



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

ANNUAL REPORT
2020



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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, 7/F.,
Citicorp Centre,
18 Whitfield Road,
Causeway Bay,
Hong Kong

LEGAL ADVISERS

as to laws of Hong Kong Special Administrative Region
["Hong Kong"]
Michael Li & Co.

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

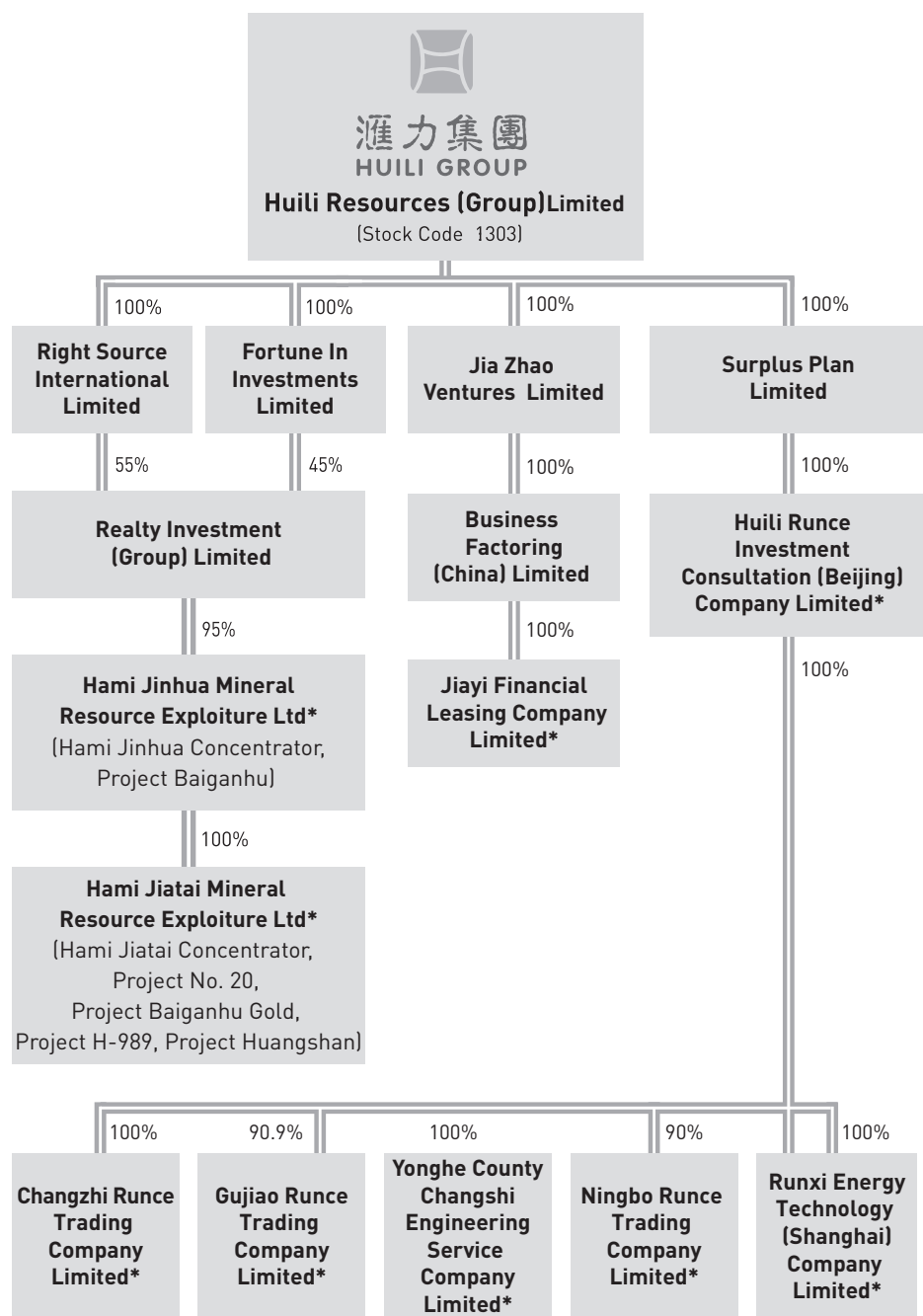
COMPANY WEBSITE

www.huili.hk

STOCK CODE

1303

PRINCIPAL SUBSIDIARIES OF THE GROUP



* For identification purposes only

MINES INFORMATION

MINERAL RESOURCES AS OF 31 DECEMBER 2020 ^(Note 1)

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

ORE RESERVES AS OF 31 DECEMBER 2020 ^(Note 1)

Project name	Classification	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	Classification	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 1: 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.

MINES INFORMATION (CONTINUED)

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 1)
Project H-989	Cu, Ni	0.96	July 2018 (Note 1)
Project Huangshan	Cu, Ni	3.49	March 2019 (Note 1)

MINING PERMITS

Project name	Type of ore under exploration	Mining Area (km ²)	Permit expiry date (month/year)
Project No. 20	Cu, Ni	0.22	October 2019 (Note 1)
Project Baiganhu	Pb, Zn	0.96	September 2021

Glossary:

Au: Gold

Cu: Copper

Ni: Nickel

Pb: Lead

Zn: Zinc

Note 1: 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 years ended 31 December 2019 and 2020.

For the years ended 31 December 2019 and 2020, no capital expenditure was incurred for the development and mining activities.

For the years ended 31 December 2019 and 2020, no exploration expenses were charged to the consolidated statement of comprehensive income.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Huili Resources (Group) Limited (the “Company”) and its subsidiaries (together 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.

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.

The Company’s subsidiaries, Hami Jinhua Mineral Resource Exploiture Ltd* (“Hami Jinhua”) and Hami Jiatai Mineral Resource Exploiture Ltd* (“Hami Jiatai”), own two mining permits and three exploration permits of non-ferrous metals in Xinjiang, the PRC. During the year ended 31 December 2020 (the “Year”), the commodities markets were largely influenced by the coronavirus disease (“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 the prices fluctuated widely during the Year, the prices of zinc, nickel, lead and copper still recorded a rebound from their bottom of around 24% to 68% during the Year.

Due to the government mandated closures across the PRC as the result of the COVID-19 pandemic, the Group was forced to suspend all its activities and scheduled maintenance work during the first half of the Year, and could only maintain its operation at the minimal level. 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 posted financial risks to the Group’s overall operations and business portfolio, the Group, on 24 December 2019, entered into an agreement (the “Jiahe Disposal Agreement”) with an independent third party 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 has taken place and Shaanxi Jiahe had ceased to be a subsidiary of the Company.

During the year, the Group 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 suspend the activities of the engineering services segment.

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.

Meanwhile, in December 2019, the Group entered into the Jiahe Disposal Agreement to dispose the entire equity interests of Shaanxi Jiahe, which held the mining permit of Mine 1 of Huangjinmei tenement, a gold mine located in Shaanxi province, the PRC that produces gold ore (“Project Huangjinmei”), and completion of the Jiahe Disposal took place on 23 March 2020.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 any 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 Year.

Financial Services

On 4 December 2019, the Group entered into a loan agreement (the "Loan Agreement") with an independent third party to provide a loan (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 of directors of the Company (the "Board"), the term of 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 Year, 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, information and belief of the Directors, such three borrowers and the borrower of the Loan are third parties independent of the Company and its connected persons and are unrelated and independent of one another.

Revenue of approximately RMB5.6 million (2019: RMB6.4 million) was generated by the financial services segment during the Year.

Trading Business

During the Year, the Group carried out the coal trading business through three subsidiaries, Changzhi Runce Trading Company Limited* ("Changzhi Runce"), Gujiao Runce Trading Company Limited* ("Gujiao Runce") and Ningbo Runce Trading Company Limited* ("Ningbo 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's trading business due to the government regulations. The COVID-19 pandemic also resulted in a lower demand for the commodities during the Year.

The trading business segment has contributed RMB135.6 million (2019: RMB85.8 million) to the Group's revenue during the Year.

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MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

RESULTS REVIEW

Revenue and Gross profit

During the Year, the revenue increased by approximately 50.9% to approximately RMB141.2 million from approximately RMB93.6 million for the year ended 31 December 2019 (the “Prior year”). The increase was mainly attributable to the RMB49.8 million increase in revenue generated from the trading of coal, while offset by the decrease in revenue of RMB0.8 million from the financial services segment due to the decrease in average loan outstanding from the Group’s borrowers during the Year.

The cost of sales was approximately RMB137.0 million for the Year, as compared with approximately RMB90.3 million in the Prior Year, representing a year-on-year increase of approximately 51.7%. The increase was mainly contributed by the trading of coal during the Year.

The gross profit increased by approximately 29.4% from approximately RMB3.3 million for the Prior Year to approximately RMB4.2 million for the Year. The increase was mainly contributed by the trading of coal which had lower profit margin during the Year.

During the Year, 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 Year, which included mainly depreciation charges, professional fees, staff costs and office overheads, amounted to approximately RMB24.4 million (2019: RMB21.1 million).

Other (losses)/gains — net

Other losses for the Year of approximately RMB4.9 million mainly represented the exchange losses of the financial assets that were denominated in the currency other than RMB, while the other gains during the Prior Year of approximately RMB4.5 million mainly represented the exchange gains of the financial assets that were denominated in the currency other than RMB.

Other operating gains

Other operating gains of approximately RMB12.4 million (2019: RMB6.4 million) was recorded.

The other operating gains for the Year was mainly contributed by the reversal of the impairment losses on mining structures and mining rights of approximately RMB14.9 million (2019: RMB15.4 million) as a result of increase in the commodities price, netted by the expected credit losses (“ECL(s)”) financial assets of approximately RMB2.5 million (2019: reversal of ECLs on financial assets of approximately RMB1.9 million).

For more details, please refer to notes 16, 21, 22 and 23 of these consolidated financial statements.

Finance income — net

Finance income of approximately RMB0.8 million (2019: RMB1.9 million) during the Year mainly represented interest income earned from the Group’s cash at bank, netted by interest expenses on lease liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Income tax expense

During the Year, income tax expense was approximately RMB3.6 million (2019: RMB10.3 million). It mainly represents the tax provision for operations in the PRC during the Year. No provision for profits tax in Hong Kong was made during the Year.

Operating loss

The revenue and the corresponding operating results were mainly contributed by the segments below, for the Year and the Prior Year.

	For the Year			For the Prior year		
	Revenue RMB'000	Operating profit/(loss) RMB'000	Operating profit/(loss) Margin %	Revenue RMB'000	Operating profit/(loss) RMB'000	Operating profit/(loss) Margin %
Trading of coal	135,625	[2,470]	(1.8)%	85,823	585	0.7%
Interest income from financial services	5,591	3,928	70.3%	6,369	6,258	98.3%
Engineering services (Note)	–	–	N/A	1,380	[2,590]	(187.7)%
Mining	–	10,423	N/A	–	22,039	N/A
Total	141,216	11,881	8.4%	93,572	26,292	28.1%

Note: During the Year, the Company decided to concentrate the resources in its mining, financial services and trading business, and suspend the activities of the engineering services segment. As such, the financial performance of the engineering services segment was no longer presented separately.

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held as at 31 December 2020 and 2019.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Year, the Group disposed the entire equity interests of Shaanxi Jiahe, the subsidiary of the Group that owns Project Huangjinmei to an independent third party 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 Year.

LIQUIDITY AND FINANCIAL REVIEW

The Group financed its day to day operations by internally generated cash flows during the Year. Primary uses of funds during the Year was mainly the payment of operating expenses.

As at 31 December 2020, the Group had current assets of approximately RMB209.8 million (2019: RMB340.6 million) and current liabilities of approximately RMB31.0 million (2019: RMB43.8 million). The current ratios for the Group, being total current assets to total current liabilities, was 6.8 and 7.8 as at 31 December 2020 and 2019 respectively. As at 31 December 2020 and 2019, there was no outstanding interest-bearing bank loan and other borrowings.

As at 31 December 2020, the Group maintained bank and cash balances of approximately RMB169.1 million (2019: RMB218.2 million), and the restricted cash deposit of approximately RMB0.2 million as at 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 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 Year. The Group currently has not engaged in hedging activities against foreign exchange 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.

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

CHARGES ON COMPANY'S ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 41 to these consolidated financial statements of the Company, the Group had no other contracted capital expenditure, commitments and charge on the Company's assets as at 31 December 2020 and 2019.

There was no charge on the Company's assets as at 31 December 2020 and 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 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 and note 28 and 39 to the consolidated financial statements, the Group had no other material contingent liability as at 31 December 2020 and 2019.

HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 31 December 2020, the Group employed 33 employees (2019: 32). The total staff costs (including Directors' emoluments) for the year were approximately RMB7.6 million (2019: RMB8.9 million). The salaries of employees largely depend on their job nature, performance and length of service with the Group. The Directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of the Group. Discretionary bonuses are also available to the Group's employees depending on the overall performance of the Group. In addition to the basic remuneration, the Group also provides employees with employees benefits, including pension, medical scheme and other applicable social insurance as required by the applicable laws and regulations. Apart from regular on-job training, the Group provides training to new employees including an introduction to relevant regulations and general safety awareness and a workshop specific training to the work area and the role of individual within the workshop. Directors and employees, among others, are entitled to participate in the share option scheme at the discretion of the Board. No share option was granted, exercised, lapsed or outstanding as at 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 Year, 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

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 EVENTS AFTER THE REPORTING PERIOD

Since January 2020, the outbreak of COVID-19 has impact on the global business environment. Up to the date of this report, COVID-19 has not caused material financial difficulties to the Group. Depending on the development and spread of COVID-19 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 COVID-19 and react actively to its impact on the financial position and operating results of the Group.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Wang Qian (王茜)

Ms. Wang, aged 45, is an executive Director. She joined the Group in January 2016. She has over 15 years of experience in finance, investment and management area. From October 2001 to June 2002, Ms. Wang was employed by PricewaterhouseCoopers Consulting, a company principally engaged in the provision of management consulting services, where she served as a consultant and was primarily responsible for enterprise strategy and financial management consultation. Ms. Wang successively acted as a senior manager of the finance strategy & business development department at the US headquarters of Goodyear Tire & Rubber Company and the Asia-Pacific region Finance Director of Goodyear Engineered Products Company from July 2004 to March 2009, Goodyear's principal business is manufacturing tires and rubber products, where she was primarily in charge of mergers and acquisitions, and annual operation planning, as well as organising and supervising the financial activities for Asia Pacific region. After Goodyear Engineered Products Company was acquired by The Carlyle Group, Ms. Wang had led several acquisitions and restructuring projects. Since March 2009, Ms. Wang has served as the president of HIXIH Investment, a company principally engaged in the business of equity and securities investment, and Ms. Wang is primarily responsible for company management and investment business. She has accomplished and participated in several initial public offering projects in New York Stock Exchange, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Shanghai Stock Exchange for companies in finance, energy and resources, culture industries. Ms. Wang received a certificate of Certified Public Accountant granted by the Accountancy Board in the USA in October 2005. Ms. Wang received her bachelor's degree of economics from the Central University of Finance and Economics in July 1998. Ms. Wang received her Master of Business Administration degree from the Carnegie Mellon University in the USA in May 2004.

Ms. Wang was appointed as an executive Director on 26 January 2016.

Mr. Zhou Jianzhong (周建忠)

Mr. Zhou, aged 47, has over 20 years of experience in the construction and engineering management field. Mr. Zhou joined the Group in May 2017 and is currently the legal representatives of Hami Jinhua, Hami Jiatai and Shaanxi Jiahe, responsible for general operations of the Company's mines in the PRC. From 2008 to 2017, Mr. Zhou held the position of the general manager and executive director of Shanxi Zi Feng Technology Company Limited* (山西紫峰科技有限公司) responsible for corporate management and technical services in respect of lands involved in various projects. During the period from 1998 to 2008, Mr. Zhou was an engineer at China Railway 17th Bureau Group Co., Ltd. (中鐵十七局集團建築公司). Mr. Zhou obtained a bachelor's degree in industrial and civil architecture from Hebei University of Architecture (河北建築科技學院) and certificate of completion of postgraduate course of Road and railway construction from 石家莊鐵道學院 (Shijiazhuang Tiedao University). Mr. Zhou is a constructor (一級建造師) recognized by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) in 2008.

Mr. Zhou was appointed as an executive Director on 11 March 2019.

* For identification purpose

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

NON-EXECUTIVE DIRECTOR

Mr. Cao Ye (曹野)

Mr. Cao Ye (曹野), aged 25, obtained a bachelor's degree in investment from the School of Banking and Finance, University of International Business and Economics (對外經濟貿易大學金融學院). He has extensive experience in investment and coal trading business. Since March 2015, he has held the position of the partner of 北京正略才誠資產管理有限公司 (Beijing Adfaith Xincheng Capital Co, Ltd.*) responsible for managing the fund that in acquisition, management and disposal of non-performing assets. Starting from November 2015, he has served as the assistant general manager of 山西昌盛鑫隆供應鏈管理服務有限公司 (Shanxi Changsheng Xinlong Supply Chain Service Co., Ltd.*), which is a coal trading company, to assist the general manager in developing business strategy and is in charge of the sales and marketing department of the company. Since November 2018, Mr. Cao has joined 博通能源銷售(寧波)有限公司 (Botong Energy Trading (Ningbo) Co., Ltd.*), which engages in coal trading business, as general manager and is mainly responsible for formulating the strategy of the company's business, overseeing the finance function of the company, and monitoring and coordinating the business development of the company's coal trading business.

Mr. Cao was appointed as an non-executive Director on 14 June 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Xiang Siying (項思英)

Ms. Xiang, aged 58, holds Bachelor's Degree in Agriculture Economics from China Agriculture University (now known as China Agriculture University) in 1986 and Master's Degree in Finance and Economics from Zhongnan University of Economics, Finance and Laws, China as well as The Research Institute of Finance and Economics of China in 1988. Ms. Xiang also holds a Master Degree in Business Administration from London Business School in 1999. She is currently a consultant for CDH Investments ("CDH") and has had a long career in investment, banking and financial advisory services. From June 2010 to April 2016, Ms. Xiang had worked for CDH as an executive director; and before that from March 2004 to June 2010 she worked for China International Capital Corporation in its Direct Investment Department and Investment Banking Department as an executive director. Prior to returning China in early 2004, Ms. Xiang was an investment officer of Global Manufacturing and Service Department and East Asia and Pacific Department of International Finance Corporation ("IFC"), the World Bank Group, in Washington DC from August 1996 to March 2004, and before that Ms. Xiang was an investment analyst of IFC's representative office in China. From July 1988 to July 1991 Ms. Xiang served as an officer of Ministry of Agriculture China, in its Department of World Bank Agriculture Project Management and Department of Rural Reform Research and Farm Management. Ms. Xiang also held the position as the independent non-executive director of Titan Petrochemicals Group Limited, a company listed on the Stock Exchange with stock code 1192, from July 2015 to July 2018. Currently, Ms. Xiang has been the independent non-executive director of China Ocean Industry Group Limited, a company listed on the Stock Exchange with stock code 651 since May 2008.

Ms. Xiang was appointed as an independent non-executive Director on 6 September 2017 and was appointed as the chairlady of the Board on 11 March 2019.

* For identification purpose only

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Ms. Huang Mei (黃梅)

Ms. Huang, aged 41, obtained a bachelor's degree in Management and a master degree in Accountancy from Tsinghua University. She is a member of the Chinese Institute of Certified Public Accountants. Ms. Huang has over 15 years' experience in accounting, auditing and corporate management. She has worked in PricewaterhouseCoopers Zhong Tian LLP, an international accounting firm, from August 2003 to July 2015. She has also been the financial controller of Alibaba Pictures Group Limited (a company listed on the Stock Exchange with stock code: 1060) from July 2015 to July 2018. Currently she is the chief financial officer of a startup company.

Ms. Huang was appointed as an independent non-executive Director on 19 October 2018.

Mr. Chan Ping Kuen (陳炳權)

Mr. Chan, aged 35, has over 10 years of experience in the mining and material trading industry. Mr. Chan is currently the trading director of Ares Asia Limited, being a company listed on the Stock Exchange (stock code: 645), is responsible for coal, iron ore and rice imports to China. From April 2011 to March 2013, Mr. Chan held the position of assistant manager of trading department in Best Power Holdings (HK) Ltd., responsible for trading of iron ore and coal. From February 2009 to January 2011, Mr. Chan joined Hangpo Investment (Macau) Group Co., Ltd. as the assistant trading manager, responsible for procurement and coal, iron ore and manganese trading transactions. Mr. Chan obtained a bachelor's degree in accounting from Jinan University in 2009.

Mr. Chan was appointed as an independent non-executive Director on 11 March 2019.

SENIOR MANAGEMENT

Mr. Yau Hong Chun (邱康俊)

Mr. Yau, aged 35, joined the Group on 14 January 2019 and was appointed as the company secretary and the financial controller of the Company on 13 February 2019. Mr. Yau holds a Bachelor degree in Business Administration in Accounting from the Chinese University of Hong Kong. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and the associate member of The Institute of Chartered Secretaries. Mr. Yau possesses over 10 years of experience in accounting, auditing and corporate field. Mr. Yau worked in international accounting firms for auditing, and then joined a HK listed group as finance manager in April 2014 and was then promoted to assistant financial controller in January 2019.

REPORT OF THE DIRECTORS

The directors (the “Directors”) of Huili Resources (Group) Limited (the “Company”) present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “Year”).

CORPORATE INFORMATION

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 in preparation for a listing of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) under the name of Realty Resources (Group) Limited. On 13 May 2010, the Company changed its name to Huili Resources (Group) Limited. The Company issued 250,000,000 ordinary new shares of HK\$0.1 each at a subscription price of HK\$1.7 per share pursuant to the public offering. The Company’s shares including these new shares were listed on the main board of the Stock Exchange on 12 January 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the mining, ore processing and sales of gold, nickel, copper, lead and zinc products, trading of materials for oil and gas exploration and coals, and financial services in the People’s Republic of China (the “PRC”), details of which are set out in note 37 to the consolidated financial statements.

During the year, the Group 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 suspend the activities of the engineering services segment.

Save as disclosed herein, there were no significant changes in the nature of the Group’s principal activities during the Year.

BUSINESS REVIEW

Details of business review, financial performance and future development of the Group’s business are set out in the “Management Discussion and Analysis” from pages 7 to 12.

BOARD’S VIEW ON THE QUALIFIED OPINION

The Board, through the audit committee of the Company (the “Audit Committee”), noted that the consolidated financial statements of the Company for the Year had been subject to the qualified opinion (the “Qualified Opinion”) of the auditor of the Company (the “Auditor”), on the basis as set out in the section headed “Basis of the Qualified Opinion” in the independent auditor’s report (“Auditor’s Report”). The matters which gave rise to the Qualified Opinion related to the fair value loss on the disposal group classified as held for sales and the reversal of impairment loss on mining rights (the “Qualifying Items”) of Shaanxi Jiahe Mineral Exploiture Limited (“Shaanxi Jiahe”), which both were included in other operating gains for the year ended 31 December 2019.

The Group, on 24 December 2019, entered into an agreement (the “Jiahe Disposal Agreement”) with an independent third party to dispose the entire equity interests of Shaanxi Jiahe (the “Jiahe Disposal”). Thus, the assets and liabilities of Shaanxi Jiahe were classified as assets and liabilities held for sale in accordance with HKFRS 5 “Non-Current Assets Held For Sale and Discontinued Operations”, as described in note 30 to the consolidated financial statements as at 31 December 2019.

On 23 March 2020, completion of the Jiahe Disposal had taken place, and thereafter, the assets and liabilities of Shaanxi Jiahe no longer exist in the consolidated financial statements of the Group.

REPORT OF THE DIRECTORS (CONTINUED)

The Board, through the Audit Committee, further noted that the Auditor had difficulty in obtaining evidence which they considered sufficient and appropriate to ascertain the amount of the Qualifying Items and consequentially led to the Qualified Opinion. Thus, the Board did not express different view from that of the Auditor on the basis of the qualifications as the unresolved qualifications for the year ended 31 December 2019, and thus might have consequential effect on the Group's financial performance for the year ended 31 December 2019 and the related disclosure thereof in the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

There are various risks and uncertainties including business risks, operational risks, and financial risks that may have different levels of impact on the Group's financial performance, operations, business as well as future prospects.

For risks and uncertainties relating to the business and operation, certain projects of the Group have finite and relatively short estimated mine life and there are uncertainties to acquire new mining projects. The business and results of operations are also susceptible to volatility in commodity prices and economic cyclicality. In addition, as all the existing mining projects are located in the PRC, the Group's business, financial condition, results of operations and prospects are greatly affected by political, economic and legal developments and changes to government policies in the PRC. If any stricter regulations regarding the Group's operation or the mining industry are enacted in the future, business and operation of the Group may also be significantly impacted and there are uncertainties to renew the mining and exploration permits or obtain relevant approvals from the government.

The Group is also exposed to certain financial risk, including market risk (including foreign exchange risk, interest rate risk), credit risk and liquidity risk. Details of financial risks are set out in note 43 to the consolidated financial statements.

KEY FINANCIAL PERFORMANCE INDICATORS

An analysis of the Group's financial performance in terms of key indicators are set out in the section headed "Liquidity and Financial Review" under the "Management Discussion and Analysis" to this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates.

The Group's operations are subject to a variety of PRC environmental laws and regulations, as well as local environmental regulations promulgated by local authorities on environmental protection. These laws and regulations govern a broad range of environmental matters, such as mining control, land rehabilitation, air emissions, noise control, discharge of wastewater and pollutants, waste disposal and radioactive element disposal control. The PRC government has taken an increasingly stringent stance on the adoption and enforcement of rigorous environmental laws and regulations, which could have a material adverse effect on financial condition and results of operations and could incur additional costs.

REPORT OF THE DIRECTORS (CONTINUED)

The Group was in compliance with all relevant PRC laws and regulations regarding environmental protection in all material respects and was not subject to any environmental claims, lawsuits, penalties or administrative sanctions during the Year. The Group is also committed to allocate operating and financial resources to ensure environment protection compliance as required by applicable PRC laws and regulations. As at 31 December 2020, the provision for close down, restoration and environmental costs was approximately RMB2.9 million (2019: RMB2.8 million), details of which are set out in note 28 to the consolidated financial statements.

In accordance with Rule 13.91 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), the Company will publish an environmental, social and governance (“ESG”) report within three months after the publication of this annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of noncompliance with the applicable rules and regulations. The Group’s operations are mainly carried out in the PRC and Hong Kong while the shares of Company are listed on the Stock Exchange in Hong Kong. Hence, the Group shall comply with relevant laws and regulations in the PRC, Hong Kong and the respective places of incorporation of the Company and its subsidiaries. In addition, the Company is required to comply with the Listing Rules and other relevant regulations.

The Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the Year. Except for the below, there was no material breach of or non-compliance with the applicable laws and regulations by the Group for the Year.

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 CODE ON CORPORATE GOVERNANCE PRACTICES

A full corporate governance report is set out on pages 26 to 36 of this annual report.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS AND OTHER STAKEHOLDERS

The Group understands the success of the Group’s business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders of the Company (the “Shareholder(s)”). There were no material and significant dispute between the Group and its key stakeholders that have a significant impact on the Group during the Year.

The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

REPORT OF THE DIRECTORS (CONTINUED)

RESULTS AND DIVIDENDS

The Group's loss for the Year set out in the consolidated statement of comprehensive income on page 41 and the state of affairs of the Group as at 31 December 2020 are set out in the consolidated balance sheet on pages 42 and 43.

The Directors do not recommend the payment of any dividend for the Year.

DISTRIBUTABLE RESERVES

The Company's distributable reserves consist of share premium and retained earnings, if any.

Under the Companies Law of the Cayman Islands, the share premium account is distributable to Shareholders if immediately following the date on which the Company proposes to distribute the dividend, the Company will be able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2020, the Company had a reserve balance of approximately RMB228.4 million, representing share premium of approximately RMB668.8 million, net of investment revaluation reserve of approximately RMB0.3 million and accumulated losses of approximately RMB440.1 million, available for distribution to the Shareholders.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 116. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital are set out in note 31 to the consolidated financial statements. There was no movement in the Company's share capital during the Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a prorata basis to existing Shareholders.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of such securities.

PURCHASE, REDEMPTION OR SALE OF SECURITIES OF THE COMPANY

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

REPORT OF THE DIRECTORS (CONTINUED)

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for 78.2% (2019: 60.4%) of the total sales for the Year and sales to the largest customer included therein amounted to 27.9% (2019: 19.4%) of the total sales. During the year, the purchases from Group's five largest suppliers and the largest supplier accounted for 94.5% (2019: 100.0%) and 27.1% (2019: 33.3%) of the total purchases, which solely contributed by the Group's new trading of coals business during the Year, respectively.

None of the Directors or any of their respective close associates within the meaning of the Listing Rules, or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's above-mentioned customers and suppliers.

DIRECTORS

The Directors during the Year and up to the date of this report were:

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

In accordance with article 84(1) of the Company's articles of association, at each annual general meeting one-third of Directors (or if their number is not a multiple of three, the number nearest to but not less than one third) shall retire from office by rotation, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Mr. Zhou Jianzhong, Ms. Xiang Siying and Mr. Chan Ping Kuen will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 13 to 15.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' REMUNERATION

The remuneration of the Directors are determined by the remuneration committee of the Company with reference to the Directors' duties, responsibilities and performance and the results of the Group. Details of the Directors' remuneration are set out in the note 12 to the consolidated financial statements.

PERMITTED INDEMNITY

Pursuant to the articles of association of the Company, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

The Company has arranged appropriate insurance cover in respect of relevant actions against its Directors during the Year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 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 ("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 maintained by the Company 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.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

No Director or his associate has engaged in any business which competes or is likely to compete directly or indirectly with that of the Group.

EQUITY LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the Year or subsisting at the end of the Year are set out below:

Share Option Scheme

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of encouraging the eligible participants to work towards enhancing the value of the Company and Shareholders as a whole. Eligible participants of the Share Option Scheme include Directors, officers, employees and consultants of any member of the Group. The Share Option Scheme became effective on 16 December 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date (i.e. 15 December 2021).

REPORT OF THE DIRECTORS (CONTINUED)

Initially the maximum number of shares of the Company (the “Shares”) which may be issued upon exercise of all share options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 100,000,000 Shares, being 10% of the aggregate of the Shares in issue as at the listing date. However the Company may refresh this 10% limit with Shareholders’ approval provided that each such limit (as refreshed) may not exceed the 10% of the Shares in issue as at the date of the Shareholders’ approval. The total number of Shares which may be issued upon exercise of all share options granted and yet to be exercised under the Share Option Scheme or any other share option schemes must not exceed 30% of the Shares in issue from time to time. The maximum number of Shares to be issued upon exercise of all share options to be granted under the Share Option Scheme was refreshed to 162,000,000 shares (the “Scheme Mandate”) on 3 June 2016, being 10% of the total number of issued shares of the Company as at the date of passing of an ordinary resolution by the Shareholders to approve the refreshment of the Scheme Mandate. As at the 31 December 2020, 162,000,000 Shares are available for issue under the Share Option Scheme, representing 10% of the Shares in issue as at 31 December 2020 and the date of this annual report.

The maximum number of Shares issued and to be issued upon exercise of the share options granted to each participant under the Share Option Scheme in any 12 month period must not exceed 1% of the Shares in issue at any time. Any further grant of share options in excess of this limit is subject to Shareholders’ approval. Each grant of share options to any Director, chief executives or substantial Shareholder of the Company (or any of their respective associates) shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the share options). Where any grant of share options to a substantial Shareholder or an independent non-executive Director, or any of their respective associates, in excess of 0.1% of the Shares in issue or with an aggregate value (based on the closing price of the Shares at the date of grant) in excess of HK\$5 million, within any 12 month period, are subject to Shareholders’ approval in advance in a general meeting.

The amount payable on acceptance of an option is HK\$1.00, which must be paid within 14 days from the date on which the letter containing the offer of option is delivered to that participant. The period within which the share options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the relevant date of grant. The Share Option Scheme does not contain the minimum period for which an option must be held before it can be exercised.

The exercise price of the share options is determined by the Directors, but will no less than the higher of (a) the closing price of the Shares on the date of grant; (b) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.

The Company has not granted any share option under the Share Option Scheme during the Year. There was no outstanding share option as at 31 December 2020.

Saved as disclosed above, at no time during the Year, the Directors and chief executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for Shares (or warrants or debentures, if applicable) of the Company and its associated corporations required to be disclosed pursuant to the SFO.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group’s business in which the Company or any of its subsidiaries, fellow subsidiaries and parent company was a party and in which a Director and the Director’s connected party had a material interest, whether directly or indirectly, subsisted during or at the end of the Year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

REPORT OF THE DIRECTORS (CONTINUED)

SUBSTANTIAL SHAREHOLDERS AND OTHERS PERSONS WHO HAVE AN INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as was known to the Directors and the chief executive of the Company, as at 31 December 2020, based on the register maintained by the Company pursuant to Section 336 of the SFO, the following persons (not being Directors or chief executive of the Company of which interests were disclosed above) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

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 ("Mr. Guo")	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%
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%
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

REPORT OF THE DIRECTORS (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. Mr. Guo also holds 42,366,000 Shares.
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. held 91% 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.

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 31 December 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 was deemed to have an interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 47 to the consolidated financial statements.

AUDITORS

On 30 January 2019, PricewaterhouseCoopers retired as the auditors of the Company and BDO Limited was appointed as auditors of the Company. The consolidated financial statements for the years ended 31 December 2018 and 2019 have been audited by BDO Limited.

REPORT OF THE DIRECTORS (CONTINUED)

On 19 June 2020, BDO Limited resigned as the auditor of the Company and ZHONGHUI ANDA CPA Limited was then appointed as the auditor of the Company thereafter. The consolidated financial statements for the year ended 31 December 2020 have been audited by ZHONGHUI ANDA CPA Limited respectively.

ZHONGHUI ANDA CPA Limited will retire at the end of the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of ZHONGHUI ANDA CPA Limited as auditor of the Company is to be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Xiang Siying

Chairlady

Hong Kong, 31 March 2021

REPORT ON CORPORATE GOVERNANCE

INTRODUCTION

Huili Resources (Group) Limited (the “Company”) is committed to maintain a high standard of corporate governance and has taken appropriate steps to adopt and comply with the provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) during the year ended 31 December 2020 (the “Year”) except for code provisions A.2.1 and A.4.1 of the Code as explained in this Corporate Governance Report (the “CG Report”).

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Directors confirm that they have complied with the required standard as set out in the Model Code during the Year.

SECURITIES TRANSACTIONS BY RELEVANT EMPLOYEES

The board of the Directors (the “Board”) has also adopted a policy with no less exacting terms than the Model Code for the relevant employees of the Company (the “Relevant Employees”) in respect of their dealings in securities of the Company. Having made specific enquiry with all Relevant Employees, each of them confirmed that this policy has been complied in full throughout the Year.

BOARD OF DIRECTORS

As at 31 December 2020, the Board comprises six Directors including two executive Directors, one non-executive Director and three independent non-executive Directors. At least one of the independent non-executive Directors possesses appropriate professional qualifications (or accounting or related financial management expertise) as required by the Listing Rules. The biographical details of the Directors are set out on pages 13 to 15 to this annual report.

The Board is principally accountable to the Shareholders and is responsible for the leadership and control of the Company and its subsidiaries (the “Group”) including overseeing the Group’s businesses, strategic directions, financial performance, setting objectives and business development plans, and monitoring the performance of the senior management.

The Board, with balance of skills and experience, meets regularly to formulate overall strategy, monitor business development as well as the financial performance of the Group and has formal procedures on matters for consideration and decision. The Board has delegated certain authorities to the senior management for the day-to-day management of the Group’s operation.

The Directors have no financial, business, family or other material/relevant relationship among themselves.

The Board complied with Rule 3.10A of the Listing Rules to appoint at least one-third of its Directors as independent non-executive Directors. The Company has received the annual confirmation of independence from each of the independent non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors, namely Ms. Xiang Siying, Ms. Huang Mei and Mr. Chan Ping Kuen, to be independent of the Company during the Year.

The Board is also responsible for performing the corporate governance functions such as developing and reviewing the Company’s policies, practices on corporate governance; reviewing and monitoring the training and continuous professional development of Directors and senior management and the Company’s policies and practices on compliance with legal and regulatory requirements, etc. It is also the practice of the Group to engage and consult financial advisors and legal advisors in conducting its various transactions and in its daily operations in order to ensure compliance with legal and regulatory requirements. The Group has also adopted the policy that all business transactions conducted by the Group must strictly comply with relevant laws and regulations. The Board reviews and monitors whether such policy and practices have been followed by the management and employees of the Group from time to time.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

Regular Board meetings are held at least four times a year to review the financial and operating results of the Group and to propose interim and final dividends, if appropriate. A meeting is also held as and when necessary to discuss significant matters. Sufficient notice of not less than 14 days has been given to all Directors for regular Board meetings and reasonable notice has been given for other meetings. All Directors are given an opportunity to include matters in the agenda for Board meetings and have access to the company secretary of the Company (the "Company Secretary") to ensure that all board procedures and all applicable rules and regulations are followed. The Board also enables Directors to seek independent professional advice at the Company's expense in appropriate circumstances.

The attendance of each Director at the Board meetings, certain committee meetings and general meetings during the Year is as follows:

	Attended/Eligible to attend					Annual general meeting
	Board meeting	Audit committee meeting	Remuneration committee meeting	Nomination committee meeting	Investment committee meeting	
Executive Directors						
Ms. Wang Qian	15/18	N/A	1/1	1/1	1/1	1/1
Mr. Zhou Jianzhong	18/18	N/A	N/A	N/A	N/A	1/1
Non-Executive Director						
Mr. Cao Ye	15/18	N/A	N/A	N/A	N/A	1/1
Independent Non-Executive Directors						
Ms. Xiang Siying <i>(Chairlady)</i>	18/18	6/6	1/1	1/1	1/1	1/1
Ms. Huang Mei	15/18	6/6	1/1	1/1	1/1	1/1
Mr. Chan Ping Kuen	15/18	6/6	N/A	N/A	N/A	1/1

Remarks: N/A: Not applicable

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. During the Year, Ms. Xiang Siying was the chairlady of the Company (the "Chairlady"). The Company does not maintain the office of CEO, the duties of CEO has been taken up by other executive Directors and senior management of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable to those in the Code.

TERMS OF NON-EXECUTIVE DIRECTORS

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 Ms. Huang Mei, who is not appointed for a specific term, all other non-executive Directors are appointed for a term of three years. All of the Directors (including the non-executive Directors) 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.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the Year is set out below:

Remuneration bands	Number of persons
Up to HK\$1,000,000 (up to RMB881,135 equivalents)	2

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") on 16 December 2011 with written terms of reference which are in line with the code provisions set out in the Code. The Audit Committee meets at least twice a year for reviewing the reporting of annual and interim results and other information to the Shareholders, and the effectiveness and objectivity of the audit process. Additional meetings may be held by the Audit Committee from time to time to discuss special projects or other issues which the Audit Committee considers necessary. The auditor of the Company (the "Auditor") may request a meeting if they consider that one is necessary. The Audit Committee also provides an important link between the Board and the Auditor in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the Auditor.

The Audit Committee comprises three independent non-executive Directors, namely Ms. Huang Mei (Chairlady of the Audit Committee), Ms. Xiang Siying and Mr. Chan Ping Kuen. During the Year, the Audit Committee held six meetings.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

The Audit Committee is also responsible for performing the functions set out in the code provision D.3.1 of the Code. During the Year, the Audit Committee had performed the works as follows:

1. reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management;
2. reviewed the Company's policies and practices on compliance with legal and regulatory requirements;
3. reviewed the code of conduct and compliance manual (if any) applicable to employees and Directors;
4. reviewed the compliance of the Listing Rules, and the Company's compliance with the Code and disclosure in this CG Report;
5. reviewed the reports from the Auditor, accounting principles and practices adopted by the Group in relation to the annual results for the year ended 31 December 2019 and the interim results for the six months ended 30 June 2020;
6. reviewed the financial reports for the year ended 31 December 2019 and for the six months ended 30 June 2020 and recommended the same to the Board for approval;
7. concurred with the Board regarding the selection, appointment, resignation or dismissal of the Auditor;
8. reviewed the Group's internal control based on the information obtained from the external risk management and internal control review advisor of the Company (the "IC Advisor") and Company's management and Audit Committee was of the opinion that there are adequate internal controls in place in the Group; and
9. reviewed the financial reporting system, compliance procedures, risk management and internal control systems (including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function).

The Audit Committee has reviewed with the management and the Auditor, the audited consolidated financial statements of the Group for the Year. The Audit Committee reviewed the Group's audited results for the Year and recommended its adoption to the Board.

Audit Committee's view on the Qualified Opinion

The Audit Committee had a meeting with the Auditors to understand the qualified opinion (the "Qualified Opinion") of the auditor of the Company (the "Auditor"), on the basis as set out in the section headed "Basis of the Qualified Opinion" in the independent auditor's report ("Auditor's Report"). The matters which gave rise to the Qualified Opinion related to the fair value loss on the disposal group classified as held for sales and the reversal of impairment loss on mining rights (the "Qualifying Items") of Shaanxi Jiahe Mineral Exploiture Limited ("Shaanxi Jiahe"), which both were included in other operating gains for the year ended 31 December 2019.

The Audit Committee also shared the views of the Board on both the Qualifying Items and the Qualified Opinion as discussed in pages 16 and 17 of the Annual Report.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

REMUNERATION COMMITTEE

A remuneration committee ("Remuneration Committee") of the Group was established on 16 December 2011 with written terms of reference in line with the Code. The responsibilities of the Remuneration Committee include considering and recommending to the Board the Group's remuneration policy and structure, approving the terms of the executive Directors' service contract and reviewing and determining the remuneration packages of the Directors and senior management. The Directors were remunerated with reference to their respective duties and responsibility with the Company, the Company's performance and current market situation. Details of remunerations of the Directors for the Year are disclosed in note 12 to the consolidated financial statements.

The Remuneration Committee currently comprises two independent non-executive directors, Ms. Xiang Siying as chairlady of the Remuneration Committee and Ms. Huang Mei, and one executive director, Ms. Wang Qian. During the year, the Remuneration Committee held one meeting to review the Group's remuneration policy and structure and the remuneration packages of the Directors and senior management.

NOMINATION COMMITTEE

A nomination committee ("Nomination Committee") of the Group was established on 16 March 2011 with written terms of reference in line with the Code. The main responsibilities of the Nomination Committee include:

1. reviewing and recommending the structure, size, composition and skills mix of the Board at least annually;
2. identifying and nominating candidates to fill casual vacancies of Directors for the Board's approval;
3. assessing the independence of independent non-executive Directors; and
4. making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executives.

According to the board diversity policy (further elaborated under the section headed "Board Diversity Policy") adopted by the Nomination Committee (the "Board Diversity Policy"), board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service etc. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc. The final decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee currently comprises one executive director, Ms. Wang Qian as chairlady of the Nomination Committee, and two independent non-executive directors, Ms. Xiang Siying and Ms. Huang Mei. During the Year, the Nomination Committee held one meeting to review the competence and nominate candidates to fill casual vacancies of Directors for the Board's approval, and to review the Board composition and the Board Diversity Policy.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

INVESTMENT COMMITTEE

An investment committee ("Investment Committee") of the Group was established on 26 June 2020. The main responsibilities of the Investment Committee include reviewing, evaluating and making recommendations to Board for investment projects; and determining whether the proposed investment project is in the interests of the Company and the shareholders of the Company as a whole.

The Investment Committee currently comprises one independent non-executive director, Ms. Xiang Siying as chairlady of the Investment Committee, and one executive director, Ms. Wang Qian and one independent non-executive directors, Ms. Huang Mei. During the Year, the Investment Committee held one meeting to review the Group's investment strategy and certain investment opportunities.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2020, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records with reasonable accuracy for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The Board has not taken any different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of Auditor.

Auditor's Responsibilities and Remuneration

An analysis of remuneration in respect of services provided by the Auditor, ZHONGHUI ANDA CPA Limited, is as follows.

	RMB'000
Audit services	978
Other non-audit services including but not limited to agree-upon-procedures	178

The statement of the Auditor regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 37 to 40 of this annual report.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the risk management and internal control systems of the Company and reviewing their effectiveness. The Board oversees the overall risk management of the Group and endeavors to identify, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. During the Year, the Company has adopted and reviewed the effectiveness of the Group's internal control and risk management procedures which include the policies, procedures, monitoring and communication activities and standard of behavior established for safeguarding the interests of the Shareholders. The risk management and internal control systems of the Company aim to help achieving the Group's business objectives, safeguarding assets and maintaining proper accounting records for provision of reliable financial information. However, the design of systems is to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage, rather than eliminate, the risks of failure to achieve business objectives.

The Board reviews the effectiveness of the Group's internal control and risk management procedures annually. The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and
- Considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment; and
- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness during the Year. In order to strengthen the risk management and internal control systems of the Group, the following measures are adopted:

- established one internal compliance officer (the "Internal Compliance Officer"), Mr. Yau Hong Chun ("Mr. Yau"), the Company Secretary, financial controller of the Company, and Internal Compliance Officer. Mr. Yau shall, take into consideration the information provided by the Company's IC Advisor, report to the Board directly from time to time to assist the Board in ensuring that operations of the Group are in compliance with applicable laws, rules and regulations, strengthen the existing internal control framework and recommend remedial plans to the Board should there be any internal control deficiencies;

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

- engaged a PRC legal advisor to provide advice to the Board and the Company Secretary on an ongoing basis in respect of all relevant PRC laws and regulations, including changes to such laws and regulations, which may affect business operations of the Group in the PRC;
- engaged a Cayman legal advisor to provide advice to the Board and the Company Secretary on an ongoing basis in respect of all relevant Cayman laws and regulations, including changes to such laws and regulations, which may affect the operations of the Company;
- engaged a HK legal advisor to advise the Company on an ongoing basis in respect of the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong); and
- engaged APAC Compliance Consultancy and Internal Control Services Limited as the IC Adviser to conduct the annual review of the risk management and internal control systems for the Year. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Board through the Audit Committee. The IC Adviser has reported findings and areas for improvement to the Audit Committee and management. The Audit Committee are of the view that there are no material internal control defects noted. All recommendations from the IC Adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time.

DIRECTORS' TRAINING

Each newly appointed Director has received comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Group and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. There are also arrangements in place for providing continuing briefing and professional development to Directors at the Company's expenses whenever necessary. During the Year, the Company Secretary provided update on the Listing Rules updates from time to time, and the Directors were also provided materials and attended seminars to understand the latest regulatory development.

BOARD DIVERSITY POLICY

The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Board and the Nomination Committee has adopted the Board Diversity Policy which sets out the approach to achieve and maintain diversity on the Board. Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and other qualities. The Company also takes into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board. Nomination Committee has considered measurable objectives based on four focus areas: gender, age, professional experience and ethnicity to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

Measurable Objectives

The Company noted that people from different background and with different professional and life experience are likely to approach problems in different ways and accordingly, members of the Board with diverse background will bring different concerns and questions to the table, and allow the Board to consider a wider range of options and solutions when deciding on corporate issues and formulating policies for the Group. In determining the Board's composition and selection of candidates to the Board, the Nomination Committee will consider factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service.

Composition of the Diversified Board

As at the date of this annual report, the Board comprises six Directors. The following table further illustrate the composition and diversity of the Board in terms of age, length of service with the Group, educational background and professional experience as of the date of this annual report:

Name of directors	Age Group			Educational background			Professional Experience		
	25 to 35	35 to 45	Over 45	Science	Accounting and Finance	Others	Science	Accounting and Finance	Management
Ms. Wang Qian		✓			✓			✓	
Mr. Zhou Jianzhong			✓	✓			✓		
Mr. Cao Ye	✓				✓			✓	
Ms. Xiang Siying			✓		✓			✓	
Ms. Huang Mei		✓			✓			✓	
Mr. Chan Ping Kuen	✓				✓				✓

The Company believes that the current Board composition is well-balanced and of a diverse mix appropriate for the business of the Company. The Board will review and monitor the implementation of board diversity on a regular basis to ensure its effectiveness on determining the optimal composition of the Board.

DIRECTOR NOMINATION POLICY

The Company adopted the Board Nomination Policy, which establishes written guidelines to the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

Nomination Process

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required. The Nomination Committee utilises various methods for identifying candidates, including recommendations from Board members, management, and professional search firms. All candidates, including incumbents and candidates nominated by Shareholders are evaluated by the Nomination Committee based upon the Director's qualifications. While candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's businesses.

Selection Criteria

The Nomination Committee will take into account a variety of factors including without limitation to whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and the Shareholders.

DIVIDEND POLICY

Policy on payment of dividend of the Company is in place setting out the factors in determination of dividend payment of the Company, the Company's long-term earning capacity and expected cash inflow and outflow, the frequency and form of dividend payments. The policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

The Board does not recommend any payment of dividend during the Year (2019: Nil).

COMPANY SECRETARY

Mr. Yau was the Company Secretary throughout the year and has taken no less than 15 hours of relevant professional training during the Year.

Biographical detail of Mr. Yau is set out in the section headed "Profiles of Directors and Senior Management" in this annual report.

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.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

SHAREHOLDERS' RIGHTS

The Board is endeavour to maintain an on-going dialogue with Shareholders. The Company encourages the Shareholders to attend the general meetings and the chairmen of the Board and the board committees should attend the annual general meeting to answer questions.

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar, Tricor Investor Services Limited. For any enquiries to the Board, shareholders may send written enquiries to the Company, for the attention of Company Secretary, by email to enquiry@huili.hk, fax to (852) 2840 0470 or mail to Room 2805, 28/F, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong.

In accordance with the requirements and procedures set out in the Articles of Association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. A Shareholder who wishes to propose a resolution to be considered at a general meeting must requisition the convening of a general meeting in accordance with the Company's Articles of Association. The objects of the meeting must be stated in the written requisition, which must be signed by the requisitionists and deposited for the attention of the Company Secretary at the address stated above.

INVESTOR RELATIONS

The Company believes that regular and timely communication with Shareholders helps Shareholders better understand the business and operation of the Company. To promote effective communication with the public, the Company maintains a website (www.huili.hk) on which comprehensive information about the Company's major businesses, press releases, notices, financial information, announcements, annual and interim reports and shareholders circulars are made available.

There was no change in the Company's constitutional documents during the Year.

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF HUILI RESOURCES (GROUP) LIMITED
(Incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Huili Resources (Group) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 115, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosures requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Fair value loss on the disposal group classified as held for sale and the reversal of impairment loss on mining rights

Included in other operating (losses)/gains for the year ended 31 December 2019 are fair value loss on the disposal group classified as held for sale and the reversal of impairment loss on mining rights of Shaanxi Jiahe Mineral Exploiture Limited ("Shaanxi Jiahe") of approximately RMB9,191,000 and RMB4,207,000 respectively.

We have been unable to obtain sufficient appropriate audit evidence to ascertain the aforesaid amount of the reversal of impairment loss on mining rights and the carrying amount of mining rights of Shaanxi Jiahe upon the classification of disposal group as held for sale, and thus there is a consequential effect on the fair value loss on the disposal group classified as held for sale recorded for the year ended 31 December 2019.

Any adjustments to the figures as described above might have a consequential effect on the Group's financial performance for the year ended 31 December 2019 and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Mining structures and mining rights

Refer to Notes 16 and 17 to the consolidated financial statements.

The Group tested the amounts of mining structures and mining rights for impairment. These impairment tests are significant to our audit because the balances of mining structures and mining rights of approximately RMB13,150,000 and RMB94,538,000 respectively as at 31 December 2020 are material to the consolidated financial statements. In addition, the Group's impairment tests involve application of judgments and are based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the identification of the related cash generating units;
- Assessing the arithmetical accuracy of the value-in use calculations;
- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model; and
- Checking key assumptions and input data in the valuation model to supporting evidence.

We consider that the Group's impairment tests for mining structures and mining rights are supported by the available evidence.

Trade and bills receivables, loans receivables and other receivables

Refer to Notes 21, 22 and 23 to the consolidated financial statements.

The Group tested the amounts of trade and bills receivables, loan receivables and other receivables for impairment. This impairment test is significant to our audit because the balances of trade and bills receivables, loan receivables and other receivables of RMB16,147,000, RMB76,280,000 and RMB3,387,000 respectively as at 31 December 2020 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgments and is based on estimates.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (Continued)

Trade and bills receivables, loans receivables and other receivables (Continued)

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers and borrowers;
- Assessing the Group's relationship and transaction history with the customers and borrowers;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Assessing creditworthiness of the customers and borrowers;
- Checking subsequent settlements from the customers and borrowers;
- Assessing the value of the collateral for the debts; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment tests for trade and bills receivables, loan receivables and other receivables are supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the fair value loss on the disposal group classified as held for sale and the reversal of impairment loss on mining rights of Shaanxi Jiahe for the year ended 31 December 2019. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosures requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: <http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Li Chi Hoi

Audit Engagement Director

Practising Certificate Number P07268

Hong Kong, 31 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RMB'000	2019 RMB'000
Revenue	6,7	141,216	93,572
Cost of sales		(136,967)	(90,289)
Gross profit		4,249	3,283
Administrative expenses		(24,367)	(21,088)
Other operating gains	10	12,448	6,435
Other (losses)/gains — net	8	(4,896)	4,472
Operating loss		(12,566)	(6,898)
Finance income	9	982	2,380
Finance costs	9	(174)	(435)
Finance income — net	9	808	1,945
Loss before income tax	10	(11,758)	(4,953)
Income tax expense	14	(3,593)	(10,283)
Loss for the year		(15,351)	(15,236)
Loss for the year attributable to:			
Equity holders of the Company		(16,738)	(16,013)
Non-controlling interests		1,387	777
Loss for the year		(15,351)	(15,236)
Other comprehensive income after tax:			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Fair value changes of financial assets (debts instruments) at fair value through other comprehensive income ("FVTOCI")		(346)	—
Other comprehensive loss for the year, net of tax		(346)	—
Total comprehensive loss for the year		(15,697)	(15,236)
Total comprehensive loss for the year attributable to:			
Equity holders of the Company		(17,084)	(16,013)
Non-controlling interests		1,387	777
Total comprehensive loss for the year		(15,697)	(15,236)
Loss per share attributable to the equity holders of the Company			
— Basic and diluted (RMB cents)	15	(1.0)	(1.0)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	60,295	51,611
Mining rights and exploration rights	17	94,538	90,752
Right-of-use assets	34	8,743	10,997
Restricted cash at banks	18	–	247
Loan receivables	22	76,280	–
Financial assets at FVTOCI	20	19,138	–
Total non-current assets		258,994	153,607
Current assets			
Trade and bills receivables	21	16,147	5,943
Loan receivable	22	–	64,535
Other receivables and prepayments	23	24,500	36,178
Cash and cash equivalents	24	169,139	218,238
		209,786	324,894
Assets of a disposal group classified as held for sale	30	–	15,669
Total current assets		209,786	340,563
Total assets		468,780	494,170
LIABILITIES			
Current liabilities			
Trade payables	25	1,310	1,803
Other payables and accruals	26	14,408	17,948
Contract liabilities	27	11,812	11,654
Lease liabilities	34	664	2,075
Current tax liabilities		2,781	4,603
		30,975	38,083
Liabilities of a disposal group classified as held for sale	30	–	5,669
Total current liabilities		30,975	43,752
Net current assets		178,811	296,811

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2020

	Note	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Lease liabilities	34	–	708
Provision for close down, restoration and environmental costs	28	2,882	2,770
Deferred tax liabilities	29	25,306	21,626
Total non-current liabilities		28,188	25,104
Total liabilities		59,163	68,856
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	31	137,361	137,361
Share premium	31	668,768	668,768
Other reserves	32	(10,781)	(11,291)
Accumulated losses	33	(384,531)	(366,937)
		410,817	427,901
Non-controlling interests		(1,200)	(2,587)
Total equity		409,617	425,314
Total equity and liabilities		468,780	494,170

The consolidated financial statements on pages 41 to 115 were approved by the board of directors on 31 March 2021 and were signed on its behalf.

Xiang Siying
Director

Zhou Jianzhong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to equity holders of the Company								Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital	Share premium	Safety fund	Maintenance fund	Capital reserve	Investment revaluation reserves	Statutory reserve	Accumulated losses			
	RMB'000 (Note 31)	RMB'000 (Note 31)	RMB'000 (Note 32)	RMB'000 (Note 32)	RMB'000 (Note 32)	RMB'000 (Note 32)	RMB'000 (Note 32)	RMB'000 (Note 33)			
At 1 January 2019	137,361	668,768	221	1,583	(13,972)	-	-	(350,047)	443,914	(3,364)	440,550
(Loss)/profit and total comprehensive (loss)/income for the year	-	-	-	-	-	-	-	(16,013)	(16,013)	777	(15,236)
Appropriations to statutory reserves	-	-	-	-	-	-	877	(877)	-	-	-
At 31 December 2019	137,361	668,768	221	1,583	(13,972)	-	877	(366,937)	427,901	(2,587)	425,314
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 (loss)/income for the year	-	-	-	-	-	(346)	-	(16,738)	(17,084)	1,387	(15,697)
Appropriations to statutory reserves	-	-	-	-	-	-	856	(856)	-	-	-
At 31 December 2020	137,361	668,768	221	1,583	(13,972)	(346)	1,733	(384,531)	410,817	(1,200)	409,617

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RMB'000	2019 RMB'000
Loss before income tax		(11,758)	(4,953)
Adjustments for:			
Depreciation of property, plant and equipment	16	2,464	3,107
Depreciation of right-of-use assets	10	2,254	2,185
Loss on disposal of property, plant and equipment	10	–	53
Finance costs	9	174	435
Finance income	9	(982)	(2,380)
Written off on inventories	10	–	3,019
Reversal of impairment loss on property, plant and equipment	16	(11,148)	(4,155)
Reversal of impairment loss on mining rights	17	(3,786)	(11,205)
Impairment loss on property, plant and equipment	16	–	1,671
Fair value loss on a disposal group classified as held for sale	30	–	9,191
Expected credit losses/(reversal of expected credit losses) on financial assets	10	2,486	(1,937)
Cash used in operations before working capital changes		(20,296)	(4,969)
(Increase)/decrease in trade and bills receivables		(12,740)	4,381
(Increase)/decrease in loan receivables		(12,000)	35,000
Decrease in other receivables and prepayments		11,983	9,218
Decrease in trade and other payables and accruals		(4,033)	(6,690)
Increase in contract liabilities		158	11,654
Decrease in restricted cash at banks		247	2,406
Decrease in financial assets at FVTOCI		–	2,300
Cash (used in)/generated from operations		(36,681)	53,300
Income tax paid		(1,735)	(1,892)
Interest paid		–	(95)
Net cash (used in)/generated from operating activities		(38,416)	51,313
Cash flows from investing activities			
Net cash inflow from disposal of a subsidiary	35	9,608	–
Purchase of property, plant and equipment	16	–	(361)
Proceeds from disposal of property, plant and equipment		–	1,097
Acquisition of financial assets at FVTOCI		(19,484)	–
Interest received		982	2,380
Net cash (used in)/generated from investing activities		(8,894)	3,116

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RMB'000	2019 RMB'000
Cash flows from financing activities			
Repayment of borrowings	40(b)	–	(2,200)
Repayment of principal portion of lease liabilities	40(b)	(1,945)	(2,007)
Interest paid	40(b)	(62)	(131)
Net cash used in financing activities		(2,007)	(4,338)
Net (decrease)/increase in cash and cash equivalents		(49,317)	50,091
Cash and cash equivalents at beginning of financial year		218,630	167,923
Exchange differences on cash and cash equivalents		(174)	616
Cash and cash equivalents at end of financial year		169,139	218,630
Analysis of the balances of cash and cash equivalents			
Cash and cash equivalents included in cash and cash equivalents	24	169,139	218,238
Cash and cash equivalents included in assets of a disposal group held for sale	30	–	392
Cash and cash equivalents at end of financial year		169,139	218,630

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 in preparation for a listing of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited (the “Listing”) under the name of Realty Resources (Group) Limited. On 13 May 2010, the Company changed its name to Huili Resources (Group) Limited. The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 12 January 2012. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. 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 (collectively the “Group”) are principally engaged in the mining, ore processing and sales of nickel, copper, lead and zinc products, financial services, engineering and other related services and trading of coal in the People’s Republic of China (the “PRC”). The principal activities of its subsidiaries are set out in Note 37.

The consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

These consolidated financial statements have been approved for issue by the board (the “Board”) of directors (the “Director(s)”) of the Company on 31 March 2021.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) 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 the 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

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 year has had no material impact on the amounts reported and/or disclosures set out in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Continued)

(b) 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 4, 7, 9 and 16 and HKAS 39	Amendments in relation to Interest Rate Benchmark Reform	1 January 2021
HKFRS 17	Insurance contracts	1 January 2023
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
HK-Int 5	Amendments in relation to Amendments to HKAS 1	1 January 2023
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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for financial assets at FVTOCI, which are measured at fair value.

(c) Functional and presentation currency

The functional currency of the Company is RMB. The consolidated financial statements are presented in RMB since most of the companies comprising the Group are operating in RMB environment and the functional currency of the companies comprising the Group is RMB.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 4.2).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated balance sheet and consolidated statement of changes in equity respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated statement of comprehensive income as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as financial liabilities are subsequently remeasured to fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less accumulated impairment loss. Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivables.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

4.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's Board that makes strategic decisions.

4.6 Goodwill

Goodwill is measured as described in Note 4.10. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

4.7 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the reporting period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Property, plant and equipment (Continued)

Depreciation of buildings, leasehold improvements, machinery and equipment, office equipment and others, and motor vehicles is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	Over the remaining life of the leases but not exceeding 5 years
Machinery and equipment	10 years
Office equipment and others	3 to 7 years
Motor vehicles	4 to 6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Mining structures comprise the main and auxiliary mine shafts and underground tunnels. Depreciation of mining structures is provided to write off the cost of the mining structures using the unit-of-production method. Unit-of-production rate is based on reserves estimated to be recovered from existing facilities using current operating methods.

Construction in progress represents mainly mining structures on which construction work has not been completed. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost. No depreciation is provided for construction in progress until they are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 4.10).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within "other (losses)/gains — net" in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Leases

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated balance sheet as right-of-use assets and lease liabilities, but accounting policy choices exist 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 selected not to recognise right-of-use assets and lease liabilities for leases for 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.

Right-of-use asset

The right-of-use asset is 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 assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are 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 uses 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 the 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, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; and (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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Mining rights and exploration rights

Mining rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation of mining rights is calculated to write off the cost less accumulated impairment losses over useful lives of the mines in accordance with the production plans and proved reserves of the mines on the unit-of-production method.

Exploration rights are stated at cost less accumulated impairment losses, if any. When it can be reasonably ascertained that exploration rights are capable of commercial production, exploration rights are transferred to mining rights which are subject to amortisation using unit-of-production method.

No amortisation is charged for exploration rights or mining rights if no ores was mined.

4.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (i.e. CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

4.11 Financial instruments

(i) Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- Financial assets at amortised cost; and
- Financial assets at FVTOCI

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial instruments (Continued)

(i) Financial assets (Continued)

Classification (Continued)

The classification is generally based on two criteria:

- the business model under which the financial asset is managed; and
- the contractual cash flow characteristics of the financial asset.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at Financial assets at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

The subsequent measurement of financial assets at amortised cost is as follows:

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

- Amortised cost: Financial assets that are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.
- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
- FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial instruments (Continued)

(i) Financial assets (Continued)

Financial liabilities

The Group classifies its financial liabilities, depending on the purpose of which the liabilities were incurred. Financial liabilities at amortised cost initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals, lease liabilities and borrowings, are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using the effective interest method.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(ii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(iv) Derecognition

The Group derecognises a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4.12 Impairment of financial assets

The Group assesses the expected credit losses ("ECLs") associated with its debt instruments carried at amortised cost (including trade and bills receivables, loan receivables, other receivables, restricted cash at banks and cash and cash equivalents) on a forward looking basis.

ECLs are a probability-weighted estimate of credit losses which are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive) over the expected life of the financial instrument. The maximum period to consider when measuring ECLs is the maximum contractual period over which the entity is exposed to credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Impairment of financial assets (Continued)

ECLs are measured at the end of each reporting period to reflect changes in the debt instrument's credit risk since initial recognition. Any change in the amount of ECLs is recognised as an impairment gain or loss in profit or loss. Loss allowances for debt instruments measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

For trade and bills receivables, the Group applies a simplified approach to measure the loss allowances at an amount equal to lifetime ECLs. The Group has established a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the end of the reporting period.

For loan receivables and other receivables, the Group measures the loss allowances either based on 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group's loan receivables at amortised cost are considered to have low credit risk since there were no recent history of default of the debtor and they had good settlement record with the Group.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due for trade and other receivables and more than 30 days past due for loan receivables.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due for trade and other receivables and more than 90 days past due for loan receivables.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowances) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

All financial liabilities are measured at amortised cost. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

4.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Sales of coal and mining products

Income from sales of coal and mining products is recognised at a point in time when the goods are delivered to customers and title has passed.

(ii) Engineering and other related services

Revenue from engineering and other related services fees are recognised when services are rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 Revenue recognition (Continued)

(iii) Other income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Rental income under operating leases is recognised on a straight-line basis over the term of the lease.

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

4.16 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

4.17 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.18 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4.19 Current and deferred income tax

The income tax expense or credit for the year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amount will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.20 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional currency and Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of comprehensive income. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to other receivables and cash and cash equivalents are presented in the consolidated statement of comprehensive income on a net basis within other gains — net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVTPL are recognised in the consolidated statement of comprehensive income as part of the fair value gain or loss and translation differences on non-monetary assets are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of all group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of consolidated statement of financial position;
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.20 Foreign currency translation (Continued)

(iii) Group companies (Continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the consolidated statement of comprehensive income, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign operation and translated at the closing rate.

4.21 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related services, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(ii) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(iii) Housing benefits

The full-time employees of the Group in the PRC are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.22 Provisions

Provisions for close down, restoration and environmental costs are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

4.23 Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

4.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

4.25 Exploration and evaluation expenditure

Exploration and evaluation expenditure comprises costs which are directly attributable to: (i) researching and analysing existing exploration data; (ii) conducting geological studies, exploratory drilling and sampling; (iii) examining and testing extraction and treatment methods; and (iv) compiling pre-feasibility and feasibility studies. Exploration and evaluation expenditure also includes the costs incurred in the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

During the initial stage of a project, exploration and evaluation expenditure are expensed as incurred. Expenditure on a project after it has reached a stage at which there is a high degree of confidence in its viability is capitalised as property, plant and equipment if the project proceeds. If a project does not prove viable, all irrecoverable costs associated with the project are expensed in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.26 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Provision for impairment of trade and bills receivables, loan receivables and other receivables

The impairment of trade and bills receivables, loan receivables and other receivables are assessed on lifetime and 12-month ECLs basis. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when performing impairment assessment of these financial assets, the assessments are done based on the Group's historical credit losses experience, existing market conditions as well as forward looking estimates at the end of each reporting period. The provision of ECLs is sensitive to changes in estimates. The information about the ECLs and the Group's trade and bills receivables, loan receivables and other receivables is disclosed in notes 21, 22, 23 and 43.1(b), respectively.

(b) Carrying value of non-current assets

The Group tests whether property, plant and equipment, right-of-use assets and mining rights have been impaired due to events or changes in circumstances which indicate that the carrying amount of the asset may exceed its recoverable amount, in accordance with accounting policies stated in Note 4.10. For the year ended 31 December 2020, there was net reversal of impairment loss of approximately RMB14,934,000 (2019: RMB13,689,000) in aggregate on property, plant and equipment and mining rights of the Group. The recoverable amounts of different CGUs to which the property, plant and equipment, mining rights and mining structures belong, have been determined based on value-in-use (the "VIU") calculations, with reference to the valuation reports prepared by independent valuers, using cash flow projections, financial budgets approved by management covering a five-year period and management's assumptions and estimates including forecast of selling price of nickel, copper, lead and zinc, discount rates, time to resume production and inflation rate. Cash flows beyond the five-year period are assumed to be equal to the cash flows of year 2025 (2019: 2024) for CGUs without considering the inflation rate. The discount rates used in cash flow projections varied with different CGUs.

(c) Lease term and discount rate determination

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstance occurs which affects this assessment and that is within the control of the lessee.

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discounts rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(d) Fair value measurement of financial instruments

The Group's financial assets at FVTOCI of RMB19,138,000 as at 31 December 2020 are measured at fair values. The fair value measurement utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

Level 1:	Quoted prices in active markets for identical items (unadjusted);
Level 2:	Observable direct or indirect inputs other than Level 1 inputs; and
Level 3:	Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

(e) Classification of Shaanxi Jiahe Mineral Exploiture Limited ("Shaanxi Jiahe") as a disposal group held for sale

As disclosed in Note 30, the Group is committed to its plan to sell the entire equity interest of Shaanxi Jiahe. Considering the fact that the Group has entered into a sale and purchase agreement with an independent third party on 24 December 2019 and, as at 31 December 2019, the process in relation to the change of shareholders with the relevant government authorities was expected to be completed within 12 months from the end of reporting period and the process had been completed on 23 March 2020. Therefore, Directors are satisfied that classifying Shaanxi Jiahe as held for sale as at 31 December 2019 is appropriate.

(f) Mineral reserves

Mine reserves are estimates of the quantity of product that can be economically and legally extracted from the mining site. In order to calculate the mine reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, production costs, transport costs, commodity demand and commodity prices. Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data. Should there be any change in economic assumptions and geological data that used to estimate mine reserves, impairment losses on the mining rights may arise.

(g) Extension of legal title of mining right

As stated in note 17(c) to the consolidated financial statements, the legal title of Hami Jiatai Mineral Resource Exploiture Limited ("Hami Jiatai")'s mining right has not yet been extended as at 31 December 2020. Despite the fact that the Group has not obtained the extension of relevant legal title, the Directors determine to continue to recognise the mining right on the grounds that they expect, based on the relevant legal opinion, that the legal title being extended in future should have no major difficulties and the Group is in substance controlling the mine.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. SEGMENT INFORMATION

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

During the year, 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 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 and operating segments derive their revenue primarily from mining, financial services and trading of coal respectively.

For the year ended 31 December 2020, the Group had three operating and reportable segments:

- (a) the "Mining" segment engages in the mining, ore processing and sales of nickel, copper, lead and zinc products through Hami Jiatai, and Hami Jinhua Mineral Resource Exploiture Limited ("Hami Jinhua") in the PRC;
- (b) the "Trading business" segment engages in trading of coal through Changzhi Runce Trading Company Limited ("Changzhi Runce"), Gujiao Runce Trading Company Limited ("Gujiao Runce") and Ningbo Runce Trading Company Limited ("Ningbo Runce") in the PRC; and
- (c) the "Financial services" segment engages in financial services through Runxi Energy Technology (Shanghai) Company Limited ("Runxi Energy") in the PRC.

For the year ended 31 December 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 (before classified as held for sales) in the PRC;
- (b) the "Trading business" segment engages in trading of coal through Changzhi Runce and Gujiao Runce in the PRC;
- (c) the "Financial services" segment through Jiayi Financial Leasing Company Limited ("Jiayi") in the PRC; and
- (d) 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.

Apart from the above four operating and 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 consolidated financial statements disclosures.

The CODM assesses the performance of the operating segments based on operating results. Interest income and expenditure at the level of 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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. SEGMENT INFORMATION (Continued)

- (a) The segment information provided to the CODM for the reportable segments for each of the years ended and as at 31 December 2020 and 2019 is as follows:

	2020					2019					
	Mining RMB'000	Trading business RMB'000	Financial services RMB'000	Unallocated RMB'000	Total RMB'000	Mining RMB'000	Trading business RMB'000	Financial services RMB'000	Engineering services RMB'000	Unallocated RMB'000	Total RMB'000
Year ended 31 December											
Segment Revenue											
– Sales of mining products	-	-	-	-	-	-	-	-	-	-	-
– Trading of coal	-	135,625	-	-	135,625	-	85,823	-	-	-	85,823
– Interest income from financial services	-	-	5,591	-	5,591	-	-	6,369	-	-	6,369
– Engineering and other related services	-	-	-	-	-	-	-	-	1,380	-	1,380
	-	135,625	5,591	-	141,216	-	85,823	6,369	1,380	-	93,572
Segment operating profit/(loss)	10,423	(2,470)	3,928	-	11,881	22,039	585	6,258	(2,590)	-	26,292
Unallocated operating loss (Note (a))	-	-	-	(24,447)	(24,447)	-	-	-	-	(33,190)	(33,190)
Operating profit/(loss)	10,423	(2,470)	3,928	(24,447)	(12,566)	22,039	585	6,258	(2,590)	(33,190)	(6,898)
Segment finance income	3	9	40	-	52	217	3	35	136	-	391
Unallocated	-	-	-	930	930	-	-	-	-	1,989	1,989
Finance income	3	9	40	930	982	217	3	35	136	1,989	2,380
Segment finance costs	(112)	-	-	-	(112)	(209)	-	-	(95)	-	(304)
Unallocated	-	-	-	(62)	(62)	-	-	-	-	(131)	(131)
Finance costs	(112)	-	-	(62)	(174)	(209)	-	-	(95)	(131)	(435)
Income tax expense/(credit)	3,685	32	(461)	337	3,593	9,012	29	1,227	15	-	10,283
Segment depreciation	2,402	-	-	-	2,402	2,417	-	-	696	-	3,113
Unallocated	-	-	-	2,316	2,316	-	-	-	-	2,179	2,179
Depreciation	2,402	-	-	2,316	4,718	2,417	-	-	696	2,179	5,292
Depreciation of property, plant and equipment	2,159	-	-	305	2,464	2,174	-	-	696	237	3,107
Depreciation of right-of-use assets	243	-	-	2,011	2,254	243	-	-	-	1,942	2,185
Loss on disposal of property, plant and equipment	-	-	-	-	-	-	-	-	53	-	53
(Reversal of impairment loss)/impairment loss on property, plant and equipment	(11,148)	-	-	-	(11,148)	(4,155)	-	-	1,671	-	(2,484)
Reversal of impairment loss on mining structures and mining rights	(3,786)	-	-	-	(3,786)	(11,205)	-	-	-	-	(11,205)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. SEGMENT INFORMATION (Continued)

(a) (Continued)

	2020					2019					
	Mining RMB'000	Trading business RMB'000	Financial services RMB'000	Unallocated RMB'000	Total RMB'000	Mining RMB'000	Trading business RMB'000	Financial services RMB'000	Engineering services RMB'000	Unallocated RMB'000	Total RMB'000
Fair value loss on a disposal group classified as held for sale	-	-	-	-	-	9,191	-	-	-	-	9,191
ECLs/(Reversal of ECLs) on financial assets	1,089	3,302	102	(2,007)	2,486	(22,829)	2	(624)	105	21,409	(1,937)
Written off on inventories	-	-	-	-	-	3,012	-	-	7	-	3,019
Additions of non-current assets	-	-	-	-	-	-	-	-	340	21	361
As at 31 December											
Segment assets	170,061	46,182	93,615	-	309,858	170,357	32,772	99,487	8,465	-	311,081
Unallocated assets (Note (b))	-	-	-	158,922	158,922	-	-	-	-	183,089	183,089
Total	170,061	46,182	93,615	158,922	468,780	170,357	32,772	99,487	8,465	183,089	494,170
Segment liabilities	42,040	12,036	2,970	-	57,046	43,878	11,832	7,390	618	-	63,718
Unallocated liabilities (Note (c))	-	-	-	2,117	2,117	-	-	-	-	5,138	5,138
Total	42,040	12,036	2,970	2,117	59,163	43,878	11,832	7,390	618	5,138	68,856

Notes:

- Unallocated operating loss mainly represented exchange (losses)/gain, net, administrative and professional services expenses incurred by the Company for both the years ended 31 December 2020 and 2019, as well as the administrative expenses incurred by Changshi for the year ended 31 December 2020.
- 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 2020 respectively.
- Unallocated liabilities mainly represented other payables and accruals of the Company and Changshi as at 31 December 2020, and other payables and accruals of the Company as at 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. SEGMENT INFORMATION (Continued)

(b) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers 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 year ended 31 December 2020

	Mining RMB'000	Trading business RMB'000	Total RMB'000
Primary geographical markets			
The PRC	–	135,625	135,625
Major products and services			
Trading of coal	–	135,625	135,625
Timing of revenue recognition			
At a point in time	–	135,625	135,625

For the year ended 31 December 2019

	Mining RMB'000	Trading business RMB'000	Engineering services RMB'000	Total RMB'000
Primary geographical markets				
The PRC	–	85,823	1,380	87,203
Major products and services				
Trading of coal	–	85,823	–	85,823
Engineering and other related services	–	–	1,380	1,380
	–	85,823	1,380	87,203
Timing of revenue recognition				
At a point in time	–	85,823	–	85,823
Transferred over time	–	–	1,380	1,380
	–	85,823	1,380	87,203

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (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 financial instruments and deferred tax assets ("Specified non-current assets").

	Revenue from external customers (by customer location)		Specified non-current assets (by location of asset)	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
The PRC	141,216	93,572	162,304	149,772
Hong Kong Special Administrative Region, the PRC ("Hong Kong")	–	–	1,272	3,588
	141,216	93,572	163,576	153,360

(d) Information about major customers

		Year ended 31 December	
		2020 RMB'000	2019 RMB'000
	Segment		
Customer A	Trading business	–	18,159
Customer B	Trading business	–	10,619
Customer C	Trading business	–	10,177
Customer D	Trading business	39,347	–
Customer E	Trading business	32,626	–
Customer F	Trading business	16,655	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. REVENUE

The Group's revenue mainly represents (i) the invoiced value of the products sold, net of sales tax and after allowance for returns and trade discount; and (ii) interest income generated from financial services, net of value-added tax and government surcharges.

Revenue recognised during the years ended 31 December 2020 and 2019 is as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Trading of coal	135,625	85,823
Engineering and other related services	—	1,380
Revenue from contracts with customers	135,625	87,203
Financial services		
— interest income from financial services	5,591	6,369
Total revenue	141,216	93,572

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. OTHER (LOSSES)/GAINS — NET

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Foreign exchange (losses)/gain, net (Note 10)	(7,607)	3,634
Rental income	1,755	—
Interest income on FVTOCI	356	—
Loss on disposal of property, plant and equipment (Note 10)	—	(53)
Others	600	891
	(4,896)	4,472

9. FINANCE INCOME — NET

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Finance income		
Interest income	982	2,380
Finance costs		
Interest expenses		
— Interest on lease liabilities (Note 40(b))	(62)	(131)
— Unwinding of discount — provision for close down, restoration and environmental costs (Note 28)	(112)	(209)
— Others	—	(95)
	(174)	(435)
Finance income — net	808	1,945

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. LOSS BEFORE INCOME TAX

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

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Cost of inventories recognised as expense	133,880	84,866
Written off on inventories (Note 19)	–	3,019
Depreciation of property, plant and equipment (Note (a)) (Note 16)	2,464	3,107
Depreciation of right-of-use assets	2,254	2,185
Loss on disposal of property, plant and equipment (Note 8)	–	53
Reversal of impairment loss on property, plant and equipment (Note (b)) (Note 16)	(11,148)	(4,155)
Reversal of impairment loss on mining rights (Note (b)) (Note 17)	(3,786)	(11,205)
Impairment loss on property, plant and equipment (Note (b)) (Note 16)	–	1,671
Fair value loss on a disposal group classified as held for sale (Note (b)) (Note 30)	–	9,191
ECLs/(Reversal of ECLs) on financial assets (Note (b)) (Note 43.1(b))	2,486	(1,937)
Interest on lease liabilities (Note 34)	62	131
Short-term leases expenses (Note 34)	305	359
Employee costs (Note 11)	7,598	8,933
Auditor's remuneration		
— annual audit	978	1,260
— others	178	200
Foreign exchange losses/(gain), net (Note 8)	7,607	(3,634)

Notes:

- (a) Included in cost of sales and administrative expenses in the consolidated statement of comprehensive income.
- (b) Included in other operating gains in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. EMPLOYEE COSTS

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Staff costs (including directors' emoluments (Note 12)) comprise:		
Wages and salaries	7,252	8,426
Contributions to pension plans (Note (a))	260	419
Housing benefits (Note (b))	19	20
Welfare and other expenses	67	68
	7,598	8,933

Notes:

- (a) The amount represented the Group's contributions to the defined contribution pension plans organised by the relevant municipal and provincial governments at a rate of 20% of the basic salary of permanent employees in the PRC.
- (b) The amount represented the Group's contributions to government-sponsored housing funds at a rate of 5% of the basic salary of permanent employees in the PRC.

12. DIRECTORS' EMOLUMENTS

For the year ended 31 December 2020:

Emoluments in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

	Directors' fee RMB'000	Salaries, allowances, and benefits in kind RMB'000	Employer's contributions to a retirement benefit scheme RMB'000	Total RMB'000
Ms. Wang Qian	—	—	—	—
Mr. Zhou Jianzhong (Note (a))	—	484	—	484
Mr. Cao Ye (Note (b))	320	—	—	320
Ms. Xiang Siying (Note (c))	578	—	—	578
Ms. Huang Mei	106	—	—	106
Mr. Chan Ping Kuen (Note (d))	106	—	—	106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. DIRECTORS' EMOLUMENTS (Continued)

For the year ended 31 December 2019:

Emoluments in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

	Directors' fee RMB'000	Salaries, allowances, and benefits in kind RMB'000	Employer's contributions to a retirement benefit scheme RMB'000	Total RMB'000
Ms. Wang Qian	–	–	–	–
Mr. Zhou Jianzhong (Note (a))	–	482	16	498
Mr. Cao Ye (Note (b))	174	–	–	174
Ms. Xiang Siying (Note (c))	446	–	–	446
Ms. Huang Mei	106	–	–	106
Mr. Chan Ping Kuen (Note (d))	85	–	–	85
Mr. Li Xiaobin (Note (e))	104	–	–	104
Ms. Jia Dai (Note (f))	38	–	–	38
Mr. Liu Huijie (Note (g))	106	–	–	106
Mr. Cao Shiping (Note (h))	21	–	–	21

Notes:

- (a) Mr. Zhou Jianzhong was appointed as executive director on 11 March 2019.
- (b) Mr. Cao Ye was appointed as non-executive director on 14 June 2019.
- (c) Ms. Xiang Siying was appointed as independent non-executive director on 6 September 2017 and as chairlady of the Company on 11 March 2019.
- (d) Mr. Chan Ping Kuen was appointed as independent non-executive director on 11 March 2019.
- (e) Mr. Li Xiaobin resigned as executive director and chairman of the Company on 11 March 2019.
- (f) Ms. Jia Dai resigned as executive director on 13 February 2019.
- (g) Mr. Liu Huijie resigned as executive director on 14 June 2019.
- (h) Mr. Cao Shiping resigned as independent non-executive director on 11 March 2019.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

During the current and prior years, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include two (2019: two) directors whose emoluments are reflected in the analysis shown in Note 12. The emoluments payable to the remaining three (2019: three) individuals during the year are as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Basic salaries, allowances and benefits in kind	2,129	2,408

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands (in HK dollars)		
Nil to HK\$1,000,000 (Nil to RMB889,126 equivalents)	3	3

During the current and prior years, none of the five highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. INCOME TAX EXPENSE

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Current tax — PRC Enterprise Income Tax		
— provision for the year	1,462	1,271
— over-provision in prior years	(1,549)	—
Deferred tax (Note 29)	3,680	9,012
Income tax expense	3,593	10,283

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 years ended 31 December 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 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million 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 for its annual period beginning on or after 1 January 2018.

The subsidiaries in the PRC were subject to Enterprise Income Tax at a rate of 25%, in accordance with the Law of the PRC on Enterprise Income Tax for each of the years ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. INCOME TAX EXPENSE (Continued)

The income tax expense on the Group's loss before income tax differs from the theoretical amount that would arise using the domestic tax rates applicable to results of the Group's entities is as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Loss before income tax	(11,758)	(4,953)
Tax on loss before income tax, calculated at the rates applicable to the tax jurisdictions	303	(393)
Tax effects of:		
— Expenses not deductible for tax purposes	4,495	6,754
— Income not taxable for tax purposes	(340)	(7,926)
— Over-provision in prior years	(1,549)	—
— Effect of tax exemptions granted to PRC subsidiaries	(180)	(180)
— Derecognition of deferred tax asset	—	5,225
— Tax effect of deductible temporary differences not recognised	—	2,298
— Tax effect of tax losses not recognised	864	4,505
Income tax expense	3,593	10,283

15. LOSS PER SHARE

The basic loss per share is calculated by dividing:

- the loss for the year attributable to the equity holders of the Company
- by weighted average number of ordinary shares in issue during the financial year

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Loss for the year attributable to equity holders of the Company	(16,738)	(16,013)
	Number of shares	
	'000	'000
Weighted average number of ordinary shares in issue	1,620,000	1,620,000
Basic and diluted loss per share (RMB cents)	(1.0)	(1.0)

Diluted loss per share was equal to basic loss per share as there was no potential share outstanding for the each of the years ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Office equipment and others RMB'000	Motor vehicles RMB'000	Mining structures RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2019								
Opening net book amount	16,224	1,180	3,370	57	2,753	-	44,587	68,171
Additions	-	361	-	-	-	-	-	361
Depreciation (Note (a))	(1,806)	(263)	(337)	(33)	(668)	-	-	(3,107)
Impairment loss (Note (b))	-	(318)	-	(9)	(1,344)	-	-	(1,671)
Reversal of impairment loss (Note (b))	-	-	-	-	-	2,002	2,153	4,155
Classified as held for sale (Note 30)	-	-	-	-	-	-	(15,148)	(15,148)
Disposal	-	-	(627)	-	(523)	-	-	(1,150)
Closing net book amount	14,418	960	2,406	15	218	2,002	31,592	51,611
As at 31 December 2019								
Cost	35,281	1,648	24,432	527	10,168	14,393	31,592	118,041
Accumulated depreciation	(20,863)	(370)	(22,026)	(503)	(8,606)	(1,243)	-	(53,611)
Accumulated impairment loss (Note (b))	-	(318)	-	(9)	(1,344)	(11,148)	-	(12,819)
Net book amount	14,418	960	2,406	15	218	2,002	31,592	51,611
Year ended 31 December 2020								
Opening net book amount	14,418	960	2,406	15	218	2,002	31,592	51,611
Depreciation (Note (a))	(1,791)	(305)	(368)	-	-	-	-	(2,464)
Reversal of impairment loss (Note (b))	-	-	-	-	-	11,148	-	11,148
Closing net book amount	12,627	655	2,038	15	218	13,150	31,592	60,295
As at 31 December 2020								
Cost	35,281	1,648	24,432	527	10,168	14,393	31,592	118,041
Accumulated depreciation	(22,654)	(675)	(22,394)	(503)	(8,606)	(1,243)	-	(56,075)
Accumulated impairment loss (Note (b))	-	(318)	-	(9)	(1,344)	-	-	(1,671)
Net book amount	12,627	655	2,038	15	218	13,150	31,592	60,295

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

- (a) Depreciation of property, plant and equipment has been charged to cost of sales and administrative expenses as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Cost of sales	2,159	2,081
Administrative expenses	305	1,026
Total depreciation	2,464	3,107

- (b) Impairment assessment

The copper, nickel, zinc and lead market, being the core businesses of Hami Jiatai and Hami Jinhua, have been experiencing continuous depression since 2009. Although there was a sign of recovery of the market, the price of copper and nickel still fluctuated wildly during the year ended 31 December 2019. In addition, there is an outbreak of Novel Coronavirus ("COVID-19") during the year ended 31 December 2020. As such, the Company decided to delay production schedule of the Group's mining operations and will continue to study the possibility of the commencement of production in responses to the change in the market conditions.

In light of the above, management appointed independent valuers to carry out a review of the recoverable amount of its goodwill, mining structures and mining rights, land use rights and property, plant and equipment belonging to these CGUs as at 31 December 2020 and 2019.

For the year ended 31 December 2020

Based on the valuation of the recoverable amounts of the CGUs of Hami Jiatai's and Hami Jiahua's CGUs as at 31 December 2020 by the independent valuer appointed by management, a reversal of impairment losses on mining structures and mining rights of Hami Jiatai's of RMB11,148,000 and RMB3,786,000 (Note 17(b)), respectively, were recognised as the result, which was mainly due to the increase in nickel and copper prices during the year ended 31 December 2020. For the year ended 31 December 2020, the recoverable amounts of Hami Jiatai's and Hami Jiahua's CGUs were determined based on VIU calculations using cash flow projections based on financial budgets approved by management covering a five-year period from 2021 to 2025 and management's assumptions and estimates (see Note 17(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes: (Continued)

(b) Impairment assessment (Continued)

For the year ended 31 December 2019

Based on the valuation of the recoverable amounts of the CGUs of Hami Jiatai's and Hami Jiahua's CGUs as at 31 December 2019 by the independent valuer appointed by management, a reversal of impairment losses on mining structures and mining rights of Hami Jiatai's of RMB2,002,000 and RMB6,998,000 (Note 17(b)), respectively, were recognised as the result, which was mainly due to the significant increase in nickel prices during the year ended 31 December 2019. For the year ended 31 December 2019, the recoverable amounts of Hami Jiatai's and Hami Jiahua's CGUs were determined based on VIU calculations using cash flow projections based on financial budgets approved by management covering a five-year period from 2020 to 2024 and management's assumptions and estimates (see Note 17(b)).

During the year ended 31 December 2019, Hami Jiatai, entered into a sale and purchase agreement (the "Disposal Agreement") with an independent third party (the "Purchaser"), pursuant to which Hami Jiatai has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire equity interests of Shaanxi Jiahe (the "Disposal Subsidiary") for the consideration of RMB10,000,000 (See Note 30). Immediately before the initial classification of Shaanxi Jiahe as held for sale, the carrying amounts of property, plant and equipment and mining rights and explorations rights were remeasured. Based on the valuation of the recoverable amount of the Shaanxi Jiahe's CGUs of by the independent valuer appointed by management, a reversal of impairment losses on property, plant and equipment and mining rights and explorations of RMB2,153,000 and RMB4,207,000 (Note 17(b)), respectively, were recognised as the result, which was mainly due to the increase in gold prices during the year ended 31 December 2019. The recoverable amount of CGUs was determined based on VIU calculations using cash flow projection based on financial budgets approved by management covering a five-year period from 2020 to 2024 and management's assumptions and estimates (Note 17(b)).

The Group also performed an impairment assessment on property, plant and equipment of the Group's other operating and reportable segments each of which represents a CGU. Based on the assessment, an impairment loss of approximately RMB1,671,000 was recognised for the year ended 31 December 2019 to Changshi's property, plant and equipment due to the suspension of engineering services. The recoverable amounts of these property, plant and equipment using VIU calculations were determined by cash flow projection, based on financial budgets approved by management covering a five-year period from 2020 to 2024, management's assumptions and estimates, a discount rate of 10% and growth rate of 3%. The recoverable amount based on VIU as at 31 December 2019 was determined to be zero. There is no change in the recoverable amount based on VIU of Changshi as at 31 December 2020.

All of the reversal of impairment loss and impairment losses on property, plant and equipment, mining structures and mining rights were recognised in other operating gains for each of the years ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. MINING RIGHTS AND EXPLORATION RIGHTS

	Mining rights RMB'000	2020 Exploration rights RMB'000	Total RMB'000	Mining rights RMB'000	2019 Exploration rights RMB'000	Total RMB'000
Year ended 31 December						
Opening net book amount	90,752	–	90,752	88,867	–	88,867
Amortisation charge (Note (a))	–	–	–	–	–	–
Reversal of impairment loss (Note 16(b))	3,786	–	3,786	11,205	–	11,205
Classified as held for sale (Note 30)	–	–	–	(9,320)	–	(9,320)
Closing net book amount	94,538	–	94,538	90,752	–	90,752
At 31 December						
Cost	133,523	–	133,523	133,523	–	133,523
Accumulated amortisation	(3,812)	–	(3,812)	(3,812)	–	(3,812)
Accumulated impairment loss	(35,173)	–	(35,173)	(38,959)	–	(38,959)
Net book amount (Note (c))	94,538	–	94,538	90,752	–	90,752

Notes:

- (a) Mining rights are amortised using the unit-of-production method based on reserves estimated to be recovered from existing facilities using current operating methods. The mining rights were not amortised during the years ended 31 December 2020 and 2019 as the Group did not carry out any mining activities during the years. There is no exploration and evaluation expenditure incurred during the years ended 31 December 2020 and 2019.

- (b) Impairment assessment

The Group has mines in Xinjiang Uyghur Autonomous Region and Shaanxi province, the PRC with diversified non-ferrous metal minerals that include nickel, copper, lead, zinc and gold. Hami Jiatai has one mining right, Hami Jinhua has one mining right and three exploration rights as at 31 December 2020 and 2019 and Shaanxi Jiahe has one mining right as at 31 December 2019.

Each CGU's recoverable amount has been determined using the VIU method. VIU has been determined using a discounted cash flow model during the years ended 31 December 2020 and 2019.

In determining the value assigned to each key assumption, management has used external sources of information and utilised the expertise of external consultants to validate entity specific assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. MINING RIGHTS AND EXPLORATION RIGHTS

Notes: (Continued)

(b) (Continued)

Hami Jiatai's CGUs

For the calculation of the recoverable amount of Hami Jiatai, the key assumptions include the nickel and copper selling prices, which were estimated based on the current market prices of RMB127,650 (2019: RMB113,450) per tonne and RMB57,910 (2019: RMB49,020) per tonne, respectively, determined with reference to available public information in the PRC; and the growth rates of forecast selling prices, which were estimated with reference to the market consensus on forecast prices of the relevant commodities ore and sourced from the Bloomberg which were 14.9% and 8% from 2021 to 2022 (2019: 9.3%, 1.6% and -3.2% from 2020 to 2022) and 17.6% and 4.2% from 2021 to 2022 (2019: 1.1%, 1.4% and -1.3% from 2020 to 2022), respectively. The forecasted selling prices are then assumed to remain constant after 2022 and production costs increased with annual inflation rate of 3% (2019: 3%). The production volume was estimated with reference to the PRC Technical Report conducted by Xinjiang Engineering & Research Institute of Nonferrous Metals Company Limited.

The inflation rate over the expected life of the mines (which sourced from International Monetary Fund ("IMF")) of 3% (2019: 3%) and the discount rate of 23% (2019: 22%) were also applied in the valuation model. Considering the existing conditions of both commodities' markets and the mine's conditions, the Group expected the production will commence in 2022 (2019: 2021). The recoverable amount based on VIU for Hami Jiatai as at 31 December 2020 was determined to be RMB57,600,000 (2019: RMB27,100,000).

Hami Jinhua's CGUs

For the calculation of the recoverable amount of Hami Jinhua, the key assumptions include the lead and zinc selling prices, which were estimated based on the current market prices of RMB14,950 (2019: RMB15,100) per tonne and RMB21,050 (2019: RMB18,090) per tonne respectively, which were with reference to available public information in the PRC; and the growth rate of forecast selling price, which were reference to the market consensus on forecast price of the relevant commodities ore and sourced from the Bloomberg which were 8.7% and 3.8% from 2021 to 2022 (2019: -0.6%, 0% and -7.5% from 2020 to 2022) and 13.6% and 9.3% from 2021 to 2022 (2019: -7.4%, 0.1% and -8% from 2020 to 2022), respectively. The forecast selling price then remained constant after 2022 and production cost increased with annual inflation rate of 3% (2019: 3%). The production volume was estimated with reference to the PRC Technical Report that was conducted by Xinjiang Engineering & Research Institute of Nonferrous Metals Company Limited.

The inflation rate over the expected life of the mines (which sourced from IMF) of 3% (2019: 3%) and the discount rate 21% (2019: 23%) were also applied in the valuation model. Considering the existing conditions of both commodities' markets and the mine's condition, the Group expected the production will commence in 2022 (2019: 2021). The recoverable amount for the Hami Jinhua based on VIU as at 31 December 2019 was determined to be RMB414,900,000 (2019: RMB174,300,000).

Shaanxi Jiahe's CGUs

In respect of the calculation of the recoverable amount of Shaanxi Jiahe immediately before classification as held for sale during the year ended 31 December 2019, the key assumptions include the gold price (which were reference to the market consensus on forecast price of the relevant commodities ore and sourced from the Bloomberg) ranging RMB344 per gram in 2020 to RMB403 per gram in 2029. The annual growth rate of gold price was estimated to be 2% from 2023 to 2029. The inflation rate over the expected life of the mines (which sourced from IMF) of 3% and the discount rate of 17% were also applied in the valuation model. The recoverable amount for Shaanxi Jiahe based on VIU immediately before classification as held for sale during the year ended 31 December 2019 were determined to be RMB24,468,000. Shaanxi Jiahe was disposed of during the year.

- (c) At the end of the reporting period, the carrying amount of mining right amounted to approximately RMB6,998,000 for which relevant legal title have not yet been extended. At the date of approval of these consolidated financial statements, the application for obtaining the extension of aforesaid legal title is still in progress.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. RESTRICTED CASH AT BANKS

	2020 RMB'000	2019 RMB'000
Restricted cash at banks	–	247

Note:

Restricted cash at banks represented the guarantee deposits for environmental recovery.

19. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	–	–
Semi-finished goods	–	–
Finished goods	–	–
	–	–

Raw materials mainly included consumables, semi-finished goods mainly included raw ores. During the year ended 31 December 2020, written off on inventories of approximately RMBNil (2019: RMB3,019,000) was recognised.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 RMB'000	2019 RMB'000
Analysed as non-current assets		
Unlisted corporate bonds	19,138	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. TRADE AND BILLS RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	19,275	2,835
Less: ECLs of trade receivables (Note (b), (d))	(3,721)	(1,141)
Trade receivables, net (Note (a))	15,554	1,694
Bills receivables	600	4,300
Less: ECLs of bills receivables (Note (c), (d))	(7)	(51)
Bill receivables, net (Note (c))	593	4,249
Total trade and bills receivables, net	16,147	5,943

Notes:

- (a) At 31 December 2020 and 2019, the ageing analysis of the trade receivables after ECLs recognised based on invoice date were as follows:

	2020 RMB'000	2019 RMB'000
Up to 3 months	8,636	132
3 to 6 months	4,272	–
6 to 12 months	2,646	1,562
	15,554	1,694

The Group's trading terms with its customers are mainly on credit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. Based on communications with the customers, the trade receivables net of provisions as at the end of the reporting period are expected to be settled during the year ended 31 December 2021.

- (b) As at 31 December 2020, loss allowance of approximately RMB3,721,000 (2019: RMB1,141,000) were made against the gross amount of trade receivables.
- (c) Bills receivables represent unconditional orders in writing issued by customers of the Group for completed sale orders which entitle the Group to collect a sum of money from banks. The bills are non-interest bearing and have a maturity from three months to one year. As at 31 December 2020, loss allowance of approximately RMB7,000 (2019: RMB51,000) were made against the gross amount of bills receivables.
- (d) Movement in the loss allowance amount in respect of trade and bills receivables during the year is as follows:

	2020 RMB'000	2019 RMB'000
Balance at 1 January (Note 43.1(b))	1,192	158
ECLs recognised during the year (Note 43.1(b))	2,536	1,034
Balance at 31 December (Note 43.1(b))	3,728	1,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. LOAN RECEIVABLES

	2020 RMB'000	2019 RMB'000
Loans to third parties (Note (a) and Note 43.1(b))	77,000	65,000
Less: ECLs of loan receivables (Note (b) and Note 43.1(b))	77,000 (720)	65,000 (465)
	76,280	64,535
Representing:		
— Non-current	76,280	—
— Current	—	64,535
	76,280	64,535

Notes:

- (a) On 4 December 2019, Runxi Energy, one of the subsidiary of the Group, entered into a loan agreement (the "Loan Agreement 1") and a mortgage agreement with Beijing Fengwo Technology Company Limited* ("Beijing Fengwo"), an independent third party, to provide a 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 Beijing Fengwo of RMB65,000,000 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 bear 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 loan had been fully repaid by 31 December 2020.

* The English names referred herein represent management's best effort at translating the Chinese names of these companies as no English names have been registered

- (b) Movement in the loss allowance amount in respect of loan receivables during the year is as follows:

	2020 RMB'000	2019 RMB'000
Balance at 1 January (Note 43.1(b))	465	1,144
ECLs/(Reversal of ECLs) on loan receivable recognised during the year (Note 43.1(b))	255	(679)
Balance at 31 December (Note 43.1(b))	720	465

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. OTHER RECEIVABLES AND PREPAYMENTS

	2020 RMB'000	2019 RMB'000
Other receivables	91,668	96,856
Less: Provision of impairment losses on other receivables (Note a)	(88,281)	(93,227)
	3,387	3,629
Advances to suppliers — third parties	21,113	32,549
Total other receivables and prepayments, net	24,500	36,178

Notes:

(a) Movement in the loss allowance amount in respect of other receivables during the year is as follows:

	2020 RMB'000	2019 RMB'000
Balance at 1 January (Note 43.1(b))	93,227	92,019
Written off of other receivables (Note 43.1(b))	(2,855)	—
Reversal of ECLs on other receivables recognised during the year (Note 43.1(b))	(305)	(2,292)
Exchange differences (Note 43.1(b))	(1,786)	3,500
Balance at 31 December (Note 43.1(b))	88,281	93,227

24. CASH AND CASH EQUIVALENTS

	2020 RMB'000	2019 RMB'000
Cash on hand	—	3
Current deposits with banks	169,139	218,235
Cash and cash equivalents	169,139	218,238

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. CASH AND CASH EQUIVALENTS (Continued)

Balances can be analysed as follows:

	2020 RMB'000	2019 RMB'000
Denominated in:		
— RMB	33,109	39,134
— HK\$	135,644	179,023
— United States dollars	386	81
	169,139	218,238

Notes:

- (a) The bank deposits were interest bearing at rates based on bank deposit rates as agreed with banks. The weighted average effective interest rate on deposits ranged from 0.05% to 0.3% per annum as at 31 December 2020 (2019: 1.09% to 2.05%).
- (b) Deposits denominated in RMB were deposited with banks in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.
- (c) The deposits were mainly placed with reputable banks for which the credit risk is considered remote.

25. TRADE PAYABLES

Trade payables are analysed as follows:

	2020 RMB'000	2019 RMB'000
Third parties	1,310	1,803

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. TRADE PAYABLES (Continued)

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

	2020 RMB'000	2019 RMB'000
Over 365 days	1,310	1,803

26. OTHER PAYABLES AND ACCRUALS

	2020 RMB'000	2019 RMB'000
Other payables (Note (a))	3,424	4,353
Salary and welfare payables	5,567	5,649
Accrued taxes other than income tax	5,417	7,946
	14,408	17,948

Notes:

(a) Other payables are analysed as follows:

	2020 RMB'000	2019 RMB'000
Other payables		
— Amount due to Mr. Wei Xing (Note (i))	184	184
— Amount due to Beijing Jiatai (Note (ii))	130	130
— Third parties (Note (iii))	3,110	4,039
	3,424	4,353

(i) Amount due to Mr. Wei Xing was interest free and unsecured, and had no fixed terms of repayment. It has been offset against certain receivables from Shaanxi Jiatai and Shaanxi Garner during the year ended 31 December 2019.

(ii) Amount due to Beijing Jiatai, a company owned by Mr. Wei Xing, was interest free and unsecured, and had no fixed terms of repayment. It has been offset against certain receivables from Shaanxi Jiatai and Shaanxi Garner during the year ended 31 December 2019.

(iii) Other payables to third parties mainly included payables of equipment purchasing costs, service charges payable and advances from third parties as at 31 December 2020 and 2019.

(b) The carrying amounts of other payables approximated their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Contract liabilities arising from sale of goods:		
Trading of coal	11,812	11,654

Typical payment terms which impact on the amount of contract liabilities are as follows:

Sale of goods

As noted above, the Group receives consideration in advance on sales of coal, which remains as a contract liability until such time as the coals are delivered to the customers.

Movements in contract liabilities

	2020 RMB'000	2019 RMB'000
Balance as at 1 January	11,654	–
Increase in contract liabilities as a result of receipts in advance of trading activities	107,735	35,780
Transfer of contract liabilities to revenue	(107,577)	(24,126)
Balance at 31 December	11,812	11,654
Revenue recognised in the year that was included in contract liabilities at beginning of year	11,603	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	2020 RMB'000	2019 RMB'000
At beginning of year	2,770	5,307
Classified as held for sale (Note 30)	–	(2,746)
Unwinding of discount (Note 9)	112	209
At end of year	2,882	2,770

A provision is recognised for the present value of costs to be incurred for the restoration of the tailings dam and mining structures which has been determined by management based on their past experience and best estimate of future expenditure by discounting the expected expenditures to their net present value. However, in so far as the effect of the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in the future. The amounts provided in relation to close down, restoration and environmental clean up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are remeasured accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. DEFERRED INCOME TAX

The following is the analysis of the deferred tax balances for consolidated statement of financial position purposes:

	2020 RMB'000	2019 RMB'000
Deferred tax assets	–	–
Deferred tax liabilities	25,306	21,626
	25,306	21,626

	2020 RMB'000	2019 RMB'000
At beginning of year	21,626	15,169
Classified as held for sale (Note 30)	–	(2,555)
Charged to the consolidated statement of comprehensive income (Note 14)	3,680	9,012
At end of year	25,306	21,626

The movements in deferred tax assets and liabilities for each of the years ended 31 December 2020 and 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets

	Depreciation and others RMB'000
At 1 January 2019	(2,823)
Charged to the consolidated statement of comprehensive income	2,823
At 31 December 2019, 1 January 2020 and 31 December 2020	–

No deferred income tax assets were recognised for tax losses as at 31 December 2020 and 2019 as there is uncertainty on whether the unused tax losses can be utilised in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. DEFERRED INCOME TAX (Continued)

The Group did not recognise deferred tax assets of approximately RMB3,657,500 (2019: RMB7,307,500) in respect of tax losses incurred by the PRC companies, in aggregate amounting to approximately RMB14,630,000 (2019: RMB29,230,000), that will expire from 2021 to 2025 (2019: from 2020 to 2024).

The Group did not recognise deferred tax assets of approximately RMB2,539,000 (2019: RMB2,536,000) in respect of tax losses of approximately RMB15,388,000 (2019: RMB15,367,000) arising in Hong Kong companies, that may be carried forward indefinitely.

Deferred tax liabilities

	Valuation surplus of acquired assets upon business combination RMB'000
At 1 January 2019	17,992
Classified as held for sale (Note 30)	(2,555)
Charged to the consolidated statement of comprehensive income	6,189
At 31 December 2019 and 1 January 2020	21,626
Charged to the consolidated statement of comprehensive income	3,680
At 31 December 2020	25,306

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 24 December 2019, Hami Jiatai and the Purchaser entered into the Disposal Agreement, in which Hami Jiatai has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Disposal Subsidiary at the consideration of RMB10,000,000. The Directors considered that the disposal of the Disposal Subsidiary 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. The Disposal subsidiary was classified as held for sale as at 31 December 2019 due to the fact that the Directors considered the sale is expected to complete within 12 months from the end of reporting period.

The following major classes of assets and liabilities relating to the disposal group have been classified as held for sale in the consolidated balance sheet.

	RMB'000
Cash and cash equivalents	392
Property, plant and equipment (Note 16)	15,148
Mining rights and exploration rights (Note 17)	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 (Note 10)	(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 (Note 28)	2,746
Payables to the Company and its subsidiaries	18,634
Deferred tax liabilities (Note 29)	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.

Shaanxi Jiahe contributed RMB18,272,000 profit to the Group's operating loss. Together with the impairment loss detailed above, the cumulative income related to the disposal group held for sale was RMB9,081,000 for the year ended 31 December 2019.

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 (see Note 35).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. SHARE CAPITAL AND SHARE PREMIUM

	Authorised shares of HK\$0.1 each			
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	5,000,000,000			
	Number of share '000	Share capital RMB'000	Share premium RMB'000	Total RMB'000
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	1,620,000	137,361	668,768	806,129

32. OTHER RESERVES

	Safety fund RMB'000 Note (a)	Maintenance fund RMB'000 Note (b)	Capital reserve RMB'000 Note (c)	Investment revaluation reserves RMB'000 Note (d)	Statutory Reserve RMB'000 Note 33(a)	Total RMB'000
At 1 January 2019, 31 December 2019, 1 January 2020	221	1,583	(13,972)	–	877	(11,291)
Fair value changes of financial assets (debts instruments) at FVTOCI	–	–	–	(346)	–	(346)
Appropriation from accumulated losses	–	–	–	–	856	856
At 31 December 2020	221	1,583	(13,972)	(346)	1,733	(10,781)

Notes:

- (a) Pursuant to certain regulations issued by the State of Administration of Work Safety, the Group is required to set aside an amount to a safety fund at RMB8 per tonne of raw ore mined. The fund can be used for improvements of safety at the mines, and not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount is transferred from safety fund to retained earnings. There were no appropriation to the safety funds for the years ended 31 December 2020 and 2019 as no ore was mined.
- (b) Pursuant to certain regulations issued by the State of Administration of Work Safety and the Ministry of Finance of the PRC, the Group is required to set aside an amount to a maintenance fund calculated based on a rate of RMB18 per tonne of raw ore mined.
- The fund can be used for improvement of mining structures, and is not available for distributions to shareholders. Upon incurring qualifying capital expenditure, an equivalent amount is transferred from maintenance fund to retained earnings. There were no appropriation to the maintenance fund for the years ended 31 December 2020 and 2019 as no ore was mined.
- (c) Capital reserve represented the difference between the existing book values of net assets of the group companies comprising the Group as at the date of group reorganisation (the "Reorganisation") which was recognised as part of the deemed cost of investment in subsidiaries upon the Reorganisation and the share capital of Right Source International Limited ("Right Source") and Fortune In Investments Limited ("Fortune In").
- (d) The investment revaluation reserves comprises the cumulative net changes in the fair value of financial assets at FVTOCI held at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. ACCUMULATED LOSSES

	2020 RMB'000	2019 RMB'000
Accumulated losses at beginning of year	(366,937)	(350,047)
Loss for the year	(16,738)	(16,013)
Appropriation to statutory reserves (Note (a))	(856)	(877)
Accumulated losses at end of year	(384,531)	(366,937)

Notes:

- (a) In accordance with the PRC Company Law and the PRC subsidiaries' Articles of Association, the PRC subsidiaries are required to transfer 10% of the profit after taxation determined in accordance with PRC generally accepted accounting principles to the statutory reserve until the balance reaches 50% of the paid-up capital. Such reserve can be used to reduce any losses incurred or to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital. For the year ended 31 December 2020, except three of the PRC subsidiaries has appropriated RMB856,000 (2019: RMB877,000), others have reported losses and no appropriation to the statutory reserve (2019: Nil).
- (b) The Directors did not propose any payment of dividends to the Company's shareholders for the years ended 31 December 2020 and 2019.

34. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-Of-Use Assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Land use rights	8,127	8,370
Land and buildings — office premises	616	2,627
	8,743	10,997

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

Lease Liabilities

Land and buildings — Office premises	2020 RMB'000	2019 RMB'000
As at 1 January	2,783	4,788
Interest expense (Notes 10 and 40(b))	62	131
Lease payments (Note 40(b))	(2,007)	(2,138)
Foreign exchange movements (Note 40(b))	(174)	2
	664	2,783

Future lease payments are due as follows:

	Lease payments RMB'000	Interest RMB'000	Present value of lease payments RMB'000
As at 31 December 2020			
Not later than one year	669	5	664
Later than one year and not later than two years	—	—	—
	669	5	664
As at 31 December 2019			
Not later than one year	2,138	63	2,075
Later than one year and not later than two years	713	5	708
	2,851	68	2,783

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

Lease Liabilities (Continued)

The present value of future lease payments are analysed as:

	2020 RMB'000	2019 RMB'000
Current liabilities	664	2,075
Non-current liabilities	–	708
	664	2,783

Disclosure of other lease-related items:

	2020 RMB'000	2019 RMB'000
Short term lease expense (Note 10)	305	359
Aggregate undiscounted commitments for short term leases	–	42
Total cash outflow for leases	2,312	2,497

The Group leases various land use rights and land and buildings. Lease agreements are typically made for fixed periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. DISPOSAL OF SHAANXI JIAHE

As referred to in note 30 to these 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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENTS OF THE COMPANY

	Note	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		656	961
Right-of-use assets	34	616	2,627
Investments in subsidiaries	37	124,798	124,798
Financial assets at FVTOCI	20	19,138	–
Total non-current assets		145,208	128,386
Current assets			
Other receivables and prepayments from third parties		760	892
Other receivables and prepayments from subsidiaries		86,295	96,320
Cash and cash equivalents		135,565	178,608
Total current assets		222,620	275,820
Total assets		367,828	404,206
LIABILITIES			
Current liabilities			
Other payables		1,317	2,357
Other payable to a subsidiary		140	149
Lease liabilities	34	664	2,075
Total current liabilities		2,121	4,581
Non-current liabilities			
Lease liabilities		–	708
Total liabilities		2,121	5,289
EQUITY			
Share capital	31	137,361	137,361
Share premium	31	668,768	668,768
Investment revaluation reserves	(a)	(346)	–
Accumulated losses	(a)	(440,076)	(407,212)
Total equity		365,707	398,917
Total equity and liabilities		367,828	404,206

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENTS OF THE COMPANY (Continued)

The balance sheet of the Company was approved by the Board on 31 March 2021 and was signed on its behalf.

Xiang Siying
Director

Zhou Jianzhong
Director

Note (a)

Reserves movements of the Company

	Investment revaluation reserves RMB'000	Accumulated losses RMB'000
At 1 January 2019	-	(377,048)
Loss for the year	-	(30,164)
At 31 December 2019	-	(407,212)
Loss and total comprehensive loss for the year	(346)	(32,864)
At 31 December 2020	(346)	(440,076)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. INFORMATION ABOUT PRINCIPAL SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2020 are set out below. Unless otherwise stated, the proportion of ownership interests held equals the voting rights held by the Group.

Company name	Country/place of incorporation	Issued and paid-up capital/ registered capital	Interest held	Principal activities and place of operation
Right Source International Limited ("Right Source")	The BVI	US\$100	100% directly held	Investment holdings, the BVI
Fortune In Investment Limited ("Fortune In")	The BVI	US\$100	100% directly held	Investment holdings, the BVI
Surplus Plan Limited ("Surplus Plan")	Hong Kong	HK\$1	100% directly held	Investment holdings, Hong Kong
Realty Investment (Group) Limited ("Realty Investment")	Hong Kong	HK\$10,000	100% indirectly held	Investment holdings, Hong Kong
滙力潤策投資諮詢(北京)有限公司 Investment Consultation (Beijing) Limited ("Huili Runce") [#]	Beijing, the PRC	RMB25,000,000	100% indirectly held	Management and investment consultation, the PRC
潤義能源技術(上海)有限公司 ("Runxi Energy") [#]	Shanghai, the PRC	RMB3,000,000	100% indirectly held	Provision of consultancy services, the PRC
哈密市錦華礦產資源開發有限責任公司 ("Hami Jinhua") [#]	Hami, the PRC	RMB100,000,000	95% indirectly held	Mining, ore processing and sales of lead and zinc metal products, the PRC
哈密市佳泰礦產資源開發有限責任公司 ("Hami Jiatai") ^Δ	Hami, the PRC	RMB10,000,000	95% indirectly held	Mining, ore processing and sales of nickel and copper metal products, the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. INFORMATION ABOUT PRINCIPAL SUBSIDIARIES (Continued)

Company name	Country/place of incorporation	Issued and paid-up capital/ registered capital	Interest held	Principal activities and place of operation
Jia Zhao Ventures Limited ("Jiazhao")	The BVI	US\$2	100% directly held	Investment holdings, the BVI
Business Factoring (China) Limited ("Business Factoring")	Hong Kong	HK\$40,000,000	100% indirectly held	Investment holdings, Hong Kong
嘉屹融資租賃有限公司 ("Jiayi") [#]	Tianjin, the PRC	RMB200,000,000	100% indirectly held	Financial services, the PRC
永和縣長實工程服務有限公司 ("Changshi") ^Δ	Linfen, the PRC	RMB10,000,000	100% indirectly held	Engineering services, the PRC
長治市潤策貿易有限公司 ("Changzhi Runce") ^Δ	Shanxi, the PRC	RMB10,000,000	100% indirectly held	Trading of coal, the PRC
古交市潤策貿易有限公司 ("Gujiao Runce") ^Δ	Shanxi, the PRC	RMB10,000,000	90.1% indirectly held	Trading of coal, the PRC
寧波市潤策貿易有限公司 ("Ningbo Runce") ^Δ	Ningbo, the PRC	RMB5,000,000	90% indirectly held	Trading of coal, the PRC

The total non-controlling interests in respect of Hami Jinhua and Gujiao Runce are not material.

[#] The companies are wholly owned foreign enterprise under the Law of The Peoples Republic of China on Foreign-Capital Enterprises of the PRC.

^Δ The companies are domestic-funded enterprise under the law of the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. RELATED PARTY TRANSACTIONS

- (a) The Group's management is of the view that the following persons are related parties of the Group during the years ended 31 December 2020 and 2019:

Name of related parties	Relationship with the Group
Mr. Guo Jianzhong	An shareholder of the Company who holds 28.08% equity interest in the Company.
China Huarong Asset Management Co., Ltd.	An shareholder of the Company which holds 19.75% equity interest in the Company.

(b) **Key management compensation**

Included in staff costs are key management personnel compensation and comprises the following categories:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Basic salaries, allowances and other benefits	3,675	4,031
Contributions to pension plan	48	66
	3,723	4,097

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. CONTINGENT LIABILITIES

The Group had contingent liabilities at 31 December 2020 in respect of:

(a) Environmental contingencies

Historically, the Group has not incurred any significant expenditure for environmental remediation. Save as disclosed in Note 28, 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.

40. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents comprise:

	2020 RMB'000	2019 RMB'000
Cash on hand	–	3
Current deposits with banks	169,139	218,235
	169,139	218,238

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities:

	Lease liabilities (Note 34) RMB'000	Borrowings RMB'000
At 1 January 2019	4,788	2,200
Changes from cash flows:		
Repayment of principal portion of lease liabilities	(2,007)	–
Repayment of borrowings	–	(2,200)
Interest paid	(131)	–
Total changes from financing cash flows	(2,138)	(2,200)
Other changes		
Exchange differences (Note 34)	2	–
Interest expenses (Notes 9 and 34)	131	–
Total other changes	133	–
At 31 December 2019 and 1 January 2020	2,783	–
Changes from cash flows:		
Repayment of principal portion of lease liabilities	(1,945)	–
Interest paid	(62)	–
Total changes from financing cash flows	(2,007)	–
Other changes		
Exchange differences (Note 34)	(174)	–
Interest expenses (Notes 9 and 34)	62	–
Total other changes	(112)	–
At 31 December 2020	664	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. CAPITAL COMMITMENTS

There is no contracted commitments for capital expenditure as at 31 December 2020 and 2019.

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2020 and 2019 are categorised as follows:

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets measured at amortised cost (including cash and cash equivalents)	263,162	290,458
Financial assets at FVTOCI	19,138	–
Financial liabilities		
Financial liabilities measured at amortised cost	10,301	11,805

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade and bills receivables, loan receivables, other receivables, restricted cash at banks and cash and cash equivalents, trade and other payables and accruals.

Due to their short term nature, the carrying value of trade and bills receivables, loan receivables, other receivables, restricted cash at banks and cash and cash equivalents, trade and other payables and accruals approximated fair value.

(b) Financial instruments measured at fair value

The following table illustrates the fair value hierarchy of the Group's financial instruments:

	Quoted price in active markets (Level 1) RMB'000	Fair value measurement using Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2020				
— Financial assets at FVTOCI	–	19,138	–	19,138

The fair value of financial assets at FVTOCI was measured at traded prices for identical debts instruments in over-the-counter markets.

During the years ended 31 December 2020 and 2019, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. FINANCIAL RISK MANAGEMENT

43.1 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, liquidity risk and concentration risk. The Group historically has not used derivative instruments for hedging or trading purposes.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to HK\$. Foreign exchange risk arises from recognised assets and liabilities in foreign operations. The Group does not hedge against any fluctuation in foreign currency.

At 31 December 2020, if RMB had weakened/strengthened by 1% against HK\$ with all other variables held constant, loss for the year would have been RMB1,342,000 (2019: RMB1,995,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of HK\$ denominated cash and cash equivalents, other receivables and other payables.

(iii) Interest rate risk

The Group's interest rate risk arises from bank deposits and cash at banks which are bearing floating interest rates. Floating interest rates cause the Group cash flow interest rate risk. The Group also had borrowings with fixed interest rate for the years ended 31 December 2020 and 2019 which exposed the Group to fair value interest rate risk. For the years ended 31 December 2020 and 2019, management of the Group is of the opinion that relevant cash flow interest rate risks were not material to the Group and hence sensitivity analysis of effects of reasonably possible changes in the relevant interest rates is not provided.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's credit risk is primarily attributable to its trade and bills receivables, loan receivables, other receivables, restricted cash at banks and cash and cash equivalents. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In respect of restricted cash at banks and cash and cash equivalents, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rates of restricted cash at banks and cash and cash equivalents are assessed to be close to zero and no provision was made as of 31 December 2020 and 31 December 2019.

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime ECLs provision for all trade and bills receivables. To measure the ECLs, trade and bills receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECLs. It considers available reasonable and supportive forwarding-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. FINANCIAL RISK MANAGEMENT (Continued)

43.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

As at 31 December 2020, trade and bills receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

Trade and bills receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 365 days past due.

Impairment losses on trade and bills receivables are presented as net impairment losses within operating results. Subsequent recoveries of amounts previously written off are credited against the same line item.

Loan receivables of the Group at amortised cost are considered to have low credit risk, and the loss allowances recognised during the year was therefore limited to 12-month ECLs.

The credit quality of other receivables has been assessed with reference to historical information about the counterparties default rate and financial position of the counterparties.

The loss allowances as at 31 December 2020 and 2019 was determined for trade and bills receivables, loan receivables and other receivables as follow:

	Trade and bill receivables	Loan receivables	Other receivables	Total
As at 31 December 2020				
Expected credit loss rate (%)	18.76%	0.94%	98.22%	
Gross carrying amount of trade and bill receivables (RMB'000)	19,875	–	–	19,875
Gross carrying amount of loan receivables (RMB'000)	–	77,000	–	77,000
Gross carrying amount of other receivables (RMB'000)	–	–	89,877	89,877

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. FINANCIAL RISK MANAGEMENT (Continued)

43.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

As at 31 December 2019	Trade receivables	Loan receivables	Other receivables	Total
Expected credit loss rate (%)	16.71%	0.72%	98.42%	
Gross carrying amount of trade and bill receivables (RMB'000)	7,135	–	–	7,135
Gross carrying amount of loan receivables (RMB'000)	–	65,000	–	65,000
Gross carrying amount of other receivables (RMB'000)	–	–	94,722	94,722

Movement in the loss allowances account in respect of trade and bills receivables, loan receivables and other receivables during the year is as follow:

	Trade and bills receivables (Note 21(d)) RMB'000	Loan receivables (Note 22(b)) RMB'000	Other receivables (Note 23(a)) RMB'000	Total RMB'000
Balance at 1 January 2019	158	1,144	92,019	93,321
ECLs/(Reversal of ECLs) on financial assets	1,034	(679)	(2,292)	(1,937)
Exchange differences	–	–	3,500	3,500
Balance at 31 December 2019 and 1 January 2020	1,192	465	93,227	94,884
Written off	–	–	(2,855)	(2,855)
ECLs/(Reversal of ECLs) on financial assets	2,536	255	(305)	2,486
Exchange differences	–	–	(1,786)	(1,786)
Balance at 31 December 2020	3,728	720	88,281	92,729

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. FINANCIAL RISK MANAGEMENT (Continued)

43.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

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

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Less than 1 year or on demand RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2020						
Trade and other payables	10,301	10,301	10,301	-	-	-
At 31 December 2019						
Trade and other payables	11,805	11,805	11,805	-	-	-

(d) Concentration risk

Revenue of the Group is principally derived from trading of coal business, engineering services and financial services in 2020 and 2019.

The revenue of each business segment was derived from:

	For the year ended 31 December			
	2020		2019	
	Concentration of revenue	Number of customers	Concentration of revenue	Number of customers
Trading business	74%	4	66%	5
Financial services	100%	4	100%	2

In the event that these major customers terminate the business relationship with the Group and the Group fails to find new customers, it may have a material adverse impact on the Group's financial position and results of operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

The employees of the Group’s subsidiaries which operate in the PRC are required to participate in central pension schemes operated by the local municipal government. The subsidiaries are required to contribute certain percentage of the payroll costs to the central pension schemes. The contributions are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the central pension schemes.

At 31 December 2020 and 2019, there were no significant forfeited contributions which arose upon employees leaving the schemes before they are fully vested in the contributions and which are available to reduce the contributions payable by the Group in the future.

45. SIGNIFICANT NON-CASH TRANSACTIONS

Pursuant to the Set-off Agreement, other receivables from Shaanxi Jiatai and Shaanxi Garner in aggregate amounts of approximately RMB24,640,000 were used to offset against certain payables to Mr. Wei Xing and Beijing Jiatai during the year ended 31 December 2019.

46. CAPITAL RISK MANAGEMENT

The Group’s objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. EVENTS AFTER THE REPORTING DATE

Since January 2020 and up till to the date of this report, the outbreak of COVID-19 has impact on the global business environment. Up to the date of this report, COVID-19 has not caused material financial difficulties to the Group. Pending the development and spread of COVID-19 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 and react actively to its impact on the financial position and operating results of the Group.

48. COMPARATIVE FIGURES

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

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below:

RESULTS

	2020 RMB'000	Year ended 31 December			
		2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
REVENUE	141,216	93,572	32,828	22,845	25,588
LOSS BEFORE INCOME TAX	(15,351)	(4,953)	(48,225)	(46,357)	(34,015)
Income tax (expense)/credit	(3,593)	(10,283)	4,695	(1,829)	(1,254)
LOSS FOR THE YEAR	(15,351)	(15,236)	(43,530)	(48,186)	(35,269)
Attributable to:					
Equity holders of the Company	(16,738)	(16,013)	(41,269)	(46,129)	(34,615)
Non-controlling interests	1,387	777	(2,261)	(2,057)	(654)
	(15,351)	(15,236)	(43,530)	(48,186)	(35,269)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2020 RMB'000	As at 31 December			
		2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
TOTAL ASSETS	468,780	494,170	522,964	555,205	936,566
TOTAL LIABILITIES	(59,163)	(68,856)	(82,223)	(64,549)	(392,667)
NON-CONTROLLING INTERESTS	1,200	2,587	3,364	1,080	(977)
	410,817	427,901	444,105	491,736	542,922