of the Company, such three borrowers and the borrower of the Loan were unrelated and independent of one another.

Revenue of approximately RMB2.9 million (2019: RMB3.5 million) was generated by the financial services segment during the Period.

Trading Business

During the Period, the Group carried out the coal trading business through two newly established indirect subsidiaries, Changzhi Runce Trading Company Limited* ("Changzhi Runce") and Gujiao Runce Trading Company Limited* ("Gujiao Runce"). The customers of this business segment are mainly local coal traders and energy companies.

Due to the government mandated closures across the PRC as the result of the COVID-19 pandemic, the Group was forced to slow down the business activities of the Group trading business due to the government regulations and the COVID-19 pandemic also resulted in a lower demand for the commodities during the Period.

The trading business segment has contributed RMB14.6 million (2019: RMB8.3 million) to the Group's revenue during the Period.

Management Discussion and Analysis (Continued)

RESULTS REVIEW

Revenue and Gross profit

During the Period, the revenue increased by approximately 48.3% to approximately RMB17.5 million from approximately RMB11.8 million for the corresponding period in 2019 (the "Prior Period"). The increase was mainly attributable to the RMB6.3 million increase in revenue generated from the trading of coal, while offset by the decrease in revenue of RMB0.6 million from the financial services segment due to the decrease in average loan outstanding from the Group's borrowers during the Period.

The cost of sales was approximately RMB15.7 million for the Period, as compared with approximately RMB8.3 million in the Prior Period, representing a year-on-year year increase of approximately 89.2%. The increase was mainly contributed by the trading of coal during the Period.

The gross profit decreased by approximately 49.2% from approximately RMB3.5 million for the Prior Period to approximately RMB1.8 million for the Period. The decrease was mainly due to the shift of business focus of the Group to trading of coal which had lower profit margin during the Period.

During the Period, due to the government mandated closures across the PRC as the result of the COVID-19 pandemic, the Group was forced to suspend all of its mining activities and scheduled maintenance work of No. 20 Mine and Baiganhu. The Group will closely monitor 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.

Administrative expenses

Administrative expenses for the Period, which included mainly depreciation charges, professional fees, staff costs and office overheads, amounted to approximately RMB10.9 million (2019: RMB11.7 million).

Other gains

Other gains for the Period of approximately RMB3.9 million, mainly represented the exchange gains of the financial assets that were denominated in the currency other than RMB.

Management Discussion and Analysis (Continued)

Finance income — net

Finance income of approximately RMB0.6 million (2019: RMB0.8 million) during the Period mainly represented interest income earned from the Group's cash at bank, netted by interest expenses.

Income tax expense

During the Period, income tax expense was approximately RMB0.2 million (2019: RMB0.7 million). It mainly represents the tax provision for operations in the PRC during the Period. No provision for profits tax in Hong Kong was made during the Period.

Operating loss

The revenue and the corresponding operating results were mainly contributed by the segments below, excluding corporate expenses, for the Period and the Prior Period.

	For the Period			For the Prior Period		
	Revenue	**Segment result**	**Operating (Loss)/ Profit Margin**	**Revenue**	**Segment result**	**Operating (Loss)/ Profit Margin**
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Trading of coal	14,611	(27)	(0.2%)	8,301	(5)	0.0%
Interest income from financial services	2,888	1,451	50.2%	3,500	3,024	86.4%
Mining	–	(2,092)	N/A	–	(2,117)	N/A
Unallocated	–	(4,532)	N/A	–	(9,057)	N/A
Total	17,499	(5,200)	(29.7%)	11,801	(8,155)	(69.1%)

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held by the Group as at 30 June 2020 and 2019.

Management Discussion and Analysis (Continued)

MATERIAL ACQUISITIONS AND DISPOSALS

During the Period, the Group disposed the entire equity interests of Shaanxi Jiahe, the subsidiary of the Group that owns Project Huangjinmei to the Purchaser on 23 March 2020. Further details of the Jiahe Disposal are set out in the Company's announcement dated 24 December 2019. Save for the Jiahe Disposal, 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 flows during the Period. Primary uses of funds during the Period was mainly the payment of operating expenses. As at 30 June 2020, the Group had current assets of approximately RMB238.8 million (31 December 2019: RMB340.6 million) and current liabilities of approximately RMB27.8 million (31 December 2019: RM43.8 million). The current ratio for the Group, being total current assets to total current liabilities, was 8.6 and 7.8 as at 30 June 2020 and 31 December 2019 respectively.

As at 30 June 2020 and 31 December 2019, there were no outstanding interest-bearing bank loan and other borrowings.

As at 30 June 2020, the Group maintained bank and cash balances of approximately RMB204.0 million (31 December 2019: RMB218.2 million), and the restricted cash deposit of approximately RMB0.2 million (31 December 2019: RMB0.2 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.

FOREIGN EXCHANGE RISK EXPOSURE

The Group's businesses are mainly conducted in RMB. The Group has not experienced any material difficulties with its operations or liquidity as a result of fluctuations in currency exchange rates during the Period. The Group currently has not engaged in hedging activities against foreign exchange risk exposure, as it believes that the cost associated with such hedging arrangements would exceed the benefits. However, management will continue to monitor the relevant circumstances and may take such measures if it deems prudent.

Management Discussion and Analysis (Continued)

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 2020, the gearing ratio was 0% (31 December 2019: 0%).

CHARGES ON COMPANY'S ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 23 to the interim condensed consolidated financial statements of the Company, the Group had no other contracted capital expenditure, commitments and charge on the Company's assets as at 30 June 2020 and 31 December 2019.

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 underinsurance on future accidents incurred by the employees. Such (i) new environmental laws and regulations; and (ii) underinsurance on the employees may lead to additional costs and liabilities on the Group.

Save as disclosed above and in note 24 to the interim condensed consolidated financial statements of the Company, the Group had no material contingent liability as at 30 June 2020 and 31 December 2019.

DIVIDEND

The Directors do not recommend the payment of any interim dividend in respect of the Period (30 June 2019: nil).

Management Discussion and Analysis (Continued)

HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 30 June 2020, the Group employed 33 employees (31 December 2019: 32). The total staff costs (including Directors' emoluments) for the Period were approximately RMB4.3 million (the Prior Period: RMB4.1 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 Company's share option scheme at the discretion of the Board. No share option was issued and outstanding during the Period and as at 30 June 2020 and 31 December 2019.

FUTURE OUTLOOK AND PROSPECTS

Since January 2020, the outbreak of the COVID-19 pandemic has impacted on the global business environment. The spread of the COVID-19 pandemic around the world has threatened the life and health of billions of people, and led to temporary suspension of businesses in the commercial and industrial sectors of many countries, stirring up volatility in financial markets. It is difficult to judge how far-reaching the impacts of this pandemic of the century will have on the global economy. Up to the date of this report, the COVID-19 pandemic has not caused material financial difficulties to the Group.

Meanwhile, the impacts from the COVID-19 pandemic and the prolonged disputes between China and the United States, as well as the former's decelerating economic growth have cast uncertainty over the prospect of the commodity market. While the Group will pay continuous attention on the situation of the COVID-19 pandemic and react actively to its impact on the financial position and operating results of the Group, crisis always brings opportunities. 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, although both the mining segment and the trading of coal segment have been impacted by government mandated closures, the financial service segment continue to provide stable source of revenue to the Group. This evidenced the successful mitigation of the Group's business risk through diversification of businesses and broadening of its income streams.

Management Discussion and Analysis (Continued)

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 streams and minimising the impact of the adverse commodities market conditions on the Group's overall business performance. This strategy is expected to improve the Group's operating conditions, optimise business structure, exploit new earnings growth points, and drive sustainable and quality development of the Group's business.

Looking forward, the Group will keep ploughing the mining business while continuing to develop its trading and financial services businesses. In addition, the Group will also explore the possibility of developing other quality projects or opportunities with promising prospects to formulate a business configuration with its existing segments and to diversify the Group's businesses, both business segments and locations. 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

Since January 2020, the outbreak of the COVID-19 pandemic has impact on the global business environment. Up to the date of this report, the COVID-19 pandemic has not caused material financial difficulties to the Group. Depending on the development and spread of the COVID-19 pandemic subsequent to the date of this report, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this report. The Group will keep continuous attention on the situation of the COVID-19 pandemic and react actively to its impact on the financial position and operating results of the Group.

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

As at 30 June 2020, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

Management Discussion and Analysis (Continued)

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

So far as was known to the Directors and the chief executive of the Company, as at 30 June 2020, 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%
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%

Management Discussion and Analysis (Continued)

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS (Continued)

Name	Nature of interests	Total interests in shares	Approximate percentage of the Company's issued share capital
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

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.

Management Discussion and Analysis (Continued)

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS (Continued)

Save as disclosed above, as at 30 June 2020, 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 deemed to have, interests or short positions in the Shares, underlying Shares which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who were expected, directly or indirectly, to be interested in 5% or more of the Shares.

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.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

Pursuant to the Loan Agreement and a mortgage agreement entered between Runxi Energy, one of the subsidiaries of the Group, and Beijing Fengwo dated 4 December 2019, The Group agreed to provide the Loan of RMB65 million, bearing interest at 7% per annum for a term of 5 months to Beijing Fengwo. Beijing Fengwo has pledged its properties located in Beijing, the PRC, with fair value higher than the loan principal amount. On 28 February 2020, the Board approved the extension of the term of the Loan to 5 December 2022 (in respect of RMB45 million drawn down on 5 December 2019) and 6 December 2022 (in respect of RMB20 million drawn down on 6 December 2019).

During the Period and as at 30 June 2020, the principal amount 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 Beijing Fengwo 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 2020, the Loan was secured by properties located in Beijing, the PRC owned by Beijing Fengwo, and the balance of the Loan and the interest outstanding and accrued were RMB65 million and RMB2.6 million respectively. Pursuant to the Loan Agreement, the principal amount of the Loan is repayable at maturity, and the interest then accrued and outstanding is repayable on an annual basis during the term of the Loan from the date of drawdown.

Management Discussion and Analysis (Continued)

NON-COMPLIANCE WITH FINANCIAL REPORTING PROVISIONS OF THE LISTING RULES

Due to the travel restriction in force in PRC to combat the outbreak of COVID-19 pandemic, the audit of the consolidated financial statements of the Group for the year ended 31 December 2019 has been affected. The Company was unable to publish the audited annual results for the financial year ended 31 December 2019 on or before 31 March 2020 as required by the Listing Rules. Such delay has constituted non-compliance with Rule 13.49 of the Listing Rules. However, in accordance with the FURTHER GUIDANCE ON THE JOINT STATEMENT IN RELATION TO RESULTS ANNOUNCEMENTS IN LIGHT OF THE COVID-19 PANDEMIC released on 16 March 2020 ("Further Guidance") by The Securities and Futures Commission and The Stock Exchange of Hong Kong Limited, if by 31 March 2020 an issuer is able to publish a preliminary results announcement without agreement with its auditors, or its management accounts, then the Exchange will normally not suspend trading in the securities of the issuer. As such, the Company published its preliminary results announcement for the year ended 31 December 2019 (the "2019 Annual Results") without agreement with then auditors pursuant to the Further Guidance on 31 March 2020 and subsequently on 9 April 2020, the Company obtained an agreement from its then auditor on the 2019 Annual Results.

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 exceptions:

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the Period, Ms. Xiang Siying was the chairlady of the Company while the duties of chief executive officer have been taken up by other executive Directors and senior management of the Company.

Under code 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.

Management Discussion and Analysis (Continued)

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, among other things, 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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement and this interim report are available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.huili.hk.

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

Hong Kong, 28 August 2020