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 RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "Board") of directors (the "Director(s)") 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 2020, together with comparative figures for the previous financial year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020** *RMB'000*	2019 *RMB'000*
Revenue	*3*	**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		**12,448**	6,435
Other (losses)/gains — net	*4*	**(4,896)**	4,472
Operating loss		**(12,566)**	(6,898)
Finance income	*5*	**982**	2,380
Finance costs	*5*	**(174)**	(435)
Finance income — net	*5*	**808**	1,945

	Note	**2020** *RMB'000*	2019 *RMB'000*
Loss before income tax	*7*	**(11,758)**	(4,953)
Income tax expense	*6*	**(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:			
Items that may be subsequently reclassified to profit or loss:			
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)	*9*	**(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		**60,295**	51,611
Mining rights and exploration rights		**94,538**	90,752
Right-of-use assets		**8,743**	10,997
Restricted cash at banks		**–**	247
Loan receivables	10	**76,280**	–
Financial assets at FVTOCI		**19,138**	–
Total non-current assets		**258,994**	153,607
Current assets			
Trade and bills receivables	12	**16,147**	5,943
Loan receivable	10	**–**	64,535
Other receivables and prepayments	11	**24,500**	36,178
Cash and cash equivalents		**169,139**	218,238
		209,786	324,894
Assets of a disposal group classified as held for sale	14	**–**	15,669
Total current assets		**209,786**	340,563
Total assets		**468,780**	494,170
LIABILITIES			
Current liabilities			
Trade payables	13	**1,310**	1,803
Other payables and accruals		**14,408**	17,948
Contract liabilities		**11,812**	11,654
Lease liabilities		**664**	2,075
Current tax liabilities		**2,781**	4,603
		30,975	38,083
Liabilities of a disposal group classified as held for sale	14	**–**	5,669
Total current liabilities		**30,975**	43,752
Net current assets		**178,811**	296,811

	Note	**2020**	2019
		RMB'000	*RMB'000*
Non-current liabilities			
Lease liabilities		**–**	708
Provision for close down, restoration and environmental costs		**2,882**	2,770
Deferred tax liabilities		**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		**137,361**	137,361
Share premium		**668,768**	668,768
Other reserves		**(10,781)**	(11,291)
Accumulated losses		**(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

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

These consolidated financial statements have been approved for issue by the Board 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.

(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.

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.

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 Mineral Resource Exploiture Limited ("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 Mineral Resource Exploiture Limited ("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.

(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	**Trading business**	**Financial services**	**Unallocated**	**Total**	Mining	Trading business	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*	*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)

	2020 Mining RMB'000	2020 Trading business RMB'000	2020 Financial services RMB'000	2020 Unallocated RMB'000	2020 Total RMB'000	2019 Mining RMB'000	2019 Trading business RMB'000	2019 Financial services RMB'000	2019 Engineering services RMB'000	2019 Unallocated RMB'000	2019 Total RMB'000
Fair value loss on a disposal group classified as held for sale	–	–	–	–	–	9,191	–	–	–	–	9,191
Expected credit losses/(Reversal of expected credit losses) 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:

(a) Unallocated operating loss mainly represented exchange (losses)/gain, 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.

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

(c) 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.

(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	**Trading business**	**Total**
	RMB'000	***RMB'000***	***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	Trading business	Engineering services	Total
	RMB'000	*RMB'000*	*RMB'000*	*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

(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	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*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	2019
	Segment	***RMB'000***	*RMB'000*
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**	–

4 OTHER (LOSSES)/GAINS — NET

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

5 FINANCE INCOME — NET

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Finance income		
Interest income	**982**	2,380
Finance costs		
Interest expenses		
— Interest on lease liabilities *(Note 7)*	**(62)**	(131)
— Unwinding of discount — provision for close down, restoration and environmental costs	**(112)**	(209)
— Others	**–**	(95)
	(174)	(435)
Finance income — net	**808**	1,945

6 INCOME TAX EXPENSE

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current tax (credit)/expense	**(87)**	1,271
Deferred tax	**3,680**	9,012
Income tax expense	**3,593**	10,283

7 LOSS BEFORE INCOME TAX

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

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Cost of inventories recognised as expense	**133,880**	84,866
Written off on inventories	**–**	3,019
Depreciation of property, plant and equipment *(Note (a))*	**2,464**	3,107
Depreciation of right-of-use assets	**2,254**	2,185
Loss on disposal of property, plant and equipment *(Note 4)*	**–**	53
Reversal of impairment loss on property, plant and equipment *(Note (b))*	**(11,148)**	(4,155)
Reversal of impairment loss on mining rights *(Note (b))*	**(3,786)**	(11,205)
Impairment loss on property, plant and equipment *(Note (b))*	**–**	1,671
Fair value loss on a disposal group classified as held for sale *(Note (b)) (Note 14)*	**–**	9,191
Expected credit losses ("ECL(s)")/(Reversal of ECLs) on financial assets *(Note (b))*	**2,486**	(1,937)
Interest on lease liabilities *(Note 5)*	**62**	131
Short-term leases expenses	**305**	359
Employee costs	**7,598**	8,933
Auditor's remuneration		
— annual audit	**978**	1,260
— others	**178**	200
Foreign exchange losses/(gain), net *(Note 4)*	**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.

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 cash generating units ("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, 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 value-in-use ("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.

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, 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.

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. 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, 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.

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.

8 DIVIDEND

The Directors did not propose any payment of dividend to the Company's shareholders for the years ended 31 December 2020 and 2019.

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

	2020	2019
	RMB'000	*RMB'000*
Loss for the year attributable to equity holders of the Company	**(16,738)**	(16,013)
	Number of shares	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.

10 LOAN RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Loans to third parties *(Note (a))*	**77,000**	65,000
	77,000	65,000
Less: ECLs of loan receivables *(Note (b))*	**(720)**	(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	2019
	RMB'000	*RMB'000*
Balance at 1 January	**465**	1,144
ECLs/(Reversal of ECLs) on loan receivable recognised during the year	**255**	(679)
Balance at 31 December	**720**	465

11 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

Note:

(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	**93,227**	92,019
Written off of other receivables	**(2,855)**	–
Reversal of ECLs on other receivables recognised during the year	**(305)**	(2,292)
Exchange differences	**(1,786)**	3,500
Balance at 31 December	**88,281**	93,227

12 TRADE AND BILLS RECEIVABLES

	2020 *RMB'000*	2019 *RMB'000*
Trade receivables	**19,275**	2,835
Less: ECLs of trade receivables *(Note (b))*	**(3,721)**	(1,141)
Trade receivables, net *(Note (a))*	**15,554**	1,694
Bills receivables *(Note (c))*	**600**	4,300
Less: ECLs of bills receivables	**(7)**	(51)
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	2019
	RMB'000	*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: 51,000) were made against the gross amount of bills receivables.

13 TRADE PAYABLES

Trade payables are analysed as follows:

	2020	2019
	RMB'000	*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.

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

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

14 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	15,148
Mining rights and exploration rights	9,320
Assets of a disposal group classified as held for sale before written down to fair value less costs to sell	24,860
Less: Fair value loss on a disposal group classified as held for sale *(Note 7)*	(9,191)
Assets a of disposal group classified as held for sale	15,669
Payables to third parties	368
Provision for close down, restoration and environmental costs	2,746
Payables to the Company and its subsidiaries	18,634
Deferred tax liabilities	2,555
Total liabilities of a disposal group classified as held for sale	24,303
Less: Payables to the Company and its subsidiaries	(18,634)
Liabilities of a disposal group classified as held for sale	5,669

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

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

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.

15 EVENTS AFTER BALANCE SHEET DATE

Since January 2020 and till the date of this announcement, the outbreak of COVID-19 has impact on the global business environment. Up to the date of this announcement, COVID-19 has not resulted in material impact to the Group. Depending on the development and spread of COVID-19 subsequent to the date of this announcement, 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 announcement. 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.

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 Mineral Resource Exploiture Limited* ("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.

* *For identification purposes only*

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.

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.

* *For identification purposes only*

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)") on financial assets of approximately RMB2.5 million (2019: reversal of ECLs on financial assets of approximately RMB1.9 million).

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.

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	**Operating profit/(loss)**	**Operating profit/(loss) Margin**	**Revenue**	**Operating profit/(loss)**	**Operating profit/(loss) Margin**
	RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*
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.

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

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.

The Group had no 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.

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 announcement, 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 announcement, 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 announcement, 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 announcement. 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.

DIVIDEND

The directors do not recommend the payment of any dividend for 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 shares 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 practices that meet the requirements set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and has complied with the code provisions of the Code during the Year, save for the following:

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the Year, Ms. Xiang Siying was the chairlady of the Company (the "Chairlady"). While the Company does not maintain the office of chief executive officer, the duties of chief executive officer 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.

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.

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 (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 2020.

BOARD'S VIEW ON THE POTENTIAL QUALIFIED OPINION

The Board, through 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") under the section "Extract of Independent 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, 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 14 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.

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, which 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.

AUDIT COMMITTEE'S VIEW ON THE POTENTIAL QUALIFIED OPINION

The Audit Committee had a meeting with the Auditor to understand the Qualified Opinion of the Auditor, on the basis as set out in the section headed "Basis of the Qualified Opinion" in the Auditor's Report under the section "Extract of Independent Auditor's Report". The matters which gave rise to the Qualified Opinion related to the Qualifying Items 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 the Qualified Opinion as disclosed above.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

ZHONGHUI ANDA CPA Limited has expressed qualified opinion on the audited consolidated financial statements of the Group for financial year ended 31 December 2020, an extract of which is as follows:

Qualified Opinion

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 ("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.

PROCEDURES ON PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The financial information set out in this announcement does not constitute the Group's consolidated financial statements for the year ended 31 December 2020 but represents an extract from those financial statements. The financial information has been reviewed by the Audit Committee and has been agreed by the Group's external auditor, ZHONGHUI ANDA CPA Limited as to the amounts set out in the Group's consolidated financial statements. The work performed by ZHONGHUI ANDA CPA 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 the HKICPA and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited in this announcement.

Publication of Annual Report

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) and the Company (http://www.huili.hk). The annual report of the Company for the year ended 31 December 2020 containing all the information as required by the Listing Rules will be despatched to the shareholders of the Company and made available for review on the same websites in due course.

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

Hong Kong, 31 March 2021

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