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 RESULT ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the "Board") of Huili Resources (Group) Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2018, together with comparative figures for the previous financial year as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2018	2017
	Note	**RMB'000**	RMB'000
			(Restated)
Revenue	3	**32,828**	22,845
Cost of sales		**(24,012)**	(7,731)
Gross profit		**8,816**	15,114
Administrative expenses		**(28,306)**	(56,453)
Expected credit losses on financial assets		**(16,955)**	–
Other operating losses		**(27,386)**	(6,137)
Other gains – net	4	**14,350**	732
Operating loss		**(49,481)**	(46,744)
Finance income	5	**1,544**	493
Finance costs	5	**(288)**	(106)
Finance income – net	5	**1,256**	387

	Note	Year ended 31 December **2018** **RMB'000**	 2017 RMB'000 (Restated)
Loss before income tax	7	**(48,225)**	(46,357)
Income tax credit/(expense)	6	**4,695**	(1,829)
Loss for the year		**(43,530)**	(48,186)
Loss for the year attributable to:			
Equity holders of the Company		**(41,269)**	(46,129)
Non-controlling interests		**(2,261)**	(2,057)
Loss for the year		**(43,530)**	(48,186)
Loss per share attributable to the equity holders of the Company			
– Basic and diluted	9	**RMB(2.5) cents**	RMB(2.8) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December **2018** **RMB'000**	2017 RMB'000 (Restated)
Loss for the year		**(43,530)**	(48,186)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Available-for-sale financial assets			
– Reclassified to profit or loss upon disposal		**–**	(5,057)
Other comprehensive loss for the year, net of tax		**–**	(5,057)
Total comprehensive loss for the year		**(43,530)**	(53,243)
Total comprehensive loss for the year attributable to:			
Equity holders of the Company		**(41,269)**	(51,186)
Non-controlling interests		**(2,261)**	(2,057)
Total comprehensive loss for the year		**(43,530)**	(53,243)

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2018** **RMB'000**	2017 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**68,171**	61,516
Mining rights and exploration rights		**88,867**	94,539
Land use rights		**8,613**	8,856
Deferred tax assets		**2,823**	2,823
Restricted cash at banks		**2,653**	2,648
Loan receivable	10	**–**	100,000
Other receivables and prepayments	11	**–**	46,559
Total non-current assets		**171,127**	316,941
Current assets			
Inventories		**3,019**	3,045
Financial assets at fair value through other comprehensive income ("FVTOCI")		**2,300**	–
Trade receivables	12	**11,358**	8,975
Loan receivable	10	**98,856**	–
Other receivables and prepayments	11	**68,381**	171,834
Cash and cash equivalents		**167,923**	54,410
Total current assets		**351,837**	238,264
Total assets		**522,964**	555,205
LIABILITIES			
Non-current liabilities			
Provision for close down, restoration and environmental costs		**5,307**	3,233
Deferred tax liabilities		**17,992**	22,960
Total non-current liabilities		**23,299**	26,193
Current liabilities			
Trade payables	13	**7,610**	12,226
Other payables and accruals		**43,890**	21,029
Current tax liabilities		**5,224**	4,101
Borrowings		**2,200**	1,000
Total current liabilities		**58,924**	38,356
Total liabilities		**82,223**	64,549

	Note	As at 31 December 2018 RMB'000	2017 RMB'000 (Restated)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**137,361**	137,361
Share premium		**668,768**	668,768
Other reserves		**(12,168)**	(12,168)
Accumulated losses		**(349,856)**	(302,225)
		444,105	491,736
Non-controlling interests		**(3,364)**	(1,080)
Total equity		**440,741**	490,656
Total equity and liabilities		**522,964**	555,205

1 GENERAL 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 "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 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 are principally engaged in the mining, ore processing, sales of nickel, copper, lead and zinc products, financial services, engineering and other related services in the People's Republic of China (the "PRC"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

These consolidated financial statements have been approved for issue by the Board on 29 March 2019.

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Adoption of new/revised HKFRSs – effective 1 January 2018

Annual Improvements to HKFRS, 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 40	Transfers of Investment Property
Annual Improvement to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investment in Associates and Joint Ventures

2.1 *Impacts on opening consolidated balance sheet arising from the appreciation of all new standards*

(a) Impact of the classification and measurement o financial instrument as at 1 January 2018

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 RMB'000	Carrying amount as at 1 January 2018 under HKFRS 9 RMB'000
Trade receivables	Loans and receivables	Amortised cost	8,975	8,871
Loan receivables	Loans and receivables	Amortised cost	100,000	98,951
Other receivables	Loans and receivables	Amortised cost	214,486	209,254
Cash and cash equivalents	Loans and receivables	Amortised cost	54,410	54,410
Restricted cash at banks	Loans and receivables	Amortised cost	2,648	2,648

(b) Impact of the expected credit losses ("ECLs") model

(i) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowances as at 1 January 2018 was determined as follows for trade receivables as follows:

As at 1 January 2018	Current	More than 90 days past due	More than 365 days past due	Total
Expected credit losses rate (%)	1.16	–	–	1.16
Gross carrying amount (RMB'000)	8,975	–	–	8,975
Loss allowances (RMB'000)	104	–	–	104

The increase in loss allowances for trade receivables upon the transition to HKFRS 9 as of 1 January 2018 were approximately RMB104,000. The loss allowances further increased by approximately RMB54,000 for trade receivables during the year ended 31 December 2018.

(ii) Impairment of loan receivable

The Group's loan receivable is considered to have low credit risk, and the loss allowances recognised during the period was therefore limited to 12-month ECLs.

The increase in loss allowances for loan receivable upon the transition to HKFRS 9 as of 1 January 2018 were approximately RMB1,049,000. The loss allowances further increased by approximately RMB95,000 for loan receivable during the year ended 31 December 2018.

(iii) Impairment of other receivables

Other financial assets at amortised cost of the Group include other receivables. Applying the ECLs model resulted in the recognition of ECLs of approximately RMB5,232,000 on 1 January 2018 and further increased by approximately RMB16,806,000 for the year ended 31 December 2018.

Hedging accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

There is no significant impact on the timing and amounts of revenue recognition of the Group under HKFRS 15 and no adjustments to the opening balance of equity at 1 January 2018 have been made.

3 SEGMENT INFORMATION

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

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

For the years ended 31 December 2018 and 2017, the Group had below three reportable segments:

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

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

(c) the "Engineering services" segment engage in providing engineering services for exploiting oil, natural gas, coal-bed methane and pre-drilling engineering services and other related services and trading of materials for oil and gas exploration through Yonghe County Changshi Engineering Service Company Limited ("Changshi"), which was acquired in April 2017, in the PRC.

Apart from the above three 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.

(A) The segment information provided to the CODM for the reportable segments for each of the years ended and as at 31 December 2018 and 2017 is as follows:

	2018					2017				
	Mining	**Financial services**	**Engineering services**	**Unallocated**	**Total**	Mining	Financial services	Engineering services	Unallocated	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December										
Segment revenue										
– Sales of mining products	**52**	**–**	**–**	**–**	**52**	–	–	–	–	–
– Interest income from financial services	**–**	**6,636**	**–**	**–**	**6,636**	–	10,163	–	–	10,163
– Engineering and other related services	**–**	**–**	**26,140**	**–**	**26,140**	–	–	12,682	–	12,682
	52	**6,636**	**26,140**	**–**	**32,828**	–	10,163	12,682	–	22,845
Segment operating (loss)/profit	**(51,170)**	**3,589**	**329**	**–**	**(47,252)**	(36,464)	8,365	6,383	–	(21,716)
Unallocated operating loss	**–**	**–**	**–**	**(2,229)**	**(2,229)**	–	–	–	(25,028)	(25,028)
Operating (loss)/profit	**(51,170)**	**3,589**	**329**	**(2,229)**	**(49,481)**	(36,464)	8,365	6,383	(25,028)	(46,744)
Segment finance (costs)/income – net	**(111)**	**11**	**318**	**–**	**218**	50	2	(22)	–	30
Unallocated	**–**	**–**	**–**	**1,038**	**1,038**	–	–	–	357	357
Finance (costs)/income – net	**(111)**	**11**	**318**	**1,038**	**1,256**	50	2	(22)	357	387
Income tax (credit)/expense	**(6,083)**	**925**	**463**	**–**	**(4,695)**	(1,588)	2,096	1,321	–	1,829
Amortisation	**243**	**–**	**–**	**–**	**243**	243	–	–	–	243
Segment depreciation	**2,223**	**–**	**1,160**	**–**	**3,383**	2,756	–	525	–	3,281
Unallocated	**–**	**–**	**–**	**107**	**107**	–	–	–	–	–
Depreciation	**2,223**	**–**	**1,160**	**107**	**3,490**	2,756	–	525	–	3,281

	2018 Mining RMB'000	2018 Financial services RMB'000	2018 Engineering services RMB'000	2018 Unallocated RMB'000	2018 Total RMB'000	2017 Mining RMB'000	2017 Financial services RMB'000	2017 Engineering services RMB'000	2017 Unallocated RMB'000	2017 Total RMB'000
Segment impairment										
– Non-current assets	**27,386**	**–**	**–**	**–**	**27,386**	6,137	–	–	–	6,137
– Financial assets	**16,955**	**–**	**–**	**–**	**16,955**	31,105	–	–	600	31,705
Impairment	**44,341**	**–**	**–**	**–**	**44,341**	37,242	–	–	600	37,842
As at 31 December										
Segment assets	**174,883**	**113,045**	**27,201**	**–**	**315,129**	186,866	113,179	24,808	–	324,853
Unallocated assets	**–**	**–**	**–**	**207,835**	**207,835**	–	–	–	230,352	230,352
Assets	**174,883**	**113,045**	**27,201**	**207,835**	**522,964**	186,866	113,179	24,808	230,352	555,205
Segment liabilities	**60,691**	**7,900**	**11,814**	**–**	**80,405**	39,733	6,463	14,583	–	60,779
Unallocated liabilities	**–**	**–**	**–**	**1,818**	**1,818**	–	–	–	3,770	3,770
Liabilities	**60,691**	**7,900**	**11,814**	**1,818**	**82,223**	39,733	6,463	14,583	3,770	64,549

(B) Disaggregation of revenue

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

For the year ended 31 December 2018

	Mining RMB'000	**Financial services RMB'000**	**Engineering services RMB'000**	**Total RMB'000**
Primary geographical markets				
The PRC	**52**	**6,636**	**26,140**	**32,828**
Major products and services				
Mining products	**52**	**–**	**–**	**52**
Financial services	**–**	**6,636**	**–**	**6,636**
Engineering and other related services	**–**	**–**	**26,140**	**26,140**
	52	**6,636**	**26,140**	**32,828**
Timing of revenue recognition				
At a point in time	**52**	**–**	**24,512**	**24,564**
Transferred over time	**–**	**6,636**	**1,628**	**8,264**
	52	**6,636**	**26,140**	**32,828**

For the year ended 31 December 2017

	Mining RMB'000	Financial services RMB'000	Engineering services RMB'000	Total RMB'000
Primary geographical markets				
The PRC	–	10,163	12,682	22,845
Major products and services				
Mining products	–	–	–	–
Financial services	–	10,163	–	10,163
Engineering and other related services	–	–	12,682	12,682
	–	10,163	12,682	22,845
Timing of revenue recognition				
At a point in time	–	–	11,208	11,208
Transferred over time	–	10,163	1,474	11,637
	–	10,163	12,682	22,845

(C) Geographic information

The following table provides an analysis of the Group's revenue from customers and non-current assets other than financial instruments, deferred tax assets and post – employment benefit assets ("Specified non-current assets").

	Revenue from external customers (by customer location) Year Ended 31 December		**Specified non-current assets (by client location) As at 31 December**	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
The PRC	**32,828**	22,845	**164,471**	164,911
Others	**–**	–	**1,180**	–
	32,828	22,845	**165,651**	164,911

(D) Information about major customers

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Customer A	**13,603**	N/A
Customer B	**6,304**	N/A
Customer C	**5,907**	N/A
Customer D	**4,605**	N/A
Customer E	**N/A**	10,163
Customer F	**N/A**	9,334

N/A: transactions during the year did not exceed 10% of the Group's revenue.

The revenue contributed by the above major customers are attributable to the financial services segment and engineering services segment in both years.

4 OTHER GAINS – NET

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Exchange gain/(loss)	**12,086**	(3,377)
Rental income from lease of a factory production line	**1,000**	–
Net gains transferred from other comprehensive income upon the disposal of available-for-sale financial assets	**–**	5,057
Loss on disposal of available-for-sale financial assets	**–**	(1,310)
Bargain purchase	**–**	523
Gain/(loss) on disposal of property, plant and equipment	**167**	(484)
Others	**1,097**	323
	14,350	732

5 FINANCE INCOME – NET

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Finance income		
Interest income	**1,544**	493
Finance costs		
Interest expenses		
– Borrowings	**(175)**	(33)
– Unwinding of discount – provision for close down, restoration and environmental costs	**(113)**	(73)
	(288)	(106)
Finance income – net	**1,256**	387

6 INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Current tax	**1,388**	3,417
Deferred tax	**(6,083)**	(1,588)
Income tax (credit)/expense	**(4,695)**	1,829

7 LOSS BEFORE INCOME TAX

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cost of inventories recognised as expense	**20,257**	–
Depreciation of property, plant and equipment	**3,490**	3,281
Amortisation of land use rights	**243**	243
(Gain)/loss on disposal of property, plant and equipment	**(167)**	484
Impairment loss on property, plant and equipment	**2,153**	–
Impairment loss on mining structures and mining rights	**24,118**	6,137
Impairment loss on goodwill	**1,115**	–
Expected credit losses on financial assets	**16,955**	–
Impairment loss on other receivables	**–**	31,705
Employee benefit expenses	**9,619**	12,218
Auditor's remuneration		
– audit services	**1,200**	1,414
– others services	**1,339**	375
Foreign exchange (gain)/loss, net (Note 4)	**(12,086)**	3,377

Impairment assessment

The copper, nickel, silver and lead markets, 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 2018. 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, the management appointed independent valuers to carry out a review of the recoverable amounts of its assets in the goodwill, mining structures and mining rights , land use rights, property, plant and equipment as at 31 December 2017 and 2018.

The management appointed an independent valuer to carry out a review of the recoverable amounts of Hami Jiatai and Hami Jinhua as at 31 December 2017, being the cash generating units ("CGUs") of the Group's mining operations located in Hami county, Xinjiang Uyghur Autonomous Region ("Xinjiang"), the PRC. The review has resulted in the recognition of further impairment losses on mining structures and mining rights of Hami Jiatai of approximately RMB1,376,000 and approximately RMB4,761,000, respectively.

The management appointed an independent valuer to carry out a review of the recoverable amounts of Hami Jiatai and Hami Jinhua as at 31 December 2018, and further impairment losses on mining structures and mining rights of Hami Jiatai of approximately RMB3,126,000 and approximately RMB10,785,000 , respectively, were recognised as the result.

During the year ended 31 December 2018, Shaanxi Jiahe, which mainly engages in the business of mining and processing and trading of gold, was transferred back to the Group and in light of the wildly fluctuating gold market, the Company appointed an independent valuer to carry out a review of the recoverable amount of Shaanxi Jiahe, being CGU of Project Huangjinmei, and resulted in the recognition of impairment losses on goodwill, property, plant and equipment, mining structures and mining rights of approximately RMB1,115,000, approximately RMB2,153,000 and approximately RMB10,207,000, respectively.

All of the impairment losses on goodwill, property, plant and equipment, mining structures and mining rights were recognised in other operating losses for both the years ended 31 December 2018 and 2017.

The recoverable amounts are determined based on the value-in-use (the "VIU") calculation using cash flow projections, based on financial budgets approved by management covering a five-year period from 2019 to 2023 and management's assumptions and estimates .

For the calculation of the recoverable amounts of Hami Jiatai and Hami Jinhua, the key assumptions include the nickel and copper prices (which were reference to the market consensus on forecast price of the relevant commodities and sourced from the Bloomberg) ranging RMB90,341 per tonne to RMB 99,008 per tonne (2017: RMB105,339 per tonne to RMB112,041 per tonne) and RMB 48,720 per tonne to RMB 51,865 per tonne (2017: RMB58,361 per tonne to RMB60,275 per tonne) , respectively, for Hami Jiatai, lead and zinc prices (which were reference to the market consensus on forecast price of the relevant commodities and sourced from the Bloomberg) ranging RMB17,497 per tonne to RMB18,477 per tonne (2017: RMB18,766 per tonne to RMB19,183 per tonne) and RMB20,197 per tonne to RMB21,656 per tonne (2017: RMB22,018 per tonne to RMB22,579 per tonne), respectively, for Hami Jinhua, the inflation rate over the expected life of the mines (which sourced from International Monetary Fund ("IMF")) of 3% (2017: 3%) and the discount rate of 20% (2017: 21%) and 27% (2017: 23%) for Hami Jiatai and Hami Jinhua respectively. Considering the existing conditions of both commodities market and the mine condition, the Company expected the production will commence in 2020.

In respect of the calculation of the recoverable amount of Shaanxi Jiahe, the key assumptions include the gold prices (which were reference to the market consensus on forecast price of the relevant commodities and sourced from the Bloomberg) ranging RMB279 per gram to RMB307 per gram, the inflation rate over the expected life of the mines (which sourced from IMF) of 3% and the discount rate of 17.1%. Considering the existing conditions of both commodities market and the mine condition, the Company expected the production will commence in 2020.

8 DIVIDEND

The Directors of the Company did not propose any payment of dividends to the Company's shareholders for the years ended 31 December 2018 and 2017.

9 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	
	2018	2017
Loss for the year attributable to equity holders of the Company (RMB'000)	**(41,269)**	(46,129)
Adjusted weighted average number of shares in issue (in thousands)	**1,620,000**	1,620,000
Basic and diluted loss per share (RMB)	**(2.5) cents**	(2.8) cents

Diluted loss per share was equal to basic loss per share as there was no dilutive potential share outstanding for the each of the years ended 31 December 2018 and 2017.

10 LOAN RECEIVABLE

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current portion		
– Loan to a third party (Note (a))	**–**	100,000
Current portion		
– Loan to a third party (Note (b))	**100,000**	–
	100,000	100,000
Less: Expected credit losses of loan receivable	**(1,144)**	–
	98,856	100,000

Notes:

(a) As at 31 December 2017, loan receivables of RMB100,000,000 represented a loan of RMB100,000,000 to Warburg Energy Development Limited (北京中海沃邦能源投資有限公司) ("Warburg"), which was unsecured and bearing annual interest of 9% with a fixed term of 5 years. The loan was early repaid to the Group in January 2018.

(b) On 11 December 2018, Jiayi, one of the subsidiaries of the Group, entered into a loan agreement (the "Loan Agreement") and a bank custodian agreement (the "Bank Custodian Agreement") with Shenzhen Sanjiu Danfeng Bailu Hotel Commonweal Co., Ltd.* ("Danfeng"), an independent third party, to provide a loan of RMB100,000,000 for a term of 3 months, which is extendable for not more than 6 months, bearing annual interest of 7%.

(c) Movement in the loss allowances amount in respect of loans receivable during the year is as follows:

	2018
	RMB'000
Balance at 31 December under HKAS 39	**–**
Impact on initial application of HKFRS 9	**1,049**
Adjusted balance at 1 January	**1,049**
Expected credit losses recognised during the year	**95**
Balance at 31 December	**1,144**

* 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.

11 OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current assets:		
Other receivables		
– Amount due from Warburg (Note (a))	**–**	13,123
– Amount due from Merit Progress Investments Limited ("Merit Progress") (Note (b))	**–**	33,436
	–	46,559
Current assets:		
Other receivables		
– Amount due from Warburg (Note (a))	**10,493**	–
– Amount due from Merit Progress (Note (b))	**52,705**	129,566
– Amount due from Xiaoyi Dajieshan Coal Industry Company Limited* ("Xiaoyi Dajieshan") (Note (c))	**–**	52,600
– Amount due from Shaanxi Jiatai Hengrun Mineral Resources Development Co. Ltd.* ("Shaanxi Jiatai") (Note (d))	**47,618**	39,350
– Amount due from Mr. Wei Xing (Note (e))	**28,548**	26,756
– Interest income receivables from Danfeng (Note (f))	**403**	–
– Amount due from Shaanxi Mining Garner Co., Ltd. (Note (g))	**9,502**	–
– Deductible input value-added tax ("VAT")	**2,139**	2,107
– Others (Note (h))	**7,792**	17,782
Subtotal	**159,200**	268,161
Less: Provision of impairment loss on other receivables (Note (i), (k))	**(92,019)**	(98,127)
	67,181	170,034
Advances to suppliers – third parties	**1,200**	1,800
	68,381	171,834

* 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.

Notes:

(a) In December 2015, Jiayi granted a loan of RMB100,000,000 to Warburg, which was unsecured, bearing annual interest of 9% with a fixed term of 5 years (see note 11(a)). The loan was early repaid to the Group in January 2018 while the interest receivable of approximately RMB10,493,000 was subsequently repaid in March 2019.

(b) The Group entered into a memorandum of terms (the "Memorandum") on 3 December 2015 and a series of supplemental terms (the "Supplementals") on 29 March 2016, 6 September 2016, 31 December 2016 and 30 June 2017 with three vendors (the "Vendors") in relation to a possible acquisition of the entire equity interests of China Green Energy Investment Limited (the "Target Company") at a total consideration of not more than US$150,000,000 (equivalent to approximately RMB980,202,000). The Target Company and its subsidiaries are principally engaged in exploration, development, production and sale of the coalbed methane in the Shanxi province, the PRC. Pursuant to the Memorandum, the Group paid US$25,000,000 (equivalent to approximately RMB163,367,000) to the Vendors in December 2015 as a refundable deposit for the exclusive negotiation rights from the date of the Memorandum to end of March 2016 (which was subsequently extended to end of December 2017 pursuant to the Supplementals). The earnest money was secured by the share charge in respect of all the shares of the Vendors in favour of the Company. The said share charge is not yet registered in the register of charges of the Target Company as at date of the consolidated financial statements that were authorised for issue. Pursuant to the Memorandum and the Supplementals, in the event that no sale and purchase agreement is entered into or the possible acquisition does not proceed on or before 31 December 2017, the earnest money shall be refunded to the Company.

Two Vendors have subsequently transferred their shares in the Target Company to Merit Progress, the remaining Vendor, which became the only legal and beneficial owner of the entire issued share capital of the Target Company as at 31 December 2017 and 2018.

As at 31 December 2017, the acquisition did not proceed and the exclusive negotiation right was expired, and the refundable deposit was thus reclassified to other receivables as at 31 December 2018 and 2017. As at 31 December 2018, the outstanding balance from Merit Progress was HK$60,000,000 (equivalent to approximately RMB52,705,000) (2017: HK$80,000,000 (equivalent to approximately RMB63,002,000)). Subsequently, HK$20,000,000 (equivalent to approximately RMB17,568,000) was collected by the Group before the date of issue of these consolidated financial statements. Pursuant to a letter received from Merit Progress in March 2019, Merit Progress shall settle the remaining HK$40,000,000 (equivalent to approximately RMB35,137,000) by end of June 2019. Considering (i) the value of share charge provided by Merit Progress; (ii) the personal guarantee provided by the ultimate beneficial owner of Merit Progress; and (iii) the value of assets owned by the ultimate beneficial owner and respective associates of Merit Progress, the directors believe no provision is necessary for the remaining balance.

(c) The receivables due from Xiaoyi Dajieshan amounting to RMB52,600,000 arose from the disposal of Shaanxi Jiahe (the "Disposal"), which is engaged in exploration and production of gold in the Shaanxi province, the PRC. In December 2015, the Group and Xiaoyi Dajieshan entered into an agreement (the "Disposal Agreement"), pursuant to which (i) Hami Jiatai sold 100% equity interests in Shaanxi Jiahe to Xiaoyi Dajieshan for a consideration of RMB48,000,000; (ii) payables of RMB9,400,000 due to the Company and its subsidiaries originally by Shaanxi Jiahe were assumed by Xiaoyi Dajieshan.

The transfer was completed in December 2015. Until 31 December 2015, the Group received RMB4,800,000 from Xiaoyi Dajieshan and the remaining balance of RMB52,600,000 was to be collected by the end of 2016 according to the Disposal Agreement.

In February 2017, the Company, Hami Jiatai and Xiaoyi Dajieshan entered into a supplemental agreement, pursuant to which Xiaoyi Dajieshan would pay RMB10,000,000 in March 2017, while the due date of the remaining amount of RMB42,600,000 was extended to December 2017. Three bank acceptance notes with a total carrying amount of RMB10,000,000 were received from Xiaoyi Dajieshan in March 2017. Management subsequently noted in March 2018 that these three bank acceptance notes were forged.

As Xiaoyi Dajieshan had failed to settle the remaining balance of the consideration for the disposal in the amount of RMB52,600,000 despite of repeated demands by the Company, on 29 January 2018, Hami Jiatai initiated a civil litigation against Xiaoyi Dajieshan in the Intermediate People's Court of Lvliang Municipality (the "Court") with a view to recover the outstanding consideration for the Disposal together with default interest. On 14 March 2018, the litigation was filed at the Court.

On 22 May 2018, the Court issued a civil mediation order, pursuant to which Hami Jiatai and Xiaoyi Dajieshan have reached an agreement for full settlement of the outstanding receivable by the following means: (i) the entire equity interests of Shaanxi Jiahe together with the debts in the amount of RMB3,100,000 due from Shaanxi Jiahe to Hami Jiatai which were then assigned by Hami Jiatai to Xiaoyi Dajieshan shall be transferred back to Hami Jiatai; and (ii) the amount of RMB4,800,000 paid by Xiaoyi Dajieshan to Hami Jiatai as part of the consideration for the Disposal shall be retained by Hami Jiatai as penalty (the "Settlement").

As the relevant regulatory filings with the local commerce bureau in relation to the Disposal have yet to be completed, no further filing with the local regulatory bodies is required in relation to the transfer of the entire equity interests of Shaanxi Jiahe from Xiaoyi Dajieshan back to Hami Jiatai. Immediately after the Settlement, Shaanxi Jiahe became an indirect 95%-owned subsidiary of the Company.

In addition, on 31 May 2018, the Group and Xiaoyi Dajieshan entered into certain debt settlement agreements, pursuant to which Xiaoyi Dajieshan agreed to assign to the Company and Huili Runce Investment Consultation (Beijing) Limited ("Huili Runce") its rights over certain receivables due by Shaanxi Jiahe. As a result, the Company and Huili Runce assumed receivables due by Shaanxi Jiahe of RMB4,000,000 and RMB2,300,000 respectively, and Xiaoyi Dajieshan ceased to be entitled to any right to these receivables since then.

In respect of certain matters relating to the Disposal (including, but not limited to, receipt of three forged bank acceptance notes by the Group), the Directors set up a special investigating committee (the "Special Investigating Committee") on 21 March 2018, and an independent investigation firm (the "Independent Investigation Firm") was engaged by the Special Investigating Committee to conduct an independent investigation into such matters.

Pursuant to the investigation report prepared by the Independent Investigation Firm (the "Investigation Report"), the Group received the first payment of RMB4,800,000 as the first tranche consideration, which was remitted by an individual on behalf of Xiaoyi Dajieshan to the Group on 30 December 2015 according to the notice issued by Xiaoyi Dajieshan. On 10 March 2017, Xiaoyi Dajieshan presented three bank acceptance notes in the total amount of RMB10,000,000 to the Group, purportedly for the payment of the second tranche consideration for the Disposal. However, as an ex-employee of the Group (the "Relevant Employee"), who was responsible for the matter indicated that he was occupied by various matters at the time when the bank acceptance notes were provided to the Group and Xiaoyi Dajieshan also requested the Relevant Employee to bank in the bank acceptance notes at a later time due to some conflicts with its suppliers, the Relevant Employee had not arranged for the deposit of the bank acceptance notes in time. Subsequently, the representative of Xiaoyi Dajieshan (the "Purchaser Representative") admitted that the three bank acceptance notes were forged, and he was aware of it before he presented them to the Relevant Employee. It is also noted that the Purchaser Representative is also a director of Warburg, which was a subsidiary of Xiaoyi Dajieshan from May to November 2012.

Based on the above and other findings of the Investigation Report, the Special Investigating Committee is of view that the Disposal was a legally binding transaction under PRC laws and the Company had complied with the applicable reporting requirements under the Listing Rules.

The impairment assessment of the amounts due from Xiaoyi Dajieshan of RMB52,600,000 was made with reference to the fair value of equity interests of Shaanxi Jiahe because the equity interests in Shaanxi Jiahe was transferred back to the Group by Xiaoyi Dajieshan upon the aforesaid settlement arrangements as stated above. As such, management appointed an independent valuer (the "Valuer") to carry out an assessment of the business enterprise value ("BEV") of Shaanxi Jiahe, which was determined based on the value-in-use calculation using cash flow projections of Shaanxi Jiahe and by reference to its management accounts as at 31 December 2017. In the opinion of the Directors, the BEV approximates the fair value of the equity interests in Shaanxi Jiahe.

The cash flow projections were prepared based on financial budgets approved by management and management's assumptions and estimates including forecast of ores reserve available for extraction, selling prices of gold and silver, discount rate, time to commence commercial production and inflation rate on the cash generating units of Shaanxi Jiahe.

- The ores reserve available for extraction include those for Mine 1 and Mine 2 of Project Huangjinmei, which is the only mining project of Shaanxi Jiahe. Currently Shaanxi Jiahe only owns the mining right of Mine 1. Pursuant to agreements with a third party, that third party has agreed to endeavour to cause the current owner of the exploration right of Mine 2 to transfer that exploration right to Shaanxi Jiahe without additional charges. It is assumed that Shaanxi Jiahe is able to secure the exploration right of Mine 2 and fulfil the legal requirements for commercial operation by 30 September 2020.

- The discount rate used in measuring value-in-use was 16%, which is pre-tax and reflects the specific risk relating to the business, after adjustment of probability of success.

- The projected prices of gold and silver used are derived from the forecasts sourced from Bloomberg.

- Commercial production is expected to commence in 2020 and 3% is adopted in the forecast as the estimated inflation rate.

In addition, the management accounts of Shaanxi Jiahe included significant other receivables due from, and other payables due to, the same group of certain third parties. Management assumed that Shaanxi Jiahe could fully collect all other receivables and would settle the other payables in full in the foreseeable future. The management also assumed that payables to the Company, Hami Jiatai and Huili Runce in total of RMB9,400,000 will be settled by Shaanxi Jiahe during the forecast period.

According to the valuation report prepared by the Valuer, the fair value of 100% equity interests of Shaanxi Jiahe was valued at RMB13,159,000 as at 31 December 2017. On this basis, the Group set aside an impairment provision of RMB30,041,000 against the receivables due from Xiaoyi Dajieshan of RMB52,600,000 at 31 December 2017, being the difference between carrying amount of receivable balance of approximately RMB52,600,000 and the aggregated amount of the fair value of 100% equity interests of Shaanxi Jiahe of approximately RMB13,159,000 and amounts due by Shaanxi Jiahe to the Group of approximately RMB9,400,000.

(d) The balance mainly represented prepayment of approximately RMB23,500,000 for acquisition of Shaanxi Jiarun Mining Development Co., Ltd.* ("Shaanxi Jiarun") which was lapsed on 30 September 2013, proceeds of approximately RMB8,350,000 receivable from Shaanxi Jiatai arising from disposal of plant, property and equipment and advances of RMB15,768,000 to Shaanxi Jiatai, a company owned by Mr. Wei Xing, an independent third party. The balance was fully impaired because of the dispute between Shaanxi Jiatai and the Group in 2014 and 2015.

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

As at the end of the reporting period, full provision had been provided against the receivables because of the expiration of the negotiation rights due to dispute between Mr. Wei Xing and the Group.

(f) On 11 December 2018, Jiayi entered into the Loan Agreement and Bank Custodian Agreement with Danfeng. Pursuant to the Loan Agreement, Jiayi agreed to provide to Danfeng a loan of RMB100,000,000 for a term of 3 months, which is extendable for not more than 6 months bearing annual interest of 7% (see note 11(b)). Interest receivables of approximately RMB403,000 was accrued as at the end of reporting date.

On 12 March 2019, the Loan Agreement was extended to 1 April 2019 and 3-month interest of approximately RMB1,750,000 was paid by Danfeng on 11 March 2019. At the board meeting held on 29 March 2019, the Directors approved the extension of the Loan Agreement to 11 September 2019.

(g) The balance mainly represented advances of approximately RMB9,502,000 to Shaanxi Mining Garner Co., Ltd., a company owned by Mr. Wei Xing. The balance was fully impaired due to the dispute between Mr. Wei Xing and the Group.

(h) The balances as at 31 December 2018 and 2017 mainly represented receivables from third parties, which were unsecured, interest free and had no fixed terms of repayment. An impairment provision of approximately RMB5,232,000 was recognised as the debtors' default in payment.

(i) As of 31 December 2018, other receivables of approximately RMB92,019,000 (2017: RMB98,127,000) were impaired. Provision for other receivables was mainly the provision for the amounts due from Shaanxi Jiatai of approximately RMB47,618,000, provision for amount from Shaanxi Mining Garner Co., Ltd. of approximately RMB9,502,000 and provision for the amounts due from Mr. Wei Xing of approximately RMB28,548,000, the receivables were provided in full due to the dispute between the Group and the counterparties.

(j) The carrying amounts of other receivables and prepayments (after netting off impairment) approximated their fair values. The balances were mainly denominated in RMB.

(k) As at 31 December 2018, loss allowance of RMB92,019,000 were made against the gross amount of other receivables.

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

	2018 RMB'000
Balance at 31 December under HKAS 39	**98,127**
Impact on initial application of HKFRS 9	**5,232**
Adjusted balance at 1 January	**103,359**
Written off of other receivables	**(30,041)**
Expected credit losses recognised during the year	**16,806**
Exchange realignment	**1,895**
Balance at 31 December	**92,019**

The movement in the impairment for other receivables during the year ended 31 December 2017 is as follows:

	2017
	RMB'000
Balance at 1 January	66,422
Impairment loss for the year	31,705
Balance at 31 December	98,127

* 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.

12 TRADE RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade receivables (Note (a))	**11,516**	8,975
Less: Expected credit losses of trade receivables (Note (b))	**(158)**	–
Trade receivables	**11,358**	8,975

Notes:

(a) At 31 December 2018 and 2017, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Up to 3 months	**3,664**	3,597
3 to 6 months	**4,079**	5,378
6 to 12 months	**–**	–
Over 12 months	**3,615**	–
	11,358	8,975

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 the management. The trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, were not impaired. Based on communications with these customers, it is expected these receivables will be settled by end of 2019.

(b) As at 31 December 2018, loss allowances of approximately RMB158,000 were made against the amount of trade receivables.

Movement in the loss allowances amount in respect of trade receivables during the year is as follows:

	2018 **RMB'000**
Balance at 31 December under HKAS 39	**–**
Impact on initial application of HKFRS 9 (note 2.1(b) (i))	**104**
Adjusted balance at 1 January	**104**
Expected credit losses recognised during the year	**54**
Balance at 31 December	**158**

* 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.

13 TRADE PAYABLES

Trade payables are analysed as follows:

	As at 31 December	
	2018 **RMB'000**	2017 RMB'000
Third parties	**7,610**	12,226

The carrying amounts of trade payables are considered to be the same as their fair values due to their short-term nature. The balances are denominated in RMB.

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
0 – 90 days	**1,290**	6,507
91 – 180 days	**4,247**	3,158
181 – 365 days	**464**	1,261
Over 365 days	**1,609**	1,300
	7,610	12,226

14. BUSINESS COMBINATIONS

On 22 May 2018, Hami Jiatai and Xiaoyi Dajieshan have reached an agreement for full settlement of the outstanding receivable, which includes the entire equity of Shaanxi Jiahe shall be transferred back to Hami Jiatai from Xiaoyi Dajieshan.

As no further filing with the local regulatory bodies is required in relation to the transfer of the entire equity interest, immediately after the settlement, Shaanxi Jiahe became an indirect 95%-owned subsidiary of the Company.

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

	22 May 2018
	RMB'000
Total purchase consideration	13,159
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	2
Constructions in progress	14,296
Mining rights and exploration rights	15,320
Trade and other receivables	18,231
Other long-term assets	349
Payables to third parties	(23,678)
Provision for close down, restoration and environmental costs	(1,961)
Payables to the Company and its subsidiaries	(9,400)
Deferred tax liability	(1,115)
Total identifiable net assets	12,044
Goodwill	1,115

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

15 EVENTS AFTER BALANCE SHEET DATE

On 12 March 2019, Jiayi entered into a supplementary loan agreement with Danfeng to extend the Loan Agreement of RMB100,000,000 until 1 April 2019. At the board meeting held on 29 March 2019, the Directors approved the extension of the Loan Agreement to 11 September 2019.

16 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year representation.

EXTRACTS OF THE INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from BDO Limited, the external auditor of the Company, on the Group's consolidated financial statements for the year ended 31 December 2018:

Qualified Opinion

In our opinion, except for the possible effects of the matter 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

As further described in Note 27(c) and Note 39 (a) to the consolidated financial statements, the Group acquired 100% equity interests in Shaanxi Jiahe Mining Co., Ltd. ("Shaanxi Jiahe") from Xiaoyi Dajieshan Coal Industry Co., Ltd. ("Xiaoyi Dajieshan") in May 2018, which was satisfied by the carrying amount of the outstanding receivable from Xiaoyi Dajieshan. In determining the fair value of the consideration, management has adopted the following key assumptions:

1. The title of the mining rights of Mine 2 will be transferred to Shaanxi Jiahe at no additional charges and, if so, Mine 2 will meet the legal requirements to commence commercial operation by 30 September 2020 ("Assumption 1"); and

2. Shaanxi Jiahe's other receivables due from certain independent third parties amounted to RMB17,770,000 will be fully recoverable in the near future through certain offsetting arrangement.

As a result of the acquisition of the 100% equity interests in Shaanxi Jiahe, goodwill of approximately RMB1,115,000 was recorded upon the date of acquisition.

The 100% equity interests in Shaanxi Jiahe acquired from Xiaoyi Dajieshan was used to settle the amount due from Xiaoyi Dajieshan of RMB52,600,000 and as a result, the Group set aside an impairment provision of approximately RMB30,041,000 against the receivable balance during the year ended 31 December 2017, being the difference between carrying amount of receivable balance of RMB52,600,000 and the aggregated amount of the fair value of 100% equity interests in Shaanxi Jiahe of approximately RMB13,159,000 and amount due from Shaanxi Jiahe to the Group of RMB9,400,000.

During the year ended 31 December 2018, impairment provisions of approximately RMB10,208,000, RMB17,770,000 and RMB1,115,000 were made on the carrying amounts of the above-mentioned mining rights, other receivables and goodwill, respectively. When determining the recoverable amount of the mining rights as at 31 December 2018, management continued to adopt Assumption 1 as management considered there have been no material changes on operations of Shaanxi Jiahe and the assumptions should remain unchanged.

Management could not provide sufficient and appropriate evidence for us to assess the above-mentioned key assumptions that are essential to determine the fair value of the 100% equity interests in Shaanxi Jiahe at the date of acquisition and recoverable amount of the mining rights as at 31 December 2018, as appropriate. There were no alternative procedures that we could perform to satisfy ourselves with respect to the validity of the above two key assumptions. Consequently,

a. we were unable to assess the sufficiency of the impairment provision of RMB30,041,000 on the receivable from Xiaoyi Dajieshan as at 31 December 2017. This would have a consequential effect on accumulated losses as at 1 January 2018 and the financial performance for the year ended 31 December 2018, as we were unable to determine whether any adjustment to accumulated losses as at 1 January 2018 and the financial performance for the year ended 31 December 2018 was necessary.

b. we were unable to assess, as at the date of acquisition, the fair value of the aforementioned mining rights and other receivables acquired and the amount of goodwill generated from the acquisition. These would have a consequential effect on the financial performance for the year ended 31 December 2018, as we were unable to determine whether any adjustment to the impairment provisions against the carrying amounts of these assets as at 31 December 2018 was necessary.

c. we were unable to assess, as at 31 December 2018, the carrying amount of the aforementioned mining rights. This would have a consequential effect on the financial performance for the year ended 31 December 2018, as we were unable to determine whether any adjustment to the impairment provision against the carrying amount of the mining rights as at 31 December 2018 was necessary.

Besides, the predecessor auditor encountered similar limitation of scope during the course of their audit of the Group's consolidated financial statements for the year ended 31 December 2017 in relation to (1) the recoverable amount of the receivable from Xiaoyi Dajieshan as at 31 December 2017 and (2) the impairment provision against the aforesaid receivable for the year then ended. This unresolved limitation of scope brought forward from last year would have a possible effect on the comparability of the current year's figures and the corresponding figures.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") 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.

BUSINESS REVIEW

The Group mainly participates in non-ferrous ore mining and processing. The diversified non-ferrous metal minerals covered by the Company's operation include nickel, copper, zinc and lead in Xinjiang, the PRC and gold in Shaanxi province, the PRC. The mining and exploration tenements and ore processing plants in Xinjiang are located close to the municipal city of Hami, which is approximately 400 kilometer ("km") south east of Urumqi, the capital of Xinjiang. Huangjinmei tenement is located 15 km by sealed road from the regional town of Jinchuan, Ningshan county. The town of Jinchuan is located approximately 140 km south of Xi'an city and is connected by the G210 state highway.

The Company's subsidiaries, Hami Jinhua and Hami Jiatai, own two mining permits and three exploration permits in Xinjiang, the PRC.

The price of copper, nickel, zinc and lead fluctuated wildly in 2018 as the factors that boosted or depressed the commodity's price alternated with each other to prevail in the relationship between supply and demand. The price of copper reached at its peak near the mid of 2018, the price dropped gradually to its low in August 2018, and rebounded slightly near the year end. On the other hand, the price of the nickel also reached its peak near the mid of 2018 but dropped gradually to its year low near the year end. In contrast, the markets of lead and zinc showed their weak, having around 20% and around 26% decline in price respectively during 2018. (Source: The London Metal Exchange)

Since the commodities' price had not yet stabilised at a high enough level for the business segment to be profitable, the Group continued to defer the mining activities and scheduled maintenance work in order to extend the mine services lives and minimise the operating loss. This also allow the Group to preserve the value of the assets during the year ended 31 December 2018 (the "Year"). The Group will be closely monitoring the window to restart its mines production and will also look for cooperative partners to jointly develop the mines in order to maximise their economic values.

For events which occurred after the reporting period, please refer to note 15 to the consolidated financial statements in this announcement.

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 ore. The Group has renewed the mining permit of No. 20 Mine during the Year. To meet new requirements of safety production, No. 20 Mine is to upgrade its lifting system before the production relaunching. Baiganhu Mine produces lead and zinc ore. The Group is preparing feasibility study for the commencement of production.

During the Year, Shaanxi Jiahe, which became the 95%-owned subsidiary of the Company in May 2018, holds the mining permit of Mine 1 of Project Huangjinmei that produces gold ore. The Group will engage mine construction company or identify potential cooperative parties to develop Project Huangjinmei as and when appropriate.

Exploration Permits

Hami Jiatai holds three exploration permits in Xinjiang namely Baiganhu Gold, Huangshan and H-989, with minerals covering gold, nickel and copper. Preliminary exploration and/or drilling plans for such tenements had been considered. Hami Jiatai had conducted some exploration at Baiganhu Gold tenement, and identified the preliminary mineralisation band and the ore deposit. Subject to the market condition and local requirements, the Group will devote reasonable resources to carry out further exploration in order to enrich the resources and reserve base. In the meantime, the Group will communicate with the relevant parties on the title transfer of the exploration right of Mine 2 of Project Huangjinmei.

Ore Processing Plants

Hami Jiatai operates a copper-nickel ore processing plant and Hami Jinhua owns a lead-zinc ore processing plant. Both plants were set up to process the ore that are extracted from the deposits, and adopt a nonconventional 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

The financial services in the PRC were carried out by the Company's wholly-owned subsidiary, Jiayi. On 19 January 2018, Jiayi entered into a loan agreement to provide to an independent third party a revolving loan facility in the aggregate principal amount of up to RMB 100 million with interest rate of 7% per annum for a term of 18 months, and such loan was repaid in December 2018. On 11 December 2018, Jiayi entered into another loan agreement to provide a loan of RMB100 million to an independent third party with interest rate of 7% per annum for a term of 3 months, and was further extended to 1 April 2019. At the board meeting held on 29 March 2019, the Directors approved the extension of the Loan Agreement to 11 September 2019. Revenue of approximately RMB6.7 million (2017: RMB10.2 million) was generated by Jiayi during the Year.

Further details of two loan agreements were disclosed in the announcements of the Company dated 19 January 2018 and 11 December 2018.

Engineering Services and Trading Business

The Group carried out business of engineering and other related services in the Shanxi Province, the PRC through a wholly-owned subsidiary of the Company, Changshi, which generated revenue of approximately RMB26.1 million (2017: RMB12.7 million) during the Year. Changshi was incorporated in the Shanxi Province, the PRC on 29 January 2016 and was acquired by the Group in May 2017. Changshi principally engaged in petrol, natural gas and coalbed gas engineering and pre-drilling services. During the Year, in order to diversify the business risk associated with the recent economic conditions, the Group had also diversified into the trade in materials for oil and gas exploration, including fracturing sands and water, gas drilling equipment and valves.

Transfer Back of Shaanxi Jiahe

References are made to announcements of the Company dated 28 March 2018, 30 April 2018, 31 May 2018, 12 June 2018, 15 June 2018, 17 July 2018, 14 August 2018 and 17 August 2018 (the "Announcements"). Unless otherwise stated, capitalised terms used in this report shall have the same meaning as those defined in the Announcements.

The Disposal and the Settlement

On 18 December 2015, Hami Jiatai and Xiaoyi Dajieshan entered into a disposal agreement (the "Disposal Agreement") in relation to the disposal of the entire equity interest of Shaanxi Jiahe, which is principally engaged in mining, ore processing and sale of gold products in the PRC, and the right to the entire debts in the aggregate amount of RMB9.4 million due from Shaanxi Jiahe to the Group for an aggregate consideration of RMB57.4 million (the "Disposal"). Following receipt of the First Payment of RMB4.8 million by the Group, the Disposal was completed in December 2015. In February 2017, the Company, Hami Jiatai and Xiaoyi Dajieshan entered into a supplemental agreement to extend the payment deadline of the balance of consideration for the Disposal to 31 December 2017. Despite considerable effort was put by the Group in demanding for repayment, Xiaoyi Dajieshan had failed to settle the balance of consideration for the Disposal in the amount of RMB52.6 million. Therefore, in March 2018, Hami Jiatai initiated a legal proceeding against Xiaoyi Dajieshan for the outstanding consideration payable under the Disposal Agreement. Pending the commencement of the said legal proceedings, the Group also sent repeated demands to Xiaoyi Dajieshan. However, taking into consideration of the potential higher legal costs of prolonged litigation proceedings and the low probability of recovering the remaining consideration from Xiaoyi Dajieshan in light of its financial status, the Group considered that the settlement would be in the best interests of the Group. On 22 May 2018, the Court issued a civil mediation order, pursuant to which Hami Jiatai and Xiaoyi Dajieshan has reached the settlement that the entire equity of Shaanxi Jiahe together with the debts of RMB3.1 million due from Shaanxi Jiahe shall be transferred back to Hami Jiatai, and the RMB4.8 million paid by Xiaoyi Dajieshan to Hami Jiatai as part of the consideration for the disposal shall be retained by Hami Jiatai as liquidated damages (the "Settlement"). Further, on 31 May 2018, the Group and Xiaoyi Dajieshan also entered into the debt settlement agreements, pursuant to which Xiaoyi Dajieshan agreed to re-assign the debts of RMB6.3 million to the Group. Immediately after the Settlement, Shaanxi Jiahe became an indirect 95%-owned subsidiary of the Company and Xiaoyi Dajieshan ceased to be entitled to any right to the aforementioned debts. Details of the Disposal and the Settlement were disclosed in the announcements of the Company dated 18 December 2015, 31 May 2018 and 17 August 2018.

The Valuation

Following the transferred back of Shaanxi Jiahe, the Company engaged an independent technical adviser in the PRC to produce a technical report (the "Technical Report") in relation to the reserves, feasibility study and production plan of the gold mine, namely Project Huangjinmei, operated by Shaanxi Jiahe. Meanwhile, the Company also appointed an independent valuation firm to carry out an independent review of business enterprise value ("BEV") of Shaanxi Jiahe in order to assess the amount of impairment recovery to be provided for the outstanding receivable from Xiaoyi Dajieshan. The BEV of Shaanxi Jiahe is determined based on the VIU calculation with reference to the management accounts of Shaanxi Jiahe as at 31 December 2017 and the cash flow projection made immediately after the transfer back of the Shaanxi Jiahe (the "Cash Flow Projection").

The Cash Flow Projections have taken into account that: (i) based on the Technical Report, the advice from the PRC legal counsel and the interview by the Company and PricewaterhouseCoopers, the retired auditors of the Company ("Retired Auditors"), with the representative of the Shaanxi Provincial Department of Land Resources, the Company targets to complete the title transfer of exploration rights of Mine 2 of Project Huangjinmei to Shaanxi Jiahe as soon as practicable and Mine 2 will be able to meet the legal requirement to commence production by the third quarter of 2020; (ii) considering the amount of non-operating payables of Shaanxi Jiahe to a group of third parties outweighs its non-operating receivables from the same group of third parties, the Company considers that no impairment is required for the said non-operating receivables; and (iii) amount due from Shaanxi Jiahe to the Group of RMB9.4 million will be fully repaid by Shaanxi Jiahe. Valuation result of the BEV of Shaanxi Jiahe as at 31 December 2017 was approximately RMB13.2 million.

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

The Independent Investigation

In respect of the receipt of three unauthentic bank acceptances by the Group for settlement of consideration for the Disposal, the Directors set up the Special Investigating Committee on 21 March 2018 to investigate the Disposal and address other issues raised by the Company's Retired Auditors. The Independent Investigation Firm was engaged by the Special Investigating Committee to conduct an independent investigation into such matters (the "Independent Investigation"). For details of the key findings of the Independent Investigation, please refer to the Company's announcement dated 17 August 2018.

Based on the findings of the Independent Investigation, the Special Investigating Committee is of the view that the Disposal was a legally binding transaction under the PRC laws and the Company had complied with the applicable reporting requirements under the Listing Rules. Further, the Board believes that the Group has taken various measures to protect the Group against losses that might arise from the Disposal. Such measures include but are not limited to the following: (i) the Group has repeatedly descended Xiaoyi Dajieshan for the settlement of outstanding payments under the Disposal. The Group eventually took legal action against Xiaoyi Dajieshan and the parties reached the Settlement pursuant to which the Group retrieved the assets from Xiaoyi Dajieshan and obtained liquidated damages; and (ii) the Group has reviewed the adequacy and effectiveness of the Group's risk management and internal control systems and has engaged a third-party risk management and internal control review adviser to conduct annual review of the risk management and internal control systems including the payment and bills receipts systems of the Group.

The Group will strive to improve its accounting, internal audit and financial reporting functions and will strive to ensure that the qualifications and experience of the relevant staff performing such functions will be adequate. Meanwhile, the Group reserves its rights to claim and take actions against any entity and/or individuals in connection with the same.

RESULTS REVIEW

Revenue and gross profit

During the Year, the Group has recorded a revenue of approximately RMB32.8 million, which mainly represented the revenue generated from trading of materials for oil and gas exploration provided by Changshi of approximately RMB26.1 million and financial services provided by Jiayi of approximately RMB6.6 million.

The revenue increased by approximately RMB10.0 million or 43.7% year on year from approximately RMB22.8 million during the year ended 31 December 2017 (the "Previous Financial Year"). The increase was mainly because revenue amounted to approximately RMB26.1 million was recognised after the Group entered into a new business in trading of materials for oil and gas exploration during the Year. The increase was partly offset by decrease in revenue of approximately RMB12.7 million for the Group's engineering and other related services business during the Previous Financial Year.

The Group recorded cost of sales of approximately RMB24.0 million during the Year, as compared to approximately RMB13.8 million during the Previous Financial Year. The cost of sales for the Year mainly represented the cost of inventories for the Group's new business in trading of materials for oil and gas exploration, while that for the Previous Financial Year mainly represented the cost of providing engineering services.

Gross profit of approximately RMB 8.8 million was recorded during the Year, as compared with the gross profit of approximately RMB15.1 million recorded in the Previous Financial Year. The Group's new trading business has relatively lower gross margin than the engineering services. With the increase in the revenue from the Group's trading business and the decrease of revenue from the Group's engineering services, the gross profit hence recorded RMB6.3 million or 41.7% year on year decrease during the Year.

The price of copper, nickel, zinc and lead fluctuated wildly in 2018 as the factors that boosted or depressed the commodity's price alternated with each other to prevail in the relationship between supply and demand. It is still far from certain whether the commodity's price can stabilise at high levels.

As such, the Group carried out reviews of the recoverable amounts of Hami Jiatai and Hami Jinhua, which are considered as the CGUs of their mining operations in Xinjiang, the PRC. The recoverable amounts of Hami Jiatai and Hami Jinhua have been determined based on the VIU calculation using cash flow projections, which was prepared based on financial budgets approved by management and management's assumptions and estimates including forecast of selling prices of copper, nickel, zinc and lead, discount rates, time to resume production and inflation rate on the CGUs. There was no material change in the valuation methodology adopted during the Year from those of the Previous Financial Year.

The Group also carried out reviews of the recoverable amount of Shaanxi Jiahe, which is considered as the CGU of the Project Huangjinmei as at 31 December 2018. The recoverable amount of Shaanxi Jiahe has been determined based on the VIU calculation using Cash Flow Projection and management's assumptions and estimates including forecast of selling prices of gold, discount rates, time to resume production and inflation rate on the CGU.

Further details of the key assumptions and parameters adopted in the valuation for the Year and the Previous Financial Year have been disclosed in note 7 to the consolidated financial statements in this announcement.

Approximately RMB27.4 million (2017: RMB6.1 million) of the impairment losses, in aggregate, against goodwill, property, plant and equipment and mining structures and mining rights were recorded for the Year, in aggregate, for both Hami Jiatai, Hami Jinhua and Shaanxi Jiahe, after the Group referred to the valuations conducted by independent valuation firms. Further details of the valuations and the impairments are set out in note 7 to the consolidated financial statements in this announcement.

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

Administrative expenses

Administrative expenses for the Year amounted to approximately RMB28.3 million (2017: RMB56.5 million). They mainly included depreciation and amortisation charges, consulting fees, staff costs and office overheads. The RMB9.2 million year on year decrease in the administrative expenses was mainly because the doubtful debt provision for other receivables from approximately RMB31.7 million was provided during the Previous Financial Year while no such provision was made during the Year.

Other gains – net

Other gains of RMB14.4 million during the Year, as compared with RMB0.7 million for the Previous Financial Year. The increase was because the exchange gain of approximately RMB12.1 million (2017: exchange loss of approximately RMB3.4 million) was recorded during Year as the result of the depreciation of RMB against the Group's assets denominated in HK$.

Finance income – net

Finance income for the Year was approximately RMB1.3 million, as compared with RMB0.4 million for the Previous Financial Year. The increase in the finance income was mainly contributed by the increase in the interest income of approximately RMB1 million as the result of the increase in the average bank balances during the Year.

Income tax credit/expense

The Group recorded income tax credit of approximately RMB4.7 million, against the income tax expense of approximately RMB1.8 million for the Previous Financial Year. The income tax credit of approximately RMB4.7million was mainly arising from the reversal of the deferred tax liabilities of approximately RMB6.1 million (2017: RMB1.6 million) upon the impairment of the Group's property, plant and equipment, and mining assets and mining rights, netted by the tax provision made for the Year of approximately RMB1.4 million (2017: RMB3.4 million).

Loss attributable to the equity holders of the Company

The Group recorded loss attributable to equity holders of the Company for the Year of approximately RMB41.3 million, as compared with approximately RMB46.1 million for the Previous Financial Year. The loss decreased by approximately RMB4.9 million or 10.5% year on year, and was primarily due to the decrease in gross profit of approximately RMB6.3 million and the increase in the other operating losses of approximately RMB21.3 million, which are offset by the increase in the other gain of approximately RMB13.7 million, decrease in the expected credit losses on financial assets of approximately 14.7 million and income tax credit of approximately RMB4.7 million (2017: income tax expenses of approximately RMB1.8 million).

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held as at 31 December 2018 (2017: nil).

MATERIAL ACQUISITIONS AND DISPOSALS

Save as transfer back of Shaanxi Jiahe as detailed above, 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 flow during the Year. Primary uses of funds during the Year was mainly payment of operating expenses.

As at 31 December 2018, current assets of approximately RMB351.8 million (2017: RMB238.3 million) were comprised of inventories of RMB3.0 million (2017: RMB3.0 million), trade receivables of RMB11.4 million (2017: RMB9.0 million), loan receivable of RMB98.9 million (2017: Nil), other receivables and prepayments of RMB68.4 million (2017: RMB171.8 million) and cash and cash equivalents of RMB167.9 million (2017: RMB54.4 million). Current liabilities of RMB58.9 million (2017: RMB38.4 million) were comprised of trade payables of RMB7.6 million (2017: RMB12.2 million), other payables and accruals of RMB43.9 million (2017: RMB21.0 million), income tax payable of RMB5.2 million (2017: RMB4.1 million) and borrowings of RMB2.2 million (2017: RMB1.0 million). Current ratios, being total current assets to total current liabilities, were 6.2 and 6.0 as at 31 December 2017 and 31 December 2018 respectively.

As at 31 December 2018, there was no outstanding interest-bearing bank loan (2017: nil) and an unsecured loan of RMB2.2 million (2017: RMB1.0 million) which was interest bearing of 10% per annum.

The Group conducted its continuing operational business transactions mainly in RMB and HK$. The Group did not arrange any forward currency contracts for hedging purposes.

GEARING RATIO

Gearing ratio of the Group is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is calculated as total equity plus net debt. As at 31 December 2018, the gearing ratio was 0% (2017: 0%).

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 does not currently engage 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 will take such a measure if it is deemed prudent.

CHARGES ON COMPANY'S ASSETS AND CONTINGENT LIABILITIES

There was no charge on the Company' s assets as at 31 December 2018 (2017: nil).

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

Save as disclosed above, as at 31 December 2018, the Group had no material contingent liability (2017: nil).

COMMITMENTS

(a) Capital commitments

There is no contracted capital expenditure as at years ended 31 December 2018 and 2017.

(b) Non-cancellable operating leases

Operating leases – lessee

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

The future aggregate minimum lease payments in relation to non-cancelable operating leases are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 year	**2,101**	2,944
Later than 1 year and no later than 5 years	**2,801**	4,665
	4,902	7,609

Operating leases – lessor

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

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 year	**1,267**	–
Later than one year and not later than 5 years	**3,600**	–
	4,867	–

HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 31 December 2018, the Group employed 39 employees (2017: 58). The total staff costs (including Directors' emoluments) for the Year were approximately RMB9.6 million (2017: RMB12.2 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 and outstanding as at 31 December 2018.

FUTURE OUTLOOK

The Group will continue to study and prepare a feasible relaunching production plan for the mines owned by the Group so as to capitalise on China's continuing strong economic growth.

During the Year, the Group has commenced trading of materials for oil and gas exploration including fracturing sands and water, gas drilling equipment and valves, and will continue to devote reasonable resources into the existing financial service and engineering service business. The Group is also continuously seeking for opportunities to expand the Group's businesses. Currently, the Group is actively exploring the potentials to fully utilise the Group's expertise and networks in the industry through widening the scope of trading business to coal. This is part of the Group's ongoing move to strengthen its diverse businesses with the aim of broadening its income stream. It is also aimed at minimising the impact of the adverse commodities market conditions on the Group's overall business performance.

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

DIVIDEND

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

PURCHASE, REDEMPTION OR SALE OF SECURITIES

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

CORPORATE GOVERNANCE CODE

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

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

Code provision A.6.7 of the Code provides that the independent non-executive Directors should attend general meetings of the Company. Ms. Xiang Siying and Ms. Huang Mei, each an independent non-executive Director, were unable to attend the annual general meeting of the Company held on 30 January 2019 due to their business commitments.

MODEL CODE FOR 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.

AUDIT COMMITTEE

The audit committee under the Board of the Company (the "Audit Committee") was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. The Audit Committee comprises the three independent non-executive Directors. The Audit Committee has reviewed the annual results for the year ended 31 December 2018.

PROCEDURES ON PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

BDO Limited, the Company's independent auditors, had performed procedures in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" and with reference to Practice Note 730 (Revised) "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA and consequently no assurance has been expressed by BDO Limited on this preliminary results announcement.

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

Hong Kong, 29 March 2019

As at the date of this announcement, the executive Directors are Ms. Wang Qian, Mr. Liu Huijie and Mr. Zhou Jianzhong; and the independent non-executive Directors are Ms. Xiang Siying, Ms. Huang Mei and Mr. Chan Ping Kuen.