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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)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "Board") of directors (the "Director(s)") of Huili Resources (Group) Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2019, together with comparative figures for the previous financial year. For the reasons explained under "Review of Unaudited Annual Results" below, the auditing process for the annual results of the Group has not been completed.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**2019** ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
Revenue	*3*	**93,572**	32,828
Cost of sales		**(90,289)**	(24,012)
Gross profit		**3,283**	8,816
Administrative expenses		**(21,088)**	(28,306)
Expected credit losses on financial assets		**(25,595)**	(16,955)
Reversal of expected credit losses on financial assets		**27,532**	–
Other operating gains/(losses)		**4,498**	(27,386)
Other gains — net	*4*	**4,472**	14,350
Operating loss		**(6,898)**	(49,481)
Finance income	*5*	**2,380**	1,544
Finance costs	*5*	**(435)**	(288)
Finance income — net	*5*	**1,945**	1,256

	Note	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Loss before income tax	7	**(4,953)**	(48,225)
Income tax (expense)/credit	6	**(10,283)**	4,695
Loss and total comprehensive income for the year		**(15,236)**	(43,530)
(Loss)/profit and total comprehensive income for the year attributable to:			
Equity holders of the Company	9	**(16,013)**	(41,269)
Non-controlling interests		**777**	(2,261)
Loss and total comprehensive income for the year		**(15,236)**	(43,530)
Loss per share attributable to the equity holders of the Company			
— Basic and diluted (RMB cents)	9	**(1.0)**	(2.5)

UNAUDITED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	**2019** **RMB'000** **(Unaudited)**	2018 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**51,611**	68,171
Mining rights and exploration rights		**90,752**	88,867
Right-of-use assets		**10,997**	–
Land use rights		**–**	8,613
Deferred tax assets		**–**	2,823
Restricted cash at banks		**247**	2,653
Total non-current assets		**153,607**	171,127
Current assets			
Inventories		**–**	3,019
Financial assets at fair value through other comprehensive income		**–**	2,300
Trade and bills receivables	*12*	**5,943**	11,358
Loan receivables	*10*	**64,535**	98,856
Other receivables and prepayments	*11*	**36,178**	68,381
Cash and cash equivalents		**218,238**	167,923
		324,894	351,837
Assets of a disposal group classified as held for sale	*14*	**15,669**	–
Total current assets		**340,563**	351,837
Total assets		**494,170**	522,964
LIABILITIES			
Current liabilities			
Trade payables	*13*	**1,803**	7,610
Other payables and accruals		**17,948**	43,890
Contract liabilities		**11,654**	–
Lease liabilities		**2,075**	–
Current tax liabilities		**4,603**	5,224
Borrowings		**–**	2,200
		38,083	58,924
Liabilities of a disposal group classified as held for sale	*14*	**5,669**	–
Total current liabilities		**43,752**	58,924

	Note	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities		**708**	–
Provision for close down, restoration and environmental costs		**2,770**	5,307
Deferred tax liabilities		**21,626**	17,992
Total non-current liabilities		**25,104**	23,299
Total liabilities		**68,856**	82,223
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		**(11,291)**	(12,168)
Accumulated losses		**(366,937)**	(349,856)
		427,901	444,105
Non-controlling interests		**(2,587)**	(3,364)
Total equity		**425,314**	440,741
Total equity and liabilities		**494,170**	522,964

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 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 gold, 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 Group has commenced a new business related to trading of coal in the PRC during the year ended 31 December 2019.

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

These unaudited consolidated financial statements have been approved for issue by the Board on 31 March 2020.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2019

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the adoption of the new/revised HKFRSs and an interpretation in the current year has had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these unaudited consolidated financial statements.

HKFRS 16 — Leases

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 "Leases" ("HKAS 17"), HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease; HK(SIC)-Int 15 "Operating Leases — Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". From a lessee's perspective, almost all leases are recognised in the consolidated balance sheet as a right-of-use assets and a lease liabilities, with the narrow exception to this principle being for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

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

The following table summarises the impact of transition to HKFRS 16 on consolidated balance sheet as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	RMB'000
Right-of-use assets	
— Carrying amount of land use rights at 31 December 2018 (Audited)	8,613
— Recognition of additional right-of-use assets under HKFRS 16	4,597
Opening balance under HKFRS 16 at 1 January 2019 (Unaudited)	13,210

HKFRS 16 — Leases

(i) Impact of the adoption of HKFRS 16

	RMB'000
Land use rights	
Closing balance under HKAS 17 at 31 December 2018 (Audited)	8,613
— Reclassification to right-of-use assets under HKFRS 16	(8,613)
Opening balance under HKFRS 16 at 1 January 2019 (Unaudited)	–
Lease liabilities	
Closing balance under HKAS 17 at 31 December 2018 (Audited)	–
— Recognition of additional lease liabilities under HKFRS 16	4,788
Opening balance under HKFRS 16 at 1 January 2019 (Unaudited)	4,788
Accumulated losses	
Closing balance at 31 December 2018 as previously reported (Audited)	349,856
Impact on initial application of HKFRS 16	191
Opening balance under HKFRS 16 at 1 January 2019 (Unaudited)	350,047

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the unaudited consolidated balance sheet as at 1 January 2019:

	RMB'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitments as of 31 December 2018 (Audited)	4,902
Less: future interest expenses	(114)
Total lease liabilities as of 1 January 2019 (Unaudited)	4,788

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the unaudited consolidated balance sheet as at 1 January 2019 is 3.42%.

(ii) The new definition of a lease

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

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

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

(iii) Accounting as a lessee

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

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

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

Right-of-use asset

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

Lease liability

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

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

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

(iv) Transition

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

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

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

The Group has also applied the follow practical expedients: (i) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application on 1 January 2019 and accounted for those leases as short-term leases, and (ii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019.

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

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12 "Income Taxes" by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

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 Board.

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

For the year ended 31 December 2019, the Group had four operating and reportable segments:

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

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

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

(d) the "Engineering services" segment engages 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") in the PRC.

During the year ended 31 December 2019, the Group commenced in the business of trading of coal, which became a new operating and reporting segment as "Trading business" of the Group.

For the year ended 31 December 2018, the Group had three operating and reportable segments:

(a) the "Mining";

(b) the "Financial services" segment; and

(c) the "Engineering services" segment.

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 unaudited 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 2019 and 2018 is as follows:

	2019						2018				
	Mining	**Trading business**	**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*	*RMB'000*
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Year ended 31 December											
Segment Revenue											
— Sales of mining products	**–**	**–**	**–**	**–**	**–**	**–**	52	–	–	–	52
— Trading of coal	**–**	**85,823**	**–**	**–**	**–**	**85,823**	–	–	–	–	–
— Interest income from financial services	**–**	**–**	**6,369**	**–**	**–**	**6,369**	–	6,636	–	–	6,636
— Engineering and other related services	**–**	**–**	**–**	**1,380**	**–**	**1,380**	–	–	26,140	–	26,140
	–	**85,823**	**6,369**	**1,380**	**–**	**93,572**	52	6,636	26,140	–	32,828
Segment operating (loss)/profit	**22,039**	**585**	**6,258**	**(2,590)**	**–**	**26,292**	(51,170)	3,589	329	–	(47,252)
Unallocated operating loss *(Note (a))*	**–**	**–**	**–**	**–**	**(33,190)**	**(33,190)**	–	–	–	(2,229)	(2,229)
Operating (loss)/profit	**22,039**	**585**	**6,258**	**(2,590)**	**(33,190)**	**(6,898)**	(51,170)	3,589	329	(2,229)	(49,481)
Segment finance income	**217**	**3**	**35**	**136**	**–**	**391**	5	11	490	–	506
Unallocated	**–**	**–**	**–**	**–**	**1,989**	**1,989**	–	–	–	1,038	1,038
Finance income	**217**	**3**	**35**	**136**	**1,989**	**2,380**	5	11	490	1,038	1,544
Segment finance costs	**(209)**	**–**	**–**	**(95)**	**–**	**(304)**	(117)	–	(171)	–	(288)
Unallocated	**–**	**–**	**–**	**–**	**(131)**	**(131)**	–	–	–	–	–
Finance costs	**(209)**	**–**	**–**	**(95)**	**(131)**	**(435)**	(117)	–	(171)	–	(288)
Income tax expense/(credit) *(Note 6)*	**9,012**	**29**	**1,227**	**15**	**–**	**10,283**	(6,083)	925	463	–	(4,695)
Segment depreciation	**2,417**	**–**	**–**	**696**	**–**	**3,113**	2,223	–	1,160	–	3,383
Unallocated	**–**	**–**	**–**	**–**	**2,179**	**2,179**	–	–	–	107	107
Depreciation	**2,417**	**–**	**–**	**696**	**2,179**	**5,292**	2,223	–	1,160	107	3,490
Depreciation of property, plant and equipment	**2,174**	**–**	**–**	**696**	**237**	**3,107**	2,223	–	1,160	107	3,490
Depreciation of right-of-use assets	**243**	**–**	**–**	**–**	**1,942**	**2,185**	–	–	–	–	–
Amortisation of land use rights	**–**	**–**	**–**	**–**	**–**	**–**	243	–	–	–	243
Loss/(gain) on disposal of property, plant and equipment	**–**	**–**	**–**	**53**	**–**	**53**	–	–	(167)	–	(167)
Impairment loss on property, plant and equipment	**–**	**–**	**–**	**1,670**	**–**	**1,670**	2,153	–	–	–	2,153
Impairment loss on mining structures and mining rights	**–**	**–**	**–**	**–**	**–**	**–**	24,118	–	–	–	24,118
Impairment loss on mining rights classified under assets of a disposal group classified as held for sale	**2,595**	**–**	**–**	**–**	**–**	**2,595**	–	–	–	–	–
Impairment loss on property, plant and equipment under assets of a disposal group classified as held for sale	**6,596**	**–**	**–**	**–**	**–**	**6,596**	–	–	–	–	–

	2019						2018				
	Mining	Trading business	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*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Reversal of impairment loss on mining structures and mining rights	(10,795)	–	–	–	–	(10,795)	–	–	–	–	–
Reversal of impairment loss on property, plant and equipment	(4,564)	–	–	–	–	(4,564)	–	–	–	–	–
Impairment loss on goodwill	–	–	–	–	–	–	1,115	–	–	–	1,115
Expected credit losses ("ECL") on financial assets	1,870	2	636	1,678	21,409	25,595	12,734	1,269	2,012	940	16,955
Reversal of ECL on financial assets	(24,699)	–	(1,260)	(1,573)	–	(27,532)	–	–	–	–	–
Written off on inventories	3,012	–	–	7	–	3,019	–	–	–	–	–
Additions of non-current assets	–	–	–	340	21	361	30,468	–	726	1,287	32,481
Segment impairment/(reversal of impairment)											
— Non-current assets	(6,168)	–	–	1,670	–	(4,498)	27,386	–	–	–	27,386
— Financial assets	(22,830)	2	(624)	106	21,409	(1,937)	16,955	–	–	–	16,955
Impairment/(reversal of impairment)	(28,998)	2	(624)	1,776	21,409	(6,435)	44,341	–	–	–	44,341
As at 31 December											
Segment assets	170,357	32,772	99,487	8,465	–	311,081	174,883	113,045	27,201	–	315,129
Unallocated assets *(Note (b))*	–	–	–	–	183,089	183,089	–	–	–	207,835	207,835
Total	170,357	32,772	99,487	8,465	183,089	494,170	174,883	113,045	27,201	207,835	522,964
Segment liabilities	43,878	11,832	7,390	618	–	63,718	60,691	7,900	11,814	–	80,405
Unallocated liabilities *(Note (c))*	–	–	–	–	5,138	5,138	–	–	–	1,818	1,818
Total	43,878	11,832	7,390	618	5,138	68,856	60,691	7,900	11,814	1,818	82,223

Notes:

(a) Unallocated operating losses mainly represented expected credit losses on financial assets, exchange gain, administrative and professional services expenses incurred by the Company for the years ended 31 December 2019 and 2018.

(b) Unallocated assets mainly represented other receivables and bank deposits as at 31 December 2019 and 2018.

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

(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 2019

	Mining	**Trading business**	**Financial services**	**Engineering services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Primary geographical markets					
The PRC	**–**	**85,823**	**6,369**	**1,380**	**93,572**
Major products and services					
Trading of coal	**–**	**85,823**	**–**	**–**	**85,823**
Financial services	**–**	**–**	**6,369**	**–**	**6,369**
Engineering and other related services	**–**	**–**	**–**	**1,380**	**1,380**
	–	**85,823**	**6,369**	**1,380**	**93,572**
Timing of revenue recognition					
At a point in time	**–**	**85,823**	**–**	**–**	**85,823**
Transferred over time	**–**	**–**	**6,369**	**1,380**	**7,749**
	–	**85,823**	**6,369**	**1,380**	**93,572**

For the year ended 31 December 2018

	Mining	Financial services	Engineering services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)
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

(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)	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
The PRC	**93,572**	32,828	**149,772**	164,471
Hong Kong Special Administrative Region, the PRC ("Hong Kong")	**–**	–	**3,588**	1,180
	93,572	32,828	**153,360**	165,651

(D) Information about major customers

	Segment	Year ended 31 December	
		2019	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Customer A	Trading business	**18,159**	–
Customer B	Trading business	**10,619**	–
Customer C	Trading business	**10,177**	–
Customer D	Engineering services	**–**	13,603
Customer E	Engineering services	**–**	6,304
Customer F	Financial services	**–**	5,907
Customer G	Engineering services	**–**	4,605

The revenue contributed by the above major customers are attributable to the trading business segment for the year ended 31 December 2019, and those are attributable to financial services segment and engineering services segment for the year ended 31 December 2018.

4 OTHER GAINS — NET

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Foreign exchange gain, net *(note 7)*	**3,634**	12,086
Rental income from lease of a factory production line	**–**	1,000
(Loss)/gain on disposal of property, plant and equipment *(note 7)*	**(53)**	167
Others	**891**	1,097
	4,472	14,350

5 FINANCE INCOME — NET

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Finance income		
Interest income	**2,380**	1,544
Finance costs		
Interest expenses		
— Interest on lease liabilities *(Note 7)*	**(131)**	–
— Interest on borrowings	**–**	(175)
— Unwinding of discount — provision for close down, restoration and environmental costs	**(209)**	(113)
— Others	**(95)**	–
	(435)	(288)
Finance income — net	**1,945**	1,256

6 INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current tax	**1,271**	1,388
Deferred tax	**9,012**	(6,083)
Income tax expense/(credit)	**10,283**	(4,695)

7 LOSS BEFORE INCOME TAX

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cost of inventories recognised as expense	**84,866**	20,257
Written off on inventories *(Note (a))*	**3,019**	–
Depreciation of property, plant and equipment *(Note (a))*	**3,107**	3,490
Depreciation of right-of-use assets *(Note (b))*	**2,185**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	**–**	3,178
Amortisation of land use rights	**–**	243
Loss/(gain) on disposal of property, plant and equipment *(Note 4)*	**53**	(167)
Impairment loss on property, plant and equipment *(Note (c))*	**1,670**	2,153
Impairment loss on mining structures and mining rights *(Note (c))*	**–**	24,118
Impairment loss on mining rights classified under assets of a disposal group classified as held for sales	**2,595**	–
Impairment loss on property, plant and equipment under assets of a disposal group classified as held for sales	**6,596**	–
Reversal of impairment loss on mining structures and mining rights *(Note (c))*	**(10,795)**	–
Reversal of impairment loss on property, plant and equipments	**(4,564)**	–
Impairment loss on goodwill *(Note (c))*	**–**	1,115
ECLs on financial assets	**25,595**	16,955
Reversal of ECLs on financial assets	**(27,532)**	–
Interest on lease liabilities *(Note 5)*	**131**	–
Short-term leases expenses	**359**	–
Employee costs	**8,933**	9,619
Auditor's remuneration		
— annual audit	**1,260**	1,200
— others	**200**	1,000
Foreign exchange gain, net *(Note 4)*	**(3,634)**	(12,086)

Notes:

(a) Included in cost of sales and administrative expenses in the unaudited consolidated statement of comprehensive income.

(b) The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The net book amount of the land use rights is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases and amortisation of land use rights on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated. See Note 2(a). It is included in administrative expenses in the unaudited consolidated statement of comprehensive income.

(c) Included in other operating gains for the year ended 31 December 2019 and other operating losses for the year ended 31 December 2018 in the unaudited 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. 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 mining structures and mining rights, land use rights, property, plant and equipment and right-of-use assets belonging to these cash generating units (the "CGUs") as at 31 December 2019 and 2018.

Based on the valuation of the recoverable amounts of the CGUs of Hami Jiatai and Hami Jinhua as at 31 December 2019 by the independent valuer, which was appointed by management, a reversal of impairment losses on mining structures and mining rights of Hami Jiatai of RMB2,002,000 and RMB6,998,000, respectively, were recognised, 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 the CGUs of Hami Jiatai and Hami Jinhua were determined based on the value-in-use (the "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 interest 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 measured based on the valuation of the recoverable amounts of the CGUs, which 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. Based on the valuation of the recoverable amounts of the CGUs of Shaanxi Jaihe by the independent valuer, which was appointed by management, a reversal of impairment losses on property, plant and equipment and mining rights and explorations of RMB4,564,000 and RMB1,795,000, respectively, were recognised as the result, which was mainly due to the increase in gold prices during the year ended 31 December 2019.

As at 31 December 2019, the Group retained the control over Shaanxi Jiahe as the entire equity interest has not been transferred to the Purchaser. 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 carrying amounts of the relevant assets of the Shaanxi Jiahe have been reduced to their fair value less costs to sell. Accordingly, impairment losses of RMB6,596,000 and RMB2,595,000 have been allocated to the property, plant and equipment and mining rights and exploration rights of Shaanxi Jiahe, under assets of a disposal groups classified as hold for sales, respectively. Completion of the disposal of Shaanxi Jiahe subsequently took place on 23 March 2020.

The Group performed an impairment assessment on property, plant and equipment of the Group's operating and reportable segments. Based on the assessment, an impairment loss of approximately RMB1,670,000 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 projections, 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.

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 the year ended 31 December 2019.

Based on the valuation of the recoverable amounts of the CGUs of Hami Jiatai and Hami Jinhua as at 31 December 2018, assessed by an independent valuer, which was appointed by management, impairment losses on mining structures and mining rights of Hami Jiatai of RMB3,126,000 and RMB10,785,000, respectively, were recognised, which was mainly due to the decrease in nickel prices during the year ended 31 December 2018.

During the year ended 31 December 2018, the Company appointed an independent valuer to carry out a review of the recoverable amount of Shaanxi Jiahe, being CGU of the Project Huangjinmei, which resulted in the recognition of impairment losses on goodwill, property, plant and equipment and mining rights of RMB1,115,000, RMB2,153,000 and RMB10,207,000, respectively.

For the year ended 31 December 2018, the recoverable amounts of the CGUs were determined based on the VIU calculations 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.

All of the impairment losses on goodwill, property, plant and equipment, mining structures and mining rights were recognised in other operating losses for the years ended 31 December 2019 and 2018.

The Group has mines in Xinjiang Uyghur Autonomous Region and Shaanxi province, the PRC with diversified non-ferrous metal minerals that include nickel, copper, lead, zinc and gold. Hami Jinhua has one mining right, Hami Jiatai has one mining right and three exploration rights and Shaanxi Jiahe has one mining right as at 31 December 2019 and 2018.

Except for the measurement of the recoverable amount of Shaanxi Jiahe for the year ended 31 December 2019, each CGU's recoverable amount has been determined using the VIU method. VIU has been determined using a discounted cash flow model during the years ended 31 December 2019 and 2018.

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

During the years ended 31 December 2019 and 2018, each CGU's recoverable amount has been determined using the VIU method. VIU has been determined using a discounted cash flow model.

For the calculation of the recoverable amount of Hami Jiatai, the key assumptions include the nickel and copper selling prices, which were RMB113,450 (2018: RMB89,450) per tonne and RMB49,020 (2018: RMB48,220) per tonne respectively, with reference to available public information in the PRC; and the growth rate of forecast selling price, with reference to the market consensus on forecast price of the relevant commodities ore and sourced from Bloomberg, being 9.3%, 1.6% and -3.2% from 2020 to 2022 (2018: 1%, 3.6% and 5.7% from 2019 to 2021) and 1.1%, 1.4% and -1.3% from 2020 to 2022 (2018: 1%, 4.8% and 1.6% from 2019 to 2021), respectively. The forecast selling price then remained constant after 2022 (2018: remained constant after 2021) and production cost increased with annual inflation rate of 3% (2018: 3%). The production volume was with reference to the PRC Technical Report conducted by Xinjiang Engineering & Research Institute of Nonferrous Metals Company Limited.

The inflation rate over the expected life of the mines (which sourced from International Monetary Fund ("IMF")) of 3% (2018: 3%) and the discount rate of 22% (2018: 20%) were also applied in the valuation model. Considering the existing conditions of both commodities' markets and the mine's conditions, the Group expected the production will commence in 2021. The recoverable amount based on VIU for the Hami Jiatai as at 31 December 2019 was determined to be RMB27,100,000 (2018: RMB12,000,000).

For the calculation of the recoverable amount of Hami Jinhua, the key assumptions include the lead and zinc selling prices, which were RMB15,100 (2018: RMB18,600) per tonne and RMB18,090 (2018: RMB21,880) per tonne, respectively, with reference to available public information in the PRC; and the growth rate of forecast selling price, with reference to the market consensus on forecast price of the relevant commodities ore and sourced from the Bloomberg which were -0.6%, 0% and -7.5% from 2020 to 2022 (2018: -4.5%, -1.5% and 5.6% from 2019 to 2021) and -7.4%, 0.1% and -8% from 2020 to 2022 (2018: -5.1%, -2.8% and 7.2% from 2019 to 2021), respectively. The forecast selling price then remained constant after 2022 (2018: remained constant after 2021) and production cost increased with annual inflation rate of 3% (2018: 3%). The production volume was derived based on the PRC Technical Report conducted by Xinjiang Engineering & Research Institute of Nonferrous Metals Company Limited.

The inflation rate over the expected life of the mines (which sourced from IMF) of 3% (2018: 3%) and the discount rate 23% (2018: 27%) were also applied in the valuation model. Considering the existing conditions of both commodities' markets and the mine's condition, the Group expected the production will commence in 2021. The recoverable amount for the Hami Jinhua based on VIU as at 31 December 2019 was determined to be RMB174,300,000 (2018: RMB309,600,000).

The carrying amount of mining rights of Shaanxi Jiahe have been reduced to the fair value less costs to sell as at 31 December 2019. Accordingly, impairment losses of RMB2,595,000 has been allocated to mining rights and exploration rights of Shaanxi Jiahe.

In respect of the calculation of the recoverable amount of Shaanxi Jiahe immediately before classification as held for sale during the year ended 31 December 2019 and as at 31 December 2018, the key assumptions include the gold price (with reference to the market consensus on forecast price of the relevant commodities ore and sourced from the Bloomberg) ranging from RMB344 (2018: RMB279) per gram in 2020 (2018: 2019) to RMB403 (2018: RMB307) per gram in 2029 (2018: 2028). The annual growth rate of gold price was estimated to be 2% from 2023 to 2029 (2018: 0.8% from 2022 to 2028). The inflation rate over the expected life of the mines (which sourced from IMF) of 3% (2018: 3%) and the discount rate of 17% (2018: 17%) were also applied in the valuation model. The recoverable amount for Shaanxi Jiahe based on VIU immediately before classification as held for sale during the year ended 31 December 2019 and as at 31 December 2018 were determined to be RMB24,468,000 and RMB18,109,000, respectively.

8 DIVIDEND

The Directors did not propose any payment of dividend to the Company's shareholders for the years ended 31 December 2019 and 2018.

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.

	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
Loss for the year attributable to equity holders of the Company	**(16,013)**	(41,269)

	Number of shares ***'000***	Number of shares *'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)**	(2.5)

Diluted loss per share was equal to basic loss per share as there was no basic and no potential share outstanding for the each of the years ended 31 December 2019 and 2018.

10 LOAN RECEIVABLES

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
Loans to third parties *(Notes (a) and (b))*	**65,000**	100,000
	65,000	100,000
Less: ECLs of loan receivables *(Note (c))*	**(465)**	(1,144)
	64,535	98,856

Notes:

(a) On 11 December 2018, Jiayi, one of the subsidiaries of the Group entered into a loan agreement (the "Loan Agreement 1") 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%. During the year ended 31 December 2019, Danfeng extended the Loan Agreement 1 to 11 September 2019. The loan was fully repaid on 2 December 2019 with the interest income of RMB6,055,000 recognised during the year ended 31 December 2019.

(b) On 4 December 2019, Runxi Energy Technology (Shanghai) Company Limited ("Runxi Energy"), one of the subsidiaries of the Group, entered into a loan agreement (the "Loan Agreement 2") 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).

* 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

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Balance at 1 January	**1,144**	1,049
Reversal of ECLs on loan receivable recognised during the year	**(1,144)**	–
ECLs on loan receivable recognised during the year	**465**	95
Balance at 31 December	**465**	1,144

11 OTHER RECEIVABLES AND PREPAYMENTS

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Other receivables		
— Amount due from Warburg Energy Development Limited ("Warburg") *(Note (a))*	**–**	10,493
— Amount due from Merit Progress Investments Limited ("Merit Progress") *(Note (b))*	**22,349**	52,705
— Amount due from Shaanxi Jiatai Hengrun Mineral Resources Development Co., Ltd. * ("Shaanxi Jiatai") *(Note (c))*	**32,480**	47,618
— Amount due from Mr. Wei Xing *(Note (d))*	**29,054**	28,548
— Interest income receivable from Danfeng *(Note (e))*	**–**	403
— Interest income receivable from Beijing Fengwo *(Note (e))*	**333**	–
— Amount due from Shaanxi Mining Garner Co., Ltd. ("Shaanxi Garner") *(Note (f))*	**–**	9,502
— Deductible input value-added-tax ("VAT")	**2,134**	2,139
— Others *(Note (g))*	**10,506**	7,792
Subtotal	**96,856**	159,200
Less: Provision of impairment losses on other receivables *(Notes (h), (k))*	**(93,227)**	(92,019)
	3,629	67,181
Advances to suppliers — third parties *(Note (j))*	**32,549**	1,200
Total other receivables and perpayment, net *(Note (i))*	**36,178**	68,381

* 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 Energy Development Limited (北京中海沃邦能源投資有限公司), which was unsecured, bearing annual interest of 9% with a fixed term of 5 years. The loan was early repaid to the Group in January 2018 while the interest receivable of RMB10,493,000 was fully settled 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 interest 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 Shaanxi 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 the end of March 2016 (which was subsequently extended to the 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 Target Company by the Vendors in favour of the Company. The said share charge has yet to be registered in the register of charges of the Target Company as at the date of this announcement. Pursuant to the Memorandum and the Supplementals, in the event that no sale and purchase agreement is entered into or the possible acquisition does not proceed on or before 31 December 2017, the earnest money shall be refunded to the Company.

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

The acquisition did not proceed and the exclusive negotiation right was expired, and the refundable deposit was therefore reclassified to other receivables as at 31 December 2019 and 2018. As at 31 December 2019, the outstanding balance from Merit Progress was HK$25,000,000 (equivalent to approximately RMB22,349,000) (2018: HK$60,000,000 (equivalent to approximately RMB52,705,000)), of which HK$35,000,000 (equivalent to approximately RMB30,356,000) was collected by the Group during the year ended 31 December 2019. Pursuant to a letter received from Merit Progress in July 2019, Merit Progress should settle the remaining balance of HK$25,000,000 (equivalent to approximately RMB22,349,000) by the end of December 2019. No further settlement was made before 31 December 2019 and after the end of the reporting period up to the date of this announcement. The Directors considered that the default risk is high and thus, an impairment provision of RMB22,349,000 was recognised as the debtor had defaulted in repayment during the year ended 31 December 2019 (2018: RMB941,000).

(c) The balance as at 31 December 2018 mainly represented prepayment of RMB23,500,000 for acquisition of Shaanxi Jiarun Mining Development Co., Ltd. ("Shaanxi Jiarun") which was lapsed on 30 September 2013, proceeds of RMB8,350,000 receivable from Shaanxi Jiatai arising from disposal of plant, property and equipment and advances of RMB15,768,000 to Shaanxi Jiatai, a company owned by Mr. Wei Xing, an independent third party.

Pursuant to a set-off agreement entered between Shaanxi Jiahe and Hami Jiatai, both subsidiaries of the Company, Shaanxi Garner, Beijing Jiatai Hengrun Investment Co., Ltd.* ("Beijing Jiatai"), and Shaanxi Jiatai, all are owned by Mr. Wei Xing, and Mr. Wei Xing dated 29 April 2019 (the "Set-off Agreement"), approximately RMB15,138,000 of the balance as at 31 December 2018 was used to offset certain amounts payable to Mr. Wei Xing and Beijing Jiatai. The remaining balance of RMB32,480,000 was fully impaired because of dispute between Shaanxi Jiatai and the Group in 2014 and 2015.

(d) In 2013 and 2014, the Company, Geo-Tech Resources Group Investment Limited and Mr. Wei Xing entered into a framework agreement and supplemental 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 RMB15,621,000) in 2014 to Mr. Wei Xing in consideration of the grant of the exclusive negotiation rights.

As at 31 December 2019 and 2018, full provision of impairment had been provided against the receivables because of the expiration of the negotiation rights due to dispute between Mr. Wei Xing and the Group.

(e) As at 31 December 2018, the interest income receivable represented to the accrued interest from the loan granted to Danfeng in December 2018. The interest receivable was fully settled on 2 December 2019.

As at 31 December 2019, the interest income receivable represented the accrued interests from the loan granted to Beijing Fengwo in December 2019. Pursuant to the terms in the loan agreement, the interest amount would be settled at the expired date of the loan.

(f) The balance as at 31 December 2018 mainly represented advances of RMB9,502,000 to Shaanxi Garner, a company owned by Mr. Wei Xing. Pursuant to the Set-off Agreement, the balance was used to offset certain payables to Mr. Wei Xing and Beijing Jiatai.

(g) The balances as at 31 December 2019 and 2018 mainly represented receivables from third parties, which were unsecured, interest free and had no fixed terms of repayment. An impairment provision of approximately RMB9,174,000 (2018: approximately RMB5,232,000) was recognised due to the debtors' default in payment.

(h) As at 31 December 2019, the provision of impairment loss on other receivables including, (i) Shaanxi Jiatai of RMB32,480,000 (2018: approximately RMB47,618,000); and (ii) provision for the amount due from Mr. Wei Xing of approximately RMB29,054,000 (2018: RMB28,548,000). These balances were fully provided due to the dispute between Mr. Wei Xing and the Group; and (iii) amount due from Merit Progress of RMB22,349,000 (2018: Nil).

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

(j) The balance as at 31 December 2019 mainly represented the deposits paid to suppliers for trading of coal business (2018: Nil).

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Balance at 1 January	**92,019**	103,359
Written off of other receivables	**–**	(30,041)
Reversal of ECLs on other receivables recognised during the year	**(26,230)**	–
ECLs recognised during the year	**23,938**	16,806
Exchange realignment	**3,500**	1,895
Balance at 31 December	**93,227**	92,019

12 TRADE AND BILLS RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**2,835**	11,516
Less: ECLs of trade receivables *(Note (b))*	**(1,141)**	(158)
Trade receivables, net *(Note (a))*	**1,694**	11,358
Bills receivables *(Note (c))*	**4,300**	–
Less: ECLs of bills receivables	**(51)**	–
Total trade and bills receivables, net	**5,943**	11,358

Notes:

(a) At 31 December 2019 and 2018, the ageing analysis of the trade receivables after ECLs recognised based on invoice date were as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Up to 3 months	**132**	3,664
3 to 6 months	**–**	4,079
6 to 12 months	**1,562**	–
Over 12 months	**–**	3,615
	1,694	11,358

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 2020.

(b) As at 31 December 2019, loss allowance of approximately RMB1,141,000 (2018: RMB158,000) were made against the gross amount of trade receivables.

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Balance at 1 January	**158**	104
Reversal of ECLs recognised during the year	**(158)**	–
ECLs recognised during the year	**1,141**	54
Balance at 31 December	**1,141**	158

(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 2019, loss allowance of approximately RMB51,000 (2018: Nil) were made against the gross amount of bills receivables.

13 TRADE PAYABLES

Trade payables are analysed as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
— Third parties	**1,803**	7,610

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:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0–90 days	**–**	1,290
91–180 days	**–**	4,247
181–365 days	**–**	464
Over 365 days	**1,803**	1,609
	1,803	7,610

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, pursuant to which Hami Jiatai has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire equity interest of Shaanxi Jiahe at the consideration of RMB10,000,000. The Directors considered that the disposal of the entire equity interest of Shaanxi Jiahe allows the Group to better optimise its business portfolio from a risk management perspective, and offers an opportunity for the Group to exit at acceptable terms and reallocate its financial and management resources to other businesses of the Group with a view to generate better return to the shareholders of the Company.

As of the end of the reporting period, the process in relation to the change of shareholders of Shaanxi Jaihe with the relevant government authorities has not been completed. Such process was then completed on 23 March 2020. The following major classes of assets and liabilities relating to this operation have been classified as held for sale in the unaudited consolidated balance sheet.

	RMB'000 (Unaudited)
Cash and cash equivalents	392
Property, plant and equipment	10,964
Mining rights and exploration rights	4,313
Assets of a disposal group classified as held for sale	15,669
Payables to third parties	368
Provision for close down, restoration and environmental costs	2,746
Payables to the Company and its subsidiaries	18,634
Deferred tax liabilities	2,555
Total liabilities of a disposal group classified as held for sale	24,303
Less: Payables to the Company and its subsidiaries	(18,634)
Liabilities of a disposal group classified as held for sale	5,669

In accordance with HKFRS 5, the assets of Shaanxi Jiahe have been written down to their fair value less costs to sell of RMB10,000,000. This is a non-recurring fair value measurement.

An impairment loss of RMB9,191,000 has been recognised in other operating gains/(losses) in the unaudited consolidated statement of comprehensive income from continuing operations on the measurement of the disposal group to fair value less costs to sell. Impairment losses of RMB6,596,000 and RMB2,595,000 have been allocated to the property, plant and equipment and mining rights and exploration rights of Shaanxi Jiahe respectively.

In addition, Shaanxi Jiahe contributed RMB15,116,000 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 fair value less costs to sell of Shaanxi Jiahe was determined based on the consideration mutually agreed between the Purchaser and Hami Jaitai in the Disposal Agreement.

15 BUSINESS COMBINATIONS

On 22 May 2018, Hami Jiatai and Xiaoyi Dajieshan Coal Industry Company Limited* ("**Xiaoyi Dajieshan**") reached an agreement for full settlement of the outstanding receivable, pursuant to which the entire equity interest 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
	(Unaudited)
Total purchase consideration	
Recognised amounts of identifiable assets acquired and liabilities assumed	13,159
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

* For identification purposes only

16 EVENTS AFTER BALANCE SHEET DATE

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

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

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 23 March 2020, the Company completed the process in relation to the change of shareholders of Shaanxi Jiahe with the relevant authorities, and disposal of Shaanxi Jiahe was then completed.

Since January 2020, the outbreak of Novel Coronavirus ("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 Group mainly participate in non-ferrous ore mining and processing. The diversified non-ferrous metal minerals covered by the Company's operations include nickel, copper, zinc and lead in Xinjiang Uyghur Autonomous Region ("Xinjiang"), the PRC and gold in Shaanxi province, the PRC.

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

The Company's subsidiaries, Hami Jinhua 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. Another subsidiary of the Company, Shaanxi Jiahe Mineral Exploiture Ltd* ("Shaanxi Jiahe"), owns a mining permit of gold in Shaanxi province, the PRC.

The price of copper, nickel, zinc and lead demonstrated opposite moves during the year ended 31 December 2019 (the "Year"). The price of copper reached at its peak about March 2019, and then dropped gradually to its trough near September 2019 and fluctuated near the trough until there was a signal of rebound near the end of 2019. On the contrary, the price of lead declined to its bottom in May 2019, and increased gradually to its peak of the Year in October 2019 but subsequently dropped drastically to near the bottom again by December 2019 (Source: The London Metal Exchange).

On the other hand, the price of nickel and zinc fluctuated relatively less wildly than that of copper and lead. While the price of nickel increased from its low from the beginning of 2019 to its peak about September 2019 and then recorded a decline of around 30% within three months, the price of zinc only showed an increasing trend in the first quarter of 2019 and then dropped steadily and hit the rock bottom in the December 2019 (Source: The London Metal Exchange).

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

* *For identification purposes only*

Meanwhile, in view of the potentially long investment horizon of Shaanxi Jiahe and the adverse commodities market conditions that posted financial risks to the Group's overall operations and business portfolio, the Group, on 24 December 2019, entered into an agreement (the "Jiahe Disposal Agreement") with an independent third party to dispose the entire equity interest 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.

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 interest of Shaanxi Jiahe, which held the mining permit of Mine 1 of Project Huangjinmei that produces gold ore, and completion of the Jiahe Disposal has taken place as at the date of this announcement.

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, the Group, on 24 December 2019, entered into the Jiahe Disposal Agreement with an independent third party to dispose the entire equity interest of Shaanxi Jiahe, the subsidiary of the Group that owns Project Huangjinmei, and the Jiahe Disposal was completed as at the date of this announcement.

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 11 December 2018, the Group entered into a loan agreement to provide a loan of Renminbi ("RMB") 100 million to an independent third party (the "Loan 1") and such loan was settled in December 2019. On 4 December 2019, the Group signed another loan agreement with an independent third party to provide a loan of RMB65 million (the "Loan 2"), interest bearing at 7% per annum for a term of 5 months, and may be extended for 19 months, and may thereafter further be extended for 12 months. Revenue of approximately RMB6.4 million (2018: RMB6.6 million) was generated by this segment during the Year.

Further details of the Loan 1 were disclosed in the announcements of the Company dated 11 December 2018, 8 October 2019 and 2 December 2019, and further details of the Loan 2 were disclosed in the announcement of the Company dated 4 December 2019.

Subsequent to the end of the Year and up to the date of this announcement, 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, and all bear the interest of 7% per annum.

On 28 February 2020, upon the request of the borrower of the Loan 2 and under the approval of the Board, the Loan 2 was extended for 31 months after the end of the current 5-month term (the "Extension"). Further details of the Extension were disclosed in the announcement of the Company dated 28 February 2020.

Engineering Services

The Group carried out the business of engineering and other related services in Shanxi province, the PRC through a wholly-owned subsidiary of the Company, Yonghe County Changshi Engineering Service Co., Ltd.* ("Changshi"). Changshi was incorporated in Shanxi province, the PRC on 29 January 2016 and was acquired by the Group in April 2017. It is principally engaged in petrol, natural gas, coalbed gas engineering and pre-drilling service. During the year ended 31 December 2018 (the "Prior Year"), in order to diversify the business risks associated with the uncertain economic conditions, the Group diversified into the trade in materials for oil and gas exploration, including fracturing sands and water, gas drilling equipment and valves. The Group decided to temporarily suspend this segment to concentrate its resources on the coal trading business, which was a new business segment established during the Year.

Trading Business

During the Year, the Group has commenced the coal trading business through two newly established indirectly owned subsidiaries, Changzhi Runce Trading Company Limited* ("Changzhi Runce") and Gujiao Runce Trading Company Limited* ("Gujiao Runce"). The customers of this business segment are mainly local coal traders and energy companies. This segment has contributed RMB85.8 million to the Group's revenue during the Year.

Update in relation to Shaanxi Jiahe

After the settlement of legal proceeding between Xiaoyi Dajieshan and Hami Jiatai, being the subsidiary of the Company that owned 100% equity interests of Shaanxi Jiahe, in relation to the disposal of the entire equity interests of Shaanxi Jiahe in December 2015, Shaanxi Jiahe was transferred back to Hami Jiatai on 31 May 2018 (further details as disclosed in the announcements of the Company dated 18 December 2015, 31 May 2018 and 17 August 2018).

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

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

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

In connection with Assumption 1, while the Company had been discussing with the owner that currently holds the exploration right of Mine 2 (the "Current Owner") in relation to the Transfer, the Company also maintained an open discussion with interested purchasers on the disposal of Shaanxi Jiahe. On 24 December 2019, the Company entered into the Jiahe Disposal Agreement with an independent third party on the Jiahe Disposal, which was subsequently completed as at the date of this announcement. For further details of the Jiahe Disposal, please refer to the Company's announcements dated 1 November 2019 and 24 December 2019.

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

RESULTS REVIEW

Revenue and Gross profit

During the Year, the revenue increased by almost two folds to approximately RMB93.6 million from approximately RMB32.8 million for the Prior Year. The increase was mainly attributable to the revenue generated from the trading of coals, which was a new business segment of the Group during the Year, of approximately RMB85.8 million, while offset by the decrease in revenue of RMB24.7 million, which was mainly attributable to the Group's engineering and other related services segment.

* *For identification purposes only*

The cost of sales was approximately RMB90.3 million for the Year, as compared with the Prior Year of approximately RMB24.0 million, representing year on year increase of approximately 276%. The increase was mainly contributed by the new business segment, the trading of coals, during the Year.

The gross profit decreased by approximately 63% from approximately RMB8.8 million for the Prior Year to approximately RMB3.3 million for the Year. The decrease was mainly due to the shift of business focus of the Group to trading of coals which had lower profit margin during the Year.

During the Year, the Group continued to suspend the production plan of No.20 Mine, Baiganhu and Project Huangjinmei as the prices of non-ferrous metal minerals have not yet stabilised at a high enough level to make the business segment profitable. 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 RMB21.1 million (2018: RMB28.3 million).

Other gains — net

Other gains for the Year of approximately RMB4.5 million (2018: RMB14.4 million) mainly represented the exchange gains of the financial assets that were denominated in the currency other than RMB.

Other operating gains/(losses)

Other operating gains of approximately RMB2.9 million was recorded during the Year, as compared with other operating losses of approximately RMB27.4 million during the Prior Year. 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 RMB9 million as a result of increase in the commodities price, while the other operating losses for the Prior Year was mainly attributable to the impairment losses on mining structures and mining rights of approximately RMB24.1 million.

For more details, please refer to note 7 of the unaudited consolidated financial statement.

Finance income — net

Finance income of approximately RMB1.9 million (2018: RMB1.3 million) during the Year mainly represented interest income earned from the Group's cash at bank, netted by interest expenses.

Income tax (expense)/credit

During the Year, income tax expense was approximately RMB8.7 million, as compared with the income tax credit of approximately RMB4.7 million for the Prior Year. It mainly represents the tax provision for operations in the PRC and deferred tax 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 manly contributed by the segments below, excluding corporate expenses, for the Year and the Prior Year.

	For the Year			For the Prior Year		
	Revenue	**Segment result**	**Operating Profit Margin**	**Revenue**	**Segment result**	**Operating profit margin**
	RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*
Trading of coals	85,823	585	0.7%	–	–	N/A
Interest income from financial services	6,369	6,258	98.3%	6,636	3,589	54.1%
Engineering and other related services	1,380	(2,590)	(187.7%)	26,140	329	1.3%
Mining	–	22,039	N/A	52	(51,170)	(98,403.8%)
	93,572	26,292	28.1%	32,828	(47,252)	(143.9%)

SIGNIFICANT INVESTMENTS HELD

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

MATERIAL ACQUISITIONS AND DISPOSALS

There were no 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 2019, the Group had current assets of approximately RMB340.6 million (2018: RMB351.8 million) and current liabilities of approximately RMB43.8 million (2018: RMB58.9 million). The current ratios for the Group, being total current assets to total current liabilities, was 7.8 and 6.0 as at 31 December 2019 and 2018 respectively. As at 31 December 2019, there was no outstanding interest-bearing bank loan and other borrowings while as at 31 December 2018, there was an unsecured loan of RMB2.2 million which was interest bearing of 10% per annum.

As at 31 December 2019, the Group maintained bank and cash balances of approximately RMB218.2 million (2018: RMB167.9 million), and the restricted cash deposit of approximately RMB0.2 million (2018: RMB2.7 million).

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

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 2019, the gearing ratio was 0% (2018: 0%).

CHARGES ON COMPANY'S ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES

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

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

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

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

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

HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 31 December 2019, the Group employed 32 employees (2018: 39). The total staff costs (including Directors' emoluments) for the year were approximately RMB8.9 million (2018: RMB9.6 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 2019.

FUTURE OUTLOOK AND PROSPECTS

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

During the Year, the Group has commenced trading of coals and will continue to devote reasonable resources into the existing business segment. Notably, the Group's new coal trading business has already contributed RMB85.8 million to the Group's revenue.

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 business of trading of coals. Apart from the existing businesses, the Group will also continuously seek for other opportunities to diversify the Group's businesses, both business segments and locations to reduce the business risks arising from the volatile commodities markets. 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 to minimise 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 operations and explore opportunities for potential acquisition to capture the market opportunities in the PRC and other countries and to diversify the Group's business and broaden its revenue base.

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 period from 1 January 2019 to 11 March 2019, Mr. Li Xiaobin was the chairman of the Company (the "Chairman") while the duties of chief executive officer have been taken up by other executive Directors and senior management of the Company. On 11 March 2019, Mr. Li Xiaobin resigned as the executive Director and the Chairman and Ms. Xiang Siying, an independent non-executive Director was then appointed as the chairlady of the Company.

Under code provision A.4.1 of the Code, non-executive Directors should be appointed for a specific term, subject to re-election. Except for 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.

Under code provision A.6.7 of the Code, independent non-executive directors and other non-executive directors shall attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Cao Siping and Ms. Xiang Siying, both being independent non-executive Directors, did not attend the annual general meeting of the Company on 30 January 2019 due to their other 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 (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 unaudited annual results for the year ended 31 December 2019.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to the COVID-19 coronavirus outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditors (the "Auditors") as required under Rule 13.49(2) of the Listing Rules. An further announcement relating to the audited results as agreed by the Auditors and setting out the material differences (if any) as compared with the unaudited annual results contained herein will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the Audit Committee.

BOARD'S VIEW ON THE POTENTIAL QUALIFIED OPINION

The Board, through the Audit Committee, expected that the consolidated financial statements of the Company for the Year may be subject to a potential qualified opinion (the "Potential Qualified Opinion") of the Auditor. The matters which may give rise to the Potential Qualified Opinion related to the assumptions adopted in the assessment of the carrying amounts of mining rights (the "Assumptions") as at 31 December 2018.

Accordingly, based on the preliminary review and assessment of the unaudited financial results for the year ended 31 December 2019, the Board expects that the Potential Qualified Opinion will be made on the basis below:

(1) the Auditor is unable to assess, as at 31 December 2018, the validity of the recoverable amount of the mining rights (the "Mining Rights") of Shaanxi Jiahe as at 31 December 2018 in which the Assumptions were adopted, and hence the assessment of the carrying value of the Mining Rights as at 31 December 2018 cannot be concluded. As such, any adjustment to the carrying amount of mining right as at 31 December 2018 found necessary would have an impact on the impairment provision on mining right for the Year.

(2) Upon the entering of the Jiahe Disposal Agreement on 24 December 2019 with an independent third party to dispose of the entire equity interest in Shaanxi Jiahe, 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". In accordance with HKFRS 5, immediately before the initial classification of these assets and related liabilities as disposal group held for sale, all the assets and liabilities in the disposal group were remeasured under their respective accounting

policies. Reversal of impairment loss of approximately RMB1,795,000 on the mining right was resulted and recognised. However, due to the reason as set out in (1), any adjustment to the reversal of impairment loss on the mining right found necessary would affect the fair value loss on the disposal group recognised.

(3) The result of the Assumptions adopted may also had possible effect on the comparability of the figures for the Year and the corresponding figures.

The above Potential Audit Opinion have not been agreed with the Auditor and may subject to the change upon the completion of the auditing process.

As a set-off arrangement for non-operating receivables and the non-operating payables of Shaanxi Jiahe has been concluded in April 2019 and the Jiahe Disposal has been completed on 23 March 2020, the Board is of the view that, except for the comparability of the figures for the year ending 31 December 2020 and the corresponding figures, any audit qualifications arising therefrom are expected not to be carried forward to the year ending 31 December 2020.

AUDIT COMMITTEE'S VIEW ON THE POTENTIAL QUALIFIED OPINION

The Audit Committee had an ongoing communication with the Auditor to understand the auditing process, and also shared the views of the Board on the Potential Qualified Opinion.

Having considered the current status of implementation of the measures by the Company as discussed in the section headed "Update in relation to Shaanxi Jiahe" on page 31 to this announcement (the "Measures"), the Audit Committee is of the view that the Measures are adequate for addressing the matters which may give rise to the Potential Qualified Opinion set out in the section headed "Board's view on the Potential Qualified Opinion", and except for the comparability of the figures for the year ending 31 December 2020 and the corresponding figures, any audit qualifications arising therefrom are expected not to be carried forward to the year ending 31 December 2020.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement(s) as and when necessary if there are other material development in the completion of the auditing process. It is expected that the auditing process will be completed as soon as practicable upon the full resumption of work of the relevant authority in China. Barring any unforeseen circumstances, the Company expects to release the audited annual results by the end of April 2020.

Publication of Annual Report

This unaudited 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 2019 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.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 2020

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.