滙力集團
HUILI GROUP

Huili Resources (Group) Limited
滙力資源(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1303)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the "Board") of directors (the "Director(s)") of Huili Resources (Group) Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2021, together with comparative figures for the previous financial year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**2021** *RMB'000*	2020 *RMB'000*
Revenue	3	**1,470,396**	141,216
Cost of sales		**(1,459,741)**	(136,967)
Gross profit		**10,655**	4,249
Administrative expenses		**(21,002)**	(24,367)
Other operating (losses)/gains		**(4,201)**	12,448
Other gains/(losses) – net	4	**198**	(4,896)
Operating loss		**(14,350)**	(12,566)
Finance income	5	**480**	982
Finance costs	5	**(173)**	(174)
Finance income – net	5	**307**	808

	Note	2021 RMB'000	2020 RMB'000
Loss before income tax	7	**(14,043)**	(11,758)
Income tax expense	6	**(2,716)**	(3,593)
Loss for the year		**(16,759)**	(15,351)
Loss for the year attributable to:			
Equity holders of the Company		**(16,685)**	(16,738)
Non-controlling interests		**(74)**	1,387
Loss for the year		**(16,759)**	(15,351)
Other comprehensive loss after tax:			
Items that may be subsequently reclassified to profit or loss:			
Fair value changes of financial assets (debts instruments) at fair value through other comprehensive income ("FVTOCI")		**(546)**	(346)
Other comprehensive loss for the year, net of tax		**(546)**	(346)
Total comprehensive loss for the year		**(17,305)**	(15,697)
Total comprehensive loss for the year attributable to:			
Equity holders of the Company		**(17,231)**	(17,084)
Non-controlling interests		**(74)**	1,387
Total comprehensive loss for the year		**(17,305)**	(15,697)
Loss per share attributable to the equity holders of the Company			
– Basic and diluted *(RMB cents)*	9	**(1.0)**	(1.0)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	**2021** *RMB'000*	2020 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**57,878**	60,295
Mining rights		**94,538**	94,538
Right-of-use assets		**9,781**	8,743
Loan receivables	10	**29,563**	76,280
Financial assets at FVTOCI		**15,462**	19,138
Deposit paid for acquisition of a subsidiary		**9,599**	–
Total non-current assets		**216,821**	258,994
Current assets			
Trade and bills receivables	11	**5,885**	16,147
Loan receivables	10	**63,097**	–
Other receivables and prepayments	12	**36,917**	24,500
Cash and cash equivalents		**235,866**	169,139
Total current assets		**341,765**	209,786
Total assets		**558,586**	468,780
LIABILITIES			
Current liabilities			
Trade payables	13	**77,445**	1,310
Other payables and accruals		**29,903**	14,408
Contract liabilities		**26,129**	11,812
Lease liabilities		**1,430**	664
Current tax liabilities		**2,632**	2,781
Total current liabilities		**137,539**	30,975
Net current assets		**204,226**	178,811

	2021	2020
	RMB'000	*RMB'000*
Non-current liabilities		
Lease liabilities	**488**	–
Provision for close down, restoration and environmental costs	**2,994**	2,882
Deferred tax liabilities	**25,253**	25,306
Total non-current liabilities	**28,735**	28,188
Total liabilities	**166,274**	59,163
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**137,361**	137,361
Share premium	**668,768**	668,768
Other reserves	**(10,320)**	(10,781)
Accumulated losses	**(402,223)**	(384,531)
	393,586	410,817
Non-controlling interests	**(1,274)**	(1,200)
Total equity	**392,312**	409,617
Total equity and liabilities	**558,586**	468,780

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 19 February 2010 as an exempted company with limited liability under Companies Law (Cap 22, as amended and revised) of the Cayman Islands in preparation for a listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing") under the name of Realty Resources (Group) Limited. On 13 May 2010, the Company changed its name to Huili Resources (Group) Limited. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 12 January 2012. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 2805, 28/F., Harbour Centre, No. 25 Harbour Road, Wan Chai, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the mining, ore processing and sales of nickel, copper, lead and zinc products, financial services and trading of coal in the People's Republic of China (the "PRC").

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

These consolidated financial statements have been approved for issue by the Board of the Company on 31 March 2022.

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

(a) New and amended standards adopted by the Group

The Group has adopted the following new and revised HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by HKICPA for the first time for the consolidated financial statements.

HKFRS 4, 7, 9 and 16 and HKAS 39	Amendments in relation to Interest Rate Benchmark Reform
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions

The Group concluded that the application of the Amendments to Reference to the Conceptual Framework in HKFRS and the amendments to HKFRSs in the current year has had no material impact on the amounts reported and/or disclosures set out in the consolidated financial statements.

(b) New standards and amendments to standards issued but not yet effective for the accounting period beginning on 1 January 2021 and not early adopted by the Group

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance contracts	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-Current	1 January 2023
HKAS 1 (Amendments)	Amendments in relation to Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Amendments in relation to Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Amendments in relation to Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Conceptual Framework for Financial Reporting	1 January 2022
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions	1 April 2021
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020 Cycle	1 January 2022
HK – Int 5	Amendments in relation to Amendments to HKAS 1	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

3 SEGMENT INFORMATION

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

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

During the year, the Group had three operating and reportable segments:

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

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

(c) the "Financial services" segment engages in financial services through Runxi Energy Technology (Shanghai) Company Limited ("Runxi Energy") in the PRC.

Apart from the above three operating and reportable segments, other activities of the Group were mainly investment holdings which are not considered as an operating segment and therefore grouped as "Unallocated" for the purpose of consolidated financial statements disclosures.

The CODM assesses the performance of the operating segments based on operating results. Interest income and expenditure at the level of Group are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. This measurement basis excludes the operating results of other insignificant activities of the Group.

(a) The segment information provided to the CODM for the reportable segments for each of the years ended and as at 31 December 2021 and 2020 is as follows:

	2021					2020				
	Mining *RMB'000*	**Trading business** *RMB'000*	**Financial services** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*	Mining *RMB'000*	Trading business *RMB'000*	Financial services *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Year ended 31 December										
Segment Revenue										
– Sales of mining products	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
– Trading of coal	**–**	**1,464,730**	**–**	**–**	**1,464,730**	–	135,625	–	–	135,625
– Interest income from financial services	**–**	**–**	**5,666**	**–**	**5,666**	–	–	5,591	–	5,591
	–	**1,464,730**	**5,666**	**–**	**1,470,396**	–	135,625	5,591	–	141,216
Segment operating (loss)/profit	**(3,635)**	**3,859**	**2,206**	**–**	**2,430**	10,423	(2,470)	3,928	–	11,881
Unallocated operating loss *(Note (a))*	**–**	**–**	**–**	**(16,780)**	**(16,780)**	–	–	–	(24,447)	(24,447)
Operating (loss)/profit	**(3,635)**	**3,859**	**2,206**	**(16,780)**	**(14,350)**	10,423	(2,470)	3,928	(24,447)	(12,566)
Segment finance income	**–**	**391**	**17**	**–**	**408**	3	9	40	–	52
Unallocated	**–**	**–**	**–**	**72**	**72**	–	–	–	930	930
Finance income	**–**	**391**	**17**	**72**	**480**	3	9	40	930	982
Segment finance costs	**(112)**	**–**	**–**	**–**	**(112)**	(112)	–	–	–	(112)
Unallocated	**–**	**–**	**–**	**(61)**	**(61)**	–	–	–	(62)	(62)
Finance costs	**(112)**	**–**	**–**	**(61)**	**(173)**	(112)	–	–	(62)	(174)
Income tax (credit)/expense	**(53)**	**1,481**	**1,288**	**–**	**2,716**	3,685	32	(461)	337	3,593
Segment depreciation	**2,402**	**–**	**–**	**–**	**2,402**	2,402	–	–	–	2,402
Unallocated	**–**	**–**	**–**	**1,867**	**1,867**	–	–	–	2,316	2,316
Depreciation	**2,402**	**–**	**–**	**1,867**	**4,269**	2,402	–	–	2,316	4,718

	2021 Mining RMB'000	2021 Trading business RMB'000	2021 Financial services RMB'000	2021 Unallocated RMB'000	2021 Total RMB'000	2020 Mining RMB'000	2020 Trading business RMB'000	2020 Financial services RMB'000	2020 Unallocated RMB'000	2020 Total RMB'000
Depreciation of property, plant and equipment	**2,159**	**–**	**–**	**258**	**2,417**	2,159	–	–	305	2,464
Depreciation of right-of-use assets	**243**	**–**	**–**	**1,609**	**1,852**	243	–	–	2,011	2,254
Gain on disposal of property, plant and equipment	**–**	**–**	**–**	**(422)**	**(422)**	–	–	–	–	–
Reversal of impairment loss on property, plant and equipment	**–**	**–**	**–**	**–**	**–**	(11,148)	–	–	–	(11,148)
Reversal of impairment loss on mining structures and mining rights	**–**	**–**	**–**	**–**	**–**	(3,786)	–	–	–	(3,786)
Expected credit losses ("ECLs")/ (Reversal of ECLs) on financial assets	**375**	**2,437**	**2,069**	**(680)**	**4,201**	1,089	3,302	102	(2,007)	2,486
Additions of non-current assets	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
As at 31 December										
Segment assets	**167,005**	**171,587**	**81,316**	**–**	**419,908**	170,061	46,182	93,615	–	309,858
Unallocated assets *(Note (b))*	**–**	**–**	**–**	**138,678**	**138,678**	–	–	–	158,922	158,922
Total	**167,005**	**171,587**	**81,316**	**138,678**	**558,586**	170,061	46,182	93,615	158,922	468,780
Segment liabilities	**42,095**	**119,672**	**1,561**	**–**	**163,328**	42,040	12,036	2,970	–	57,046
Unallocated liabilities *(Note (c))*	**–**	**–**	**–**	**2,946**	**2,946**	–	–	–	2,117	2,117
Total	**42,095**	**119,672**	**1,561**	**2,946**	**166,274**	42,040	12,036	2,970	2,117	59,163

Notes:

(a) Unallocated operating loss mainly represented exchange (losses)/gain, net, administrative and professional services expenses incurred by the Company and Yonghe County Changshi Engineering Service Co., Ltd. ("Changshi") for both the years ended 31 December 2021 and 2020.

(b) Unallocated assets mainly represented the other receivables and the bank deposits held by the Company and Changshi as at 31 December 2021 and 2020.

(c) Unallocated liabilities mainly represented other payables and accruals of the Company and Changshi as at 31 December 2021 and 2020.

(b) Disaggregation of revenue from contracts with customers

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

For the year ended 31 December 2021

	Mining	**Trading business**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Primary geographical markets			
The PRC	**–**	**1,464,730**	**1,464,730**
Major products and services			
Trading of coal	**–**	**1,464,730**	**1,464,730**
Timing of revenue recognition			
At a point in time	**–**	**1,464,730**	**1,464,730**

For the year ended 31 December 2020

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

(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)	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC	**1,469,869**	141,216	**159,901**	162,304
Hong Kong Special Administrative Region, the PRC ("Hong Kong")	**527**	–	**2,296**	1,272
	1,470,396	141,216	**162,197**	163,576

(d) Information about major customers

	Segment	Year ended 31 December **2021**	2020
		RMB'000	*RMB'000*
Customer A	Trading business	**180,119**	–
Customer B	Trading business	**N/A#**	39,347
Customer C	Trading business	**N/A#**	32,626
Customer D	Trading business	**N/A#**	16,655

\# The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December **2021**	2020
	RMB'000	*RMB'000*
Foreign exchange losses, net *(Note 7)*	**(3,726)**	(7,607)
Rental income	**946**	1,755
Interest income on financial assets at FVTOCI	**1,082**	356
Gain on redemption of financial assets at FVTOCI	**566**	–
Gain on disposal of property, plant and equipment	**422**	–
Others	**908**	600
	198	(4,896)

5 FINANCE INCOME – NET

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Finance income		
Interest income	**480**	982
Finance costs		
Interest expenses		
– Interest on lease liabilities *(Note 7)*	**(61)**	(62)
– Unwinding of discount – provision for close down, restoration and environmental costs	**(112)**	(112)
	(173)	(174)
Finance income – net	**307**	808

6 INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current tax – PRC Enterprise Income Tax		
– provision for the year	**2,744**	1,462
– under/(over) provision in prior years	**25**	(1,549)
Deferred tax	**(53)**	3,680
Income tax expense	**2,716**	3,593

7 LOSS BEFORE INCOME TAX

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cost of inventories recognised as expense	**1,456,594**	133,880
Depreciation of property, plant and equipment *(Note (a))*	**2,417**	2,464
Depreciation of right-of-use assets	**1,852**	2,254
Gain on disposal of property, plant and equipment *(Note 4)*	**(422)**	–
Reversal of impairment loss on property, plant and equipment *(Note (b))*	**–**	(11,148)
Reversal of impairment loss on mining rights *(Note (b))*	**–**	(3,786)
ECLs on financial assets *(Note (b))*	**4,201**	2,486
Interest on lease liabilities *(Note 5)*	**61**	62
Short-term leases expenses	**553**	305
Employee costs	**8,989**	7,598
Auditor's remuneration		
– annual audit	**913**	978
– others	**166**	178
Foreign exchange losses, net *(Note 4)*	**3,726**	7,607

Notes:

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

(b) Included in other operating (losses)/gains in the consolidated statement of comprehensive income.

8 DIVIDEND

The Directors did not propose any payment of dividend to the Company's shareholders for the years ended 31 December 2021 and 2020.

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

	2021	2020
	RMB'000	*RMB'000*
Loss for the year attributable to equity holders of the Company	**(16,685)**	(16,738)

	Number of shares	Number of shares
	'000	*'000*
Weighted average number of ordinary shares in issue	**1,620,000**	1,620,000
Basic and diluted loss per share *(RMB cents)*	**(1.0)**	(1.0)

Diluted loss per share was equal to basic loss per share as there was no potential share outstanding for the each of the years ended 31 December 2021 and 2020.

10 LOAN RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Loans to third parties *(Note (a))*	**95,457**	77,000
	95,457	77,000
Less: ECLs of loan receivables *(Note (b))*	**(2,797)**	(720)
	92,660	76,280
Representing:		
– Non-current	**29,563**	76,280
– Current	**63,097**	–
	92,660	76,280

Notes:

(a) On 4 December 2019, Runxi Energy, one of the subsidiaries of the Group, entered into a loan agreement (the "Loan Agreement 1") and a mortgage agreement with Beijing Fengwo Technology Company Limited* ("Beijing Fengwo"), an independent third party, to provide a loan (the "Loan 1") 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 principal amount of the Loan 1. On 28 February 2020, the Board approved the extension of the term of the Loan 1 to 5 December 2022 (in respect of RMB45,000,000 drawn down on 5 December 2019) and 6 December 2022 (in respect of RMB20,000,000 drawn down on 6 December 2019).

On 6 January 2020, the Group entered into two separate 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 April 2021, the Group entered into a loan agreement (the "Loan Agreement 2") with another independent third party (the "Borrower"), and a pledge agreement and a guarantee agreement with an individual (the "Guarantor"), to provide a loan (the "Loan 2") of HK$22,600,000, interest bearing at 4.5% per annum for a term of 36 months, and may be extended for 12 months, and may thereafter be further extended for 12 months. The total term of the Loan 2 after extension shall not be longer than 60 months. The Guarantor has provided a personal guarantee to guarantee the Loan 2, and proposed to pledge a property located in Shanghai, the PRC, with fair value higher than the principal amount of the Loan 2. Since the Guarantor has not completed the registration of the pledge so that the Borrower renegotiated the terms of the Loan 2 with the Group. On 3 March 2022, the Group entered into a supplemental loan agreement with the Borrower pursuant to which the Borrower agreed to 1) early settle United States dollars ("US$") 1,000,000 (equivalent to approximately HK$7,800,000) on or before 10 March 2022; 2) the remaining outstanding of HK$14,800,000 shall be interest bearing at 5% p.a. after 10 March 2022; 3) the extension option of the Loan 2 shall be removed; and 4) the maturity date of the Loan 2 shall be shortened to 31 December 2022. The Borrower repaid US$1,000,000 (equivalent to approximately US$7,800,000) of the Loan 2 on 7 March 2022 and the remaining HK$14,800,000 loan is interest bearing at 5% per annum after 10 March 2022 and shall mature on 31 December 2022.

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

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

	2021	2020
	RMB'000	*RMB'000*
Balance at 1 January	**720**	465
ECLs on loan receivable recognised during the year	**2,077**	255
Balance at 31 December	**2,797**	720

11 TRADE AND BILLS RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**11,485**	19,275
Less: ECLs of trade receivables *(Note (b), (d))*	**(5,600)**	(3,721)
Trade receivables, net *(Note (a))*	**5,885**	15,554
Bills receivables	**–**	600
Less: ECLs of bills receivables *(Note (c), (d))*	**–**	(7)
Bill receivables, net *(Note (c))*	**–**	593
Total trade and bills receivables, net	**5,885**	16,147

Notes:

(a) At 31 December 2021 and 2020, the ageing analysis of the trade receivables after ECLs recognised based on invoice date were as follows:

	2021	2020
	RMB'000	*RMB'000*
Up to 3 months	**679**	8,636
3 to 6 months	**270**	4,272
6 to 12 months	**55**	2,646
Over 12 months	**4,881**	–
	5,885	15,554

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

(b) As at 31 December 2021, loss allowance of approximately RMB5,600,000 (2020: RMB3,721,000) were made against the gross amount of trade receivables.

(c) Bills receivables represent unconditional orders in writing issued by customers of the Group for completed sale orders which entitle the Group to collect a sum of money from banks. The bills are non-interest bearing and have a maturity from three months to one year. As at 31 December 2021, loss allowance of approximately RMBNil (2020: RMB7,000) were made against the gross amount of bills receivables.

(d) Movement in the loss allowance amount in respect of trade and bills receivables during the year is as follows:

	2021	2020
	RMB'000	*RMB'000*
Balance at 1 January	**3,728**	1,192
ECLs recognised during the year	**1,872**	2,536
Balance at 31 December	**5,600**	3,728

12 OTHER RECEIVABLES AND PREPAYMENTS

	2021	2020
	RMB'000	*RMB'000*
Other receivables	**89,515**	91,668
Less: Provision of impairment losses on other receivables *(Note (a))*	**(86,893)**	(88,281)
	2,622	3,387
Advances to suppliers – third parties	**34,295**	21,113
Total other receivables and prepayments, net	**36,917**	24,500

Notes:

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

	2021	2020
	RMB'000	*RMB'000*
Balance at 1 January	**88,281**	93,227
Written off of other receivables	**(355)**	(2,855)
ECLs/(Reversal of ECLs) on other receivables recognised during the year	**252**	(305)
Exchange differences	**(1,285)**	(1,786)
Balance at 31 December	**86,893**	88,281

13 TRADE PAYABLES

Trade payables are analysed as follows:

	2021	2020
	RMB'000	*RMB'000*
Third parties	**77,445**	1,310

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

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

	2021	2020
	RMB'000	*RMB'000*
Up to 3 months	**76,144**	–
Over 12 months	**1,301**	1,310
	77,445	1,310

14 EVENTS AFTER THE REPORTING DATE

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

(b) On 29 November 2021, the Group entered into an agreement to acquire 95% equity interest in Shanxi Fanpo Clean Energy Technology Company Limited ("Shanxi Fanpo") for a cash consideration of RMB9,599,000. Shanxi Fanpo was engaged in the sales of coal and the operation of coal washery. Although the acquisition was completed on 5 January 2022, there is not sufficient time for the management to prepare the financial statements of the subsidiary, thus it is impracticable at this moment to disclose further information about the acquisition.

BUSINESS REVIEW

The Huili Resources (Group) Limited (the "Company") and its subsidiaries (together the "Group") mainly participates in the coal business, nonferrous ore mining and processing, and financial services.

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

During the year ended 31 December 2021 (the "Year"), the mainland Chinese government successfully controlled the outbreak of the coronavirus disease ("COVID-19") pandemic. According to the National Bureau of Statistics of China (the "National Bureau of Statistics"), the preliminary results of the GDP of the People's Republic of China (the "PRC") for 2021 was approximately RMB114,367 billion, representing a year-on-year increase of 8.1% at comparable prices and a two-year average growth rate of 5.1%. In terms of quarters, the growth rate in the first quarter was 18.3% year-on-year, that of the second quarter was 7.9% year-on-year, that of the third quarter was 4.9% year-on-year, and that of the fourth quarter was 4.0%. Although the GDP growth rate in the third quarter showed a drop as compared with other quarters in 2021, it was also higher than the corresponding period of the previous year. Despite that it might be due to the low-base factor effect in the corresponding period in 2020, it also indicated that the economy of the PRC was back on the right track.

Meanwhile, according to the National Bureau of Statistics, power generation reached approximately 8,112.2 billion kWh in 2021, representing a year-on-year increase of 8.1%, an increase of 11.0% as compared with 2019, and an average two-year increase of 5.4%. The production of major energy products in industries above designated size (規模以上工業主要能源產品) maintained a year-on-year growth during 2021, and particularly, there was an acceleration in the production of raw coal. With the continuous implementation of the policy of increasing production and ensuring supply of raw coal by the mainland Chinese government, during 2021, the production of raw coal was approximately 4.07 billion tonnes, representing an increase of 4.7% year-on-year, an increase of 5.6% as compared with 2019, and an average two-year increase of 2.8%; while the quantity of coal imported was approximately 320 million tons, representing an increase of 6.6% year-on-year.

Notwithstanding that there was an increase in both the supply and demand for coals, there was also an increase in the selling price of coal in mainland China. According to the statistics provided by Shanxi Fensheng Information Technology Co., Ltd.* (山西汾盛資訊技術有限公司) through sxcoal.com (中國煤炭資源網), the CCI5500 (中國煤炭價格指數環渤海動力5500K), a gauge of coal prices in the PRC and also one of the indicators of the selling price of the Group's coal product, the CCI5500 stood at approximately RMB840 per tonne, and increased to its peak at RMB2,350 per tonne in October 2021. Although there was a drop in CCI5500 in the last two months of 2021 to RMB907 per tonne, the CCI5500 still recorded a 7.9% year-on-year increase during the Year.

* *For identification purpose only*

Turning to the Group's nonferrous ore mining and processing operation, the diversified nonferrous metal minerals covered by the Company's operations include nickel, copper, zinc and lead in the Xinjiang Uyghur Autonomous Region ("Xinjiang"), the PRC. The mining and exploration tenements and ore processing plants in Xinjiang are located close to the municipal city of Hami county, which is approximately 400 kilometers ("km") southeast of Urumqi, the capital of Xinjiang. As at 31 December 2021, 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 of nonferrous metals in Xinjiang, the PRC.

During the Year, the commodities markets continued to be influenced by the COVID-19 pandemic. As a result of the COVID-19 pandemic, the supply chain was largely interrupted which also led to the general increase in price across different commodities. According to the London Metal Exchange, the prices of zinc recorded an increasing trend from the start of 2021 and reached a peak in October 2021, it then dropped sharply by around 15% within a month, and following there was slight rebound in late December 2021 and stood at around USD3,600 per tonne at the year end.

On the contrary, unlike zinc, both copper and lead prices fluctuated more widely than zinc during the Year. Copper fluctuated between around USD9,000 per tonne and around USD11,000 per tonne during the Year, and stood at around USD9,700 per tonne at the year end; while lead fluctuated between around USD1,900 per tonne and around USD2,500 per tonne during the Year, and stood at around USD2,300 per tonne at the year end.

During the Year, the mainland Chinese government imposed stricter safety and environmental regulations in the mining industry. Thus, the Group decided to have a full scope review of the operations of the mine and processing plant before their resumption in order to ensure its safe and environmental operation. The Group aims for green development of the mining segment, improving the efficiency of resource utilisation, and ultimately achieving balanced operations between resource development and ecological protection. The Group will closely monitor the development and spread of COVID-19, and consider the window to restart its mining operation. The Group will also look for potential partners to jointly develop the mines in order to maximise their economic values.

During the Year, in view of the recent development of the coal and commodities market, the Group considered that it is in the best interest of the Company to set the coal business as the strategic business segment of the Group and allocated more resources in developing the Group's coal business.

* *For identification purpose only*

While the Group strategically moved towards the coal business, the Group also seeks to utilise its idle resources to generate extra return for the shareholders of the Company through the Group's financial services segment. During the Year, the Group entered into a new loan agreement with an independent third party, and a pledge agreement and a guarantee agreement with an individual to provide a loan of approximately HK$22 million, interest bearing at 4.5% per annum. Further details of the loan, please refer to the section headed "Financial Services" under the "Management Discussion and Analysis" to this annual results announcement.

In view of the Group's strategic move towards the coal business, the Group, through an indirect wholly-owned subsidiary of the Company, Changzhi Runce, acquired 95% of the equity interest in Shanxi Fanpo Clean Energy Technology Company Limited* ("Shanxi Fanpo") (山西反坡清潔能源科技有限公司) (the "Shanxi Fanpo Acquisition"), and the acquisition was completed in January 2022.

Shanxi Fanpo is principally engaged in the sales of coal and the operation of coal washery. Shanxi Fanpo is in the course of constructing a coal washery in Changzhi city, Shanxi Province, the PRC and is currently one of the Group's coal suppliers. The coal washery is set up to remove impurities in raw coal, and to classify high-quality coal and inferior coal to improve coal utilisation efficiency and reduce coal pollutant emission. The acquisition of 95% of the equity interest in Shanxi Fanpo would allow the Group to move upstream in the coal industry, broaden the Group's source of income and diversify its business portfolio.

Meanwhile, in order to concentrate its resources to exploit the market opportunities of the coal business, the Group decided to cease its engineering services segment and to dispose of one of the Group's exploration permits, namely Project Huangshan, during the Year. The above 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 the other hand, in December 2019, the Group entered into an agreement (the "Jiahe Disposal Agreement") with an independent third party to dispose of the entire equity interests of Shaanxi Jiahe Mineral Exploiture Limited* ("Shaanxi Jiahe") (the "Jiahe Disposal"). On 23 March 2020, completion of the Jiahe Disposal took place and Shaanxi Jiahe then had ceased to be a subsidiary of the Company.

* *For identification purpose only*

Coal Business

During the Year, the Group carried out the coal trading business through three subsidiaries, Changzhi Runce, Gujiao Runce and Ningbo Runce.

The customers of this business segment are mainly local coal traders and energy companies during the Year. During the Year, the mainland Chinese government successfully controlled the outbreak of the COVID-19 pandemic and the economy of the PRC showed a sign of continuous recovery. Benefited by the recovery of the PRC's economy, both the demand and supply for coal products increased continuously. At the same time, there was also an increase in the selling price of coal in mainland China, which was evidenced by the 7.9% year-on-year increase in the CCI5500, a gauge of coal prices in the PRC and also one of the indicators of selling price of the Group's coal product.

To exploit the booming demand of coal products, Changzhi Runce, as purchaser and an indirect wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to acquire 95% of the equity interest in Shanxi Fanpo in November 2021. Shanxi Fanpo is principally engaged in the sales of coal and the operation of coal washery. Shanxi Fanpo is in the course of constructing a coal washery in Changzhi city, Shanxi Province, the PRC and is currently one of the Group's coal suppliers. Shanxi Fanpo has an outstanding capital commitment of approximately RMB8.6 million (equivalent to approximately HK$10.5 million) as at 31 December 2021. The coal washery is set up to remove impurities in raw coal, and to classify high-quality coal and inferior coal to improve coal utilization efficiency and reduce coal pollutant emission. The coal washery is designed to have a maximum throughput capacity of approximately 20,000 tonnes per day.

The acquisition of 95% of the equity interest in Shanxi Fanpo would allow the Group to move upstream in the coal industry, broaden the Group's source of income and diversify its business portfolio. The Shanxi Fanpo Acquisition was completed in January 2022. For details, please refer to the section headed "Material Acquisitions and Disposals" under the "Management Discussion and Analysis" to this annual results announcement.

The coal business segment has contributed RMB1.46 billion (2020: RMB135.6 million) to the Group's revenue during the Year.

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, while Baiganhu Mine produces lead and zinc ores. The Group is assessing the possibility for the commencement of productions of both mines and will also look for potential partners to jointly develop the mines to capture the economic values of both mines.

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

Exploration Rights

During the Year, in order to concentrate its resources to exploit the market opportunities of the coal business, the Group decided to dispose of one of the Group's exploration rights, namely Project Huangshan. This move 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.

Meanwhile, 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 Baiganhu Gold tenement preliminary mineralisation band and the ore deposit. During the Year, the Group conducted further exploration in the Baiganhu Gold tenement and H-989 tenement, the Group considered that it is not economical to carry out further exploration works on its own and decided temporarily not to extend the exploration permit. The Group continues to seek for co-operating party to look for the opportunities of cooperative exploration in order to materialise the exploration rights. Up to the date of this announcement, there is neither public announcement nor official statement that the exploration rights are cancelled.

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

Ore Processing Plants

Hami Jiatai operates a copper-nickel ore processing plant and Hami Jinhua owns a lead-zinc ore processing plant. Both plants were set up to process the ore extracted from their deposits, and adopt a non-conventional flotation circuit. The throughput capacity of both plants is 1,500 tons per day respectively. Nickel, copper, lead and zinc concentrates are separated and recovered from ore processing for sale. Hami Jiatai and Hami Jinhua did not carry out any mining and processing activities during the Year.

Financial Services

During the Year, the Company mainly carried out financial service business itself in Hong Kong and through its indirect wholly owned subsidiary, Runxi Energy Technology (Shanghai) Company Limited ("Runxi Energy") in the PRC.

On 4 December 2019, the Group entered into a loan agreement (the "Loan Agreement 1") with an independent third party to provide a loan (the "Loan 1") of RMB65 million, bearing interest at 7% per annum for a term of 5 months, which may be extended for 19 months, and may thereafter further be extended for 12 months. On 28 February 2020, upon the request of the borrower of the Loan 1 and with the approval of the board of directors of the Company (the "Board"), the term of the Loan 1 was extended for 31 months after the end of the initial 5-month term.

Further details of the Loan 1 and its extension were disclosed in the announcements of the Company dated 4 December 2019 and 28 February 2020.

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

On 17 April 2021, the Group entered into a loan agreement (the "Loan Agreement 2") with another independent third party (the "Borrower"), and a pledge agreement and a guarantee agreement with an individual (the "Guarantor"), to provide a loan (the "Loan 2") of approximately HK$22 million, interest bearing at 4.5% per annum for a term of 36 months, and may be extended for 12 months, and may thereafter be further extended for 12 months. The total term of the Loan 2 after extension shall not be longer than 60 months. The Guarantor has provided a personal guarantee to guarantee the Loan 2, and proposed to pledge a property located in Shanghai, the PRC, with fair value higher than the principal amount of the Loan 2. Since the Guarantor has not completed the registration of the pledge so that the Borrower renegotiated the terms of the Loan 2 with the Group. On 3 March 2022, the Group entered into a supplemental loan agreement with the Borrower pursuant to which the Borrower agreed to: 1) early settle United States dollar ("USD") 1 million (equivalent to approximately HK$7.8 million) on or before 10 March 2022; 2) the remaining outstanding of HK$14.8 million shall be interest bearing at 5% p.a. after 10 March 2022; 3) the extension option of the Loan 2 shall be removed; and 4) the maturity date of the Loan 2 shall be shorten to 31 December 2022. The Borrower repaid USD1 million (equivalent to approximately USD7.8 million) of the Loan 2 on 7 March 2022 and the remaining HK$14.8 million loan is interest bearing at 5% per annum after 10 March 2022 and shall mature on 31 December 2022.

To the best of the knowledge, information and belief of the Directors, such two borrowers, the borrower of the Loan 1 and the Borrower were not related to and were independent of one another.

Revenue of approximately RMB5.7 million (2020: RMB5.6 million) was generated by the financial services segment during the Year.

RESULTS REVIEW

Revenue and Gross profit

During the Year, the revenue increased by approximately 9.4 folds to approximately RMB1.47 billion from approximately RMB141.2 million for the year ended 31 December 2020 (the "Prior Year"). The increase was mainly attributable to the RMB1.32 billion increase in revenue generated from the coal business during the Year.

The cost of sales was approximately RMB1.46 billion for the Year, as compared with approximately RMB137.0 million in the Prior Year, representing a year-on-year increase of approximately 9.7 folds. The increase was mainly contributed by the coal business as the result of the increased sales of coal products during the Year.

The gross profit increased by approximately 154.8% from approximately RMB4.2 million for the Prior Year to approximately RMB10.7 million for the Year. The increase was mainly contributed by the coal business during the Year.

During the Year, the mainland Chinese government imposed stricter safety and environment regulations in the mining industry. Thus, the Group decided to have a full scope review of the operations of mine and processing plant before their resumption in order to ensure its safe and environmental operation. The Group aims at green development of the mining segment, improving the efficiency of resource utilisation, and ultimately achieving balanced operations between resource development and ecological protection. The Group will also closely monitor the development and spread of the COVID-19 pandemic, and consider the window to restart its mines production. The Group will also look for potential partners to jointly develop the mines in order to maximise their economic values.

Administrative expenses

Administrative expenses for the Year, which included mainly depreciation charges, professional fees, staff costs and office overheads, amounted to approximately RMB21.0 million (2020: RMB24.4 million).

Other gains/(losses) – net

Other gains for the Year of approximately RMB0.2 million mainly represented rental income, interest income on financial assets at fair value through other comprehensive income ("FVTOCI") and gain on redemption of financial assets at FVTOCI of approximately RMB0.9 million, RMB1.1 million and RMB0.6 million respectively, netted by the exchange losses of the financial assets that were denominated in the currency other than Renminbi ("RMB").

Other losses for the Prior Year of approximately RMB4.9 million mainly represented the exchange losses of the financial assets that were denominated in the currency other than RMB netted by rental income of approximately RMB1.8 million.

Other operating (losses)/gains

Other operating losses of approximately RMB4.2 million was recorded during the Year, while other operating gains of approximately RMB12.4 million was recorded during the Prior Year.

The other operating losses for the Year was mainly contributed by the expected credit losses ("ECL(s)") on financial assets, net of the Group of approximately RMB4.2 million (2020: RMB2.5 million). During the Prior Year, reversal of impairment losses on property, plant and equipment and mining rights of approximately RMB14.9 million were recorded.

Finance income – net

Finance income of approximately RMB0.3 million (2020: RMB0.8 million) during the Year mainly represented interest income earned from the Group's cash at bank, netted by interest expenses on lease liabilities.

Income tax expense

During the Year, income tax expense was approximately RMB2.7 million (2020: RMB3.6 million). It mainly represents the tax provision for operations in the PRC during the Year. No provision for profits tax in Hong Kong was made during the Year.

Operating loss

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

	For the Year			**For the Prior Year**		
	Revenue	**Operating profit/(loss)**	**Operating profit Margin**	**Revenue**	**Operating profit/(loss)**	**Operating profit/(loss) Margin**
	RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*
Coal business	1,464,730	3,859	0.26%	135,625	(2,470)	(1.8)%
Interest income from financial services	5,666	2,206	38.9%	5,591	3,928	70.3%
Mining	–	(3,635)	N/A	–	10,423	N/A
Total	1,470,396	2,430	0.2%	141,216	11,881	8.4%

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held as at 31 December 2021 and 2020.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Year, Changzhi Runce, as purchaser and an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") in relation to the acquisition of 95% equity interest in Shanxi Fanpo, a company established in the PRC with limited liability with Mr. Cui Huike (崔慧科), as vendor on 29 November 2021. Pursuant to the Sale and Purchase Agreement, Changzhi Runce agreed to purchase and Mr. Cui Huike agreed to sell 95% of the equity interest in Shanxi Fanpo upon the fulfillment of certain conditions, including but not limited to satisfactory completion of the financial and legal due diligence review on Shanxi Fanpo.

The Shanxi Fanpo Acquisition was then completed in January 2022 with the final consideration of approximately RMB9.6 million (equivalent to approximately HK$11.7 million).

Further details of the Shanxi Fanpo Acquisition are set out in the Company's announcement dated 29 November 2021.

During the Prior Year, the Group disposed the entire equity interests of Shaanxi Jiahe, the subsidiary of the Group that owns Project Huangjinmei to an independent third party on 23 March 2020. Further details of the Jiahe Disposal are set out in the Company's announcement dated 24 December 2019.

Save for the Shanxi Fanpo Acquisition and the Jiahe Disposal, there were no other material acquisitions and disposals during the Year and the Prior Year.

LIQUIDITY AND FINANCIAL REVIEW

The equity attributable to owners of the Company as at 31 December 2021 decreased to RMB394 million, a decrease of approximately 4.1% over that as at 31 December 2020 of RMB411 million while the Group's total assets employed increased to RMB559 million as at 31 December 2021 as compared to RMB469 million as at 31 December 2020.

The Group continues to maintain a strong financial position. To preserve funds for future capital expenditure and new business opportunities, the Group invests surplus cash in low risk fixed deposits as well as high quality debt securities issued by large financial institutions and corporations to generate low risk interest income for the Group. As at 31 December 2021, the debt securities were predominantly denominated in the U.S. dollar with weighted average tenor of approximately 2 years. Debt securities investments are closely monitored by designated team with the help of international leading banks. The debt securities were classified as financial assets at FVTOCI. These debt securities were considered to be of low credit risk and the expected credit loss was minimal. As at 31 December 2021, none of the debt securities, both individually and in aggregate, held by the Group equaled or exceeded 5 per cent of the Group's total assets. As at 31 December 2021, the Group had the debt securities of approximately RMB15.5 million (2020: RMB19.1 million).

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 2021, the Group had current assets of approximately RMB341.8 million (2020: RMB209.8 million) and current liabilities of approximately RMB137.5 million (2020: RMB31.0 million). The current ratios for the Group, being total current assets to total current liabilities, was 2.5 and 6.8 as at 31 December 2021 and 2020 respectively.

As at 31 December 2021 and 2020, there was no outstanding interest-bearing bank loan and other borrowings. The Group's liquidity position remains strong and the Group is confident that sufficient resources could be secured to meet its commitments and working capital requirements. The Group has no gearing ratio.

As at 31 December 2021, the Group maintained bank and cash balances of approximately RMB235.9 million (2020: RMB169.1 million).

Treasury policy

The Group continues to adopt a conservative treasury policy in liquidity and financial management. The Group conducted its continuing operational business transactions mainly in RMB and Hong Kong dollar ("HKD"). Surplus cash is generally placed in fixed deposits and high-quality debt securities mostly denominated in HKD, USD or RMB. The Group did not arrange any forward currency contracts for hedging purposes.

PRINCIPAL RISKS

The Group's activities are exposed to a variety of risks.

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.

Credit risk exposure

The Group is exposed to default risks in dealing with counterparties in its financial services segment. A default by a counterparty could expose the Group to both financial loss and operational disruption of business processes. Default risk also arises where the Group undertakes secured lending business, with exposure to loss if an accrued debt exceeds the value of security taken.

In the Group's financial service business, the Group's loan criteria takes account of borrower's financial performance and strength, and the value of security, if any. Specific borrower limits are set by financial strength and the availability of the security and guarantee to limit exposure to a default event. Exposures are monitored relative to limits. To safeguard the Company's asset, the Company closely monitors the credit worthiness of customers and the value of the security, if any, and periodically, the Company engages independent valuer to assess the sufficiency of the ECLs of each loan receivable balance. Loan receivables of the Group at amortised cost are considered to have low credit risk, and the loss allowances recognised during the Year was therefore limited to 12-month ECLs.

As at the date of the reporting period, RMB2.8 million (2020: RMB0.7 million) of ECLs has been made against the loan receivables. For details of the ECLs assessment, please refer to note 10 of this announcement.

The Group also reviews the carrying value of its loan receivables at each date during the reporting period. If the carrying value of a loan receivable is impaired, the carrying value is reduced through a charge to the consolidated statement of profit and loss. There must be objective evidence of impairment as a result of one or more events which have occurred after the initial recognition of the asset. Impairment is only recognised if the loss event has an impact on the estimated future cash flows of the loan receivable. As at the date of the reporting period, none of the loan receivables of the Group was impaired.

Meanwhile, the Group is also exposed to credit risks in its coal business and is primarily attributable to its trade and bills receivables in this business segment. 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. The carrying amounts of its trade and bills receivables represent the Group's maximum exposure to credit risk in this business segment. The Group applies the simplified approach to provide for ECLs as prescribed by HKFRS 9, which permits the use of the lifetime ECLs provision for all trade and bills receivables.

As at 31 December 2021, loss allowance of approximately RMB5.6 million (2020: RMB3.7 million) were made against the gross amount of trade receivables. For details of the ECLs assessment, please refer to note 11 of this announcement.

The Group also separately assesses trade and bills receivables that are individually significant for impairment at each reporting date. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience. Trade and bills receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 365 days past due. Impairment losses on trade and bills receivables are presented as net impairment losses within operating results. Subsequent recoveries of amounts previously written off are credited against the same line item. As at the date of the reporting period, none of the trade receivables of the Group was impaired.

GEARING RATIO

Gearing ratio of the Group is calculated based on net debt divided by total capital. Net debt is calculated based on total interest-bearing 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 2021, the gearing ratio was 0% (2020: 0%).

CHARGES ON COMPANY'S ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES

The Group had no other contracted capital expenditure, commitments and charge on the Company's assets as at 31 December 2021 and 2020.

There was no charge on the Company's assets as at 31 December 2021 and 2020.

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

The Group had no other material contingent liability as at 31 December 2021 and 2020.

HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 31 December 2021, the Group employed 46 employees (2020: 33). The total staff costs (including Directors' emoluments) for the Year were approximately RMB9.0 million (2020: RMB7.6 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 encourages its employees to attend extremal job-related training and 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 during the Year and as at 31 December 2021.

FUTURE OUTLOOK AND PROSPECTS

Since January 2020, the outbreak of the COVID-19 pandemic has impacted the global business environment. Given the ongoing and dynamic nature of the circumstances surrounding the COVID-19 pandemic, it is difficult to predict how significant the impact of this coronavirus outbreak, including any responses to it, will be on the global economy, the Group's customers and businesses or for how long disruptions are likely to continue. The Company continues to closely monitor developments related to the pandemic in light of the economic environment. The longer-term impacts of the restrictions will depend on future developments, which are highly uncertain, constantly evolving and difficult to predict. These impacts may differ in magnitude depending on a number of scenarios, which we continue to monitor and take into consideration in our decision making as we continue to assess medium to long-term impacts.

Additional actions may be taken to contain the COVID-19 pandemic or treat its impact, such as re-imposing previously lifted measures or putting in place additional restrictions. The pace, availability, distribution and acceptance of effective vaccines could also affect the impact of COVID-19. Such developments, depending on their nature, duration, and intensity, could have a material adverse effect on the Group's business, financial position, results of operations or cash flows.

Meanwhile, despite mainland China recording a record high GDP growth rate in the first quarter of 2021 after mainland China's re-opening last year, there was evidence of slowdown in economic growth in the second half of 2021. Nevertheless, 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, while the financial service segment continued to provide stable source of revenue to the Group, the performance of the Group's coal business segment was encouraging and exciting, in which approximately nine folds increase in the revenue from the business was recorded as compared with the Prior Year. This evidenced the successful mitigation of the Group's business risk through diversification of businesses and broadening of its income streams.

To exploit the opportunities of the booming coal industry, Changzhi Runce, as purchaser and an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement in relation to the Shanxi Fanpo Acquisition to acquire 95% of the equity interest in Shanxi Fanpo. Shanxi Fanpo is principally engaged in the sales of coal and the operation of coal washery. Shanxi Fanpo is in the course of constructing a coal washery in Changzhi city, Shanxi Province, the PRC and is currently one of the Group's coal suppliers. The coal washery is set up to remove impurities in raw coal, and to classify high-quality coal and inferior coal to improve coal utilization efficiency and reduce coal pollutant emission. The coal washery is designed to have a maximum throughput capacity of approximately 20,000 tonnes per day. The Shanxi Fanpo Acquisition was completed in January 2022 and the acquisition of 95% of the equity interest in Shanxi Fanpo would allow the Group to move upstream in the coal industry, broaden the Group's source of income and further strengthen its position in the coal industry to capture any opportunities from the coal industry in the future.

At the National Coal Trading Conference held on 3 December 2021, the National Development and Reform Commission (中華人民共和國國家發展和改革委員會) announced the "2022 long-term coal performance work plan (draft for comments)" (2022年煤炭長期合同簽訂履約工作方案(徵求意見稿)) (the "Work Plan"). According to the Work Plan, the benchmark price was raised from RMB535 per tonne to RMB700 per tonne, representing an increase of 31%. The price adjustment range of 500 kcal thermal coal was also increased to RMB550 per tonne to RMB850 per tonne from RMB470 per tonne to RMB600 per tonne. Both measures indicate that the mainland Chinese government expects a tight balance between supply and demand of thermal coal in the future, and therefore adjusts the benchmark price to better reflect the current market situation. The Company believes that the implementation of the Work Plan will benefit the Group's coal business.

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 coal business. This is part of the Group's ongoing move to strengthen its diverse businesses with the aim of broadening its income streams and minimising the impact of the adverse commodities market conditions on the Group's overall business performance. This strategy is expected to improve the Group's operating conditions, optimise business structure, exploit new earnings growth points, and drive sustainable and quality development of the Group's business.

Looking ahead, the Board remains prudent and optimistic about the prospects of our core businesses, including the mining business, the financial services business and the coal business. The Group will follow a very cautious approach to ensure corporate sustainability in 2022. The Group is currently in touch with a potential co-operating party, who has extensive experience in the field, to look for opportunities of co-operative exploration in order to materialise the exploration right to provide synergy effects to the Group's existing mining permit and to develop the mines jointly to maximise the economic values of the Group's valuable resources. The Group will also continue to explore the possibility of developing other quality projects or opportunities with promising prospects to formulate a business configuration with its existing segments and to diversify the Group's businesses in both business segments and locations. The Company will do its best to carry out more active operations and explore opportunities for potential acquisition to capture market opportunities in the PRC and to diversify the Group's business and broaden its revenue base.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

(b) On 29 November 2021, the Group entered into an agreement to acquire 95% equity interest in Shanxi Fanpo for a cash consideration of approximately RMB9.6 million. Shanxi Fanpo is engaged in the sales of coal, and the operation of coal washery. The acquisition was completed on 5 January 2022.

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 which was then effective and 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") for the year ended 31 December 2021, and has complied with the code provisions of the Code during the Year, save for the following:

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

Under code provision A.4.1 of the Code, non-executive Directors should be appointed for a specific term, subject to re-election. Except for Ms. Huang Mei, who is not appointed for a specific term, all other non-executive Directors are appointed for a term of three years. All of the Directors (including the non-executive Directors) are subject to retirement by rotation in accordance with the Articles of Association of the Company. The Board considers that sufficient measures were taken to ensure the corporate governance practices of the Company are not less than those in the Code.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The audit committee under the Board (the "Audit Committee") was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. The Audit Committee comprises the three independent non-executive Directors. The Audit Committee has reviewed the annual results for the year ended 31 December 2021.

PUBLICATION OF ANNUAL REPORT

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) and the Company (http://www.huili.hk). The annual report of the Company for the year ended 31 December 2021 containing all the information as required by the Listing Rules will be despatched to the shareholders of the Company and made available for review on the same websites in due course.

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

Hong Kong, 31 March 2022

As at the date of this announcement, the executive Directors are Mr. Cui Yazhou, Mr. Ye Xin, 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.