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

2021
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cui Yazhou (appointed on 10 November 2021)
Mr. Ye Xin (appointed on 12 July 2021)
Ms. Wang Qian
Mr. Zhou Jianzhong

Non-Executive Director

Mr. Cao Ye

Independent Non-Executive Directors

Ms. Xiang Siying *(Chairlady)*
Ms. Huang Mei
Mr. Chan Ping Kuen

AUDIT COMMITTEE

Ms. Huang Mei *(Chairlady)*
Ms. Xiang Siying
Mr. Chan Ping Kuen

REMUNERATION COMMITTEE

Ms. Xiang Siying *(Chairlady)*
Ms. Wang Qian
Ms. Huang Mei

NOMINATION COMMITTEE

Ms. Xiang Siying *(Chairlady)*
Ms. Wang Qian
Ms. Huang Mei

AUTHORISED REPRESENTATIVES

Ms. Xiang Siying
Mr. Yau Hong Chun

COMPANY SECRETARY

Mr. Yau Hong Chun

INDEPENDENT AUDITOR

ZHONGHUI ANDA CPA Limited
23/F., Tower 2
Enterprise Square Five
38 Wang Chiu Road
Kowloon Bay
Hong Kong

LEGAL ADVISERS

as to laws of Hong Kong Special Administrative Region ("Hong Kong")
Michael Li & Co.

as to laws of People's Republic of China (the "PRC")
King & Wood Mallesons

as to Cayman Islands laws
Conyers Dill & Pearman

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

In the PRC
No. 38 Guangchang Bei Road
Hami City
Xinjiang Uygur Autonomous Region
PRC

In Hong Kong
Room 2805, 28/F.
Harbour Centre
No. 25 Harbour Road
Wan Chai, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

In the Cayman Islands
Codan Trust Company (Cayman) Limited
Cricket Square Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

In Hong Kong
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

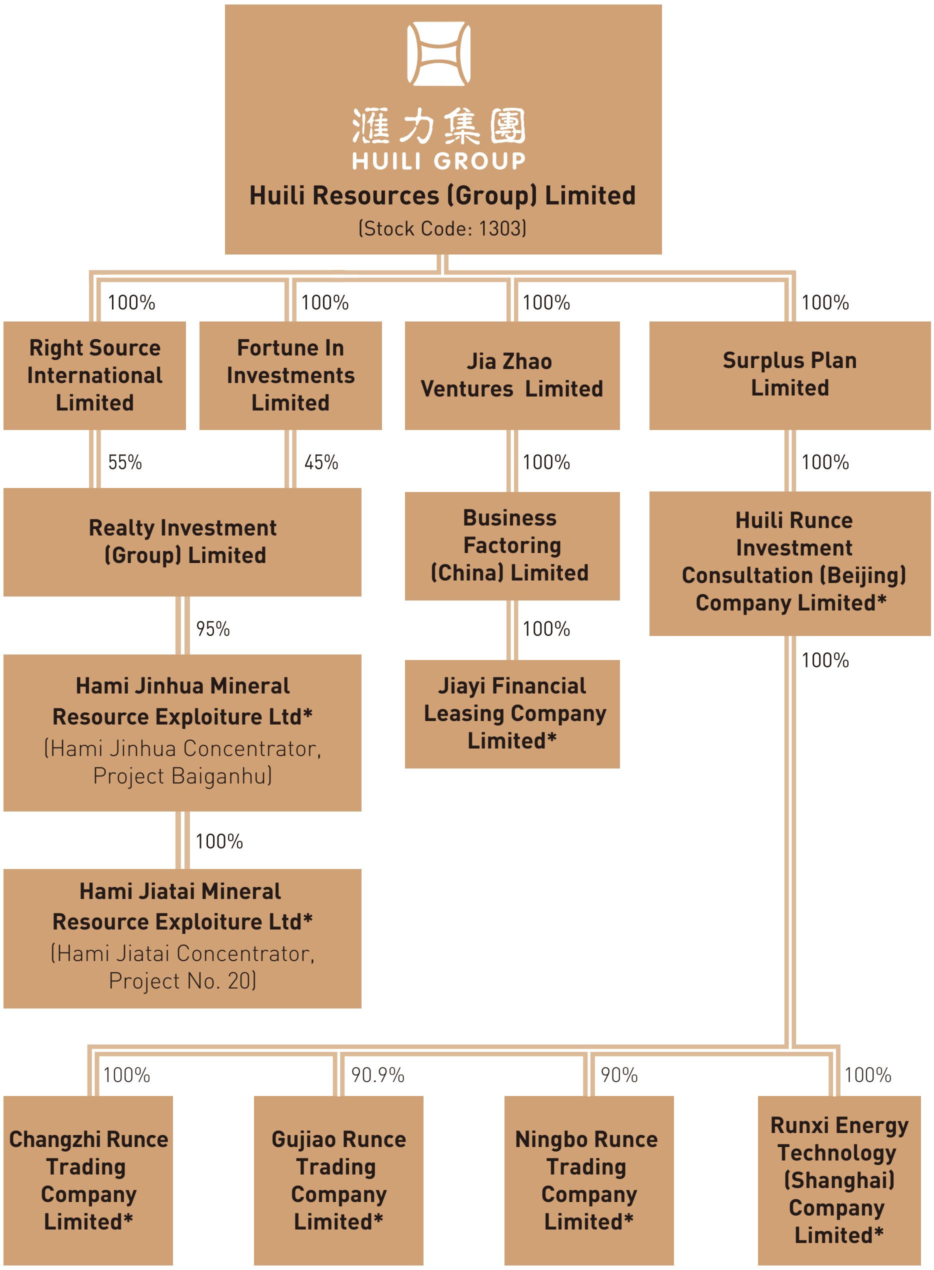
COMPANY WEBSITE

www.huili.hk

STOCK CODE

1303

PRINCIPAL SUBSIDIARIES OF THE GROUP



* For identification purposes only

MINES INFORMATION

MINERAL RESOURCES AS OF 31 DECEMBER 2021 (Note)

Project name	Classification	Quantity (kt)	Ni metal (t)	Ni Grade (%)	Cu metal (t)	Cu Grade (%)
Project No. 20	Measured	–	–	–	–	–
	Indicated	1,330	9,430	0.71	3,150	0.24
	Inferred	1,260	8,660	0.69	3,160	0.25
	Sub-total	2,590	18,090	0.70	6,310	0.24

Project name	Classification	Quantity (kt)	Zn metal (t)	Zn Grade (%)	Pb metal (t)	Pb Grade (%)
Project Baiganhu	Measured	–	–	–	–	–
	Indicated	1,730	113,540	6.57	71,440	4.13
	Inferred	2,150	137,910	6.42	85,140	3.96
	Total	3,880	251,450	6.49	156,580	4.03

ORE RESERVES AS OF 31 DECEMBER 2021 (Note)

Project name	Classification	Quantity (kt)	Zn metal (t)	Zn Grade (%)	Pb metal (t)	Pb Grade (%)
Project No. 20	Proved	–	–	–	–	–
	Probable	1,099	7,071	0.64	2,362	0.21

Project name	Classification	Quantity (kt)	Zn metal (t)	Zn Grade (%)	Pb metal (t)	Pb Grade (%)
Project Baiganhu	Proved	–	–	–	–	–
	Probable	1,055	62,773	5.95	39,352	3.73

Note: The reports on mineral resources and ore reserves of the Project No. 20 and Project Baiganhu were prepared based on the independent technical report of Minacro-Mine Consult, an independent technical consultant, for determining mineral resources and ore reserves. The rounding of figures may result in minor computational discrepancies. Such discrepancies are deemed to be insignificant.

MINING PERMITS

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

Glossary:
Cu: Copper
Ni: Nickel
Pb: Lead
Zn: Zinc

Note: The Group is in the progress of renewing these permits, in which applications of renewal have been made to the relevant government departments.

CAPITAL EXPENDITURE AND EXPLORATION EXPENSES

The Group did not carry out any ore production during the years ended 31 December 2020 and 2021.

For the years ended 31 December 2020 and 2021, no capital expenditure was incurred for the development and mining activities.

For the year ended 31 December 2021, the Group charged approximately RMB189,000 (2020: Nil) exploration expenses to the consolidated statement of comprehensive income.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Huili Resources (Group) Limited (the "Company") and its subsidiaries (together the "Group") mainly 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 gross domestic product (the "GDP") of the People's Republic of China (the "PRC") for 2021 was approximately Renminbi ("RMB") 114,367 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 practically, 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.

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.

* For identification purpose only

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.

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 another independent third party, and a pledge agreement and a guarantee agreement with an individual to provide a loan of HK$22.6 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 report.

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.

* For identification purpose only

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.

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 report.

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.

* For identification purpose only

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 report, 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 HK$22.6 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 which had lower profit margin 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 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 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, mining structures and mining rights of approximately RMB14.9 million were recorded.

For more details, please refer to notes 16, 17, 20 and 21 of these consolidated financial statements.

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 results

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 USD with weighted average tenor of approximately 2 years. Debt securities investments are closely monitored by designated team with the help of an international leading bank. 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. Further details of the Group's inherent risk exposures are set out at note 40 of these consolidated financial statements.

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. Further details of the Group's foreign exchange risk exposures are set out at note 40.1(a) of these consolidated financial statements.

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 notes 20 and 40.1(b) of these consolidated financial statements.

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 notes 19 and 40.1(b) of these consolidated financial statements.

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.

Further details of the Group's credit risk exposures are set out in the note 40.1(b) of these consolidated financial statements.

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

Save as disclosed in note 38 to these consolidated financial statements, 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.

Save as disclosed above and note 26 and 36 to these consolidated financial statements, 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 was 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 Purchaser 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 permit 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 report, the outbreak of COVID-19 has impact on the global business environment. Up to the date of this report, COVID-19 has not caused material financial difficulties to the Group. Pending the development and spread of COVID-19, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this report. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

(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 was engaged in the sales of coal, and the operation of coal washery. The acquisition was completed on 5 January 2022.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Cui Yazhou (崔亞洲)

Mr. Cui, aged 32, obtained a bachelor's degree in science of business administration from Gabelli School of Business of Fordham University. From May 2014 to November 2014, he served as the assistant investment manager in Everbright Financial Holding Asset Management Co. Ltd. (光大金控資產管理有限公司). From August 2015 to September 2019, he was the investment manager and the committee member of investment committee of Guangda Fuzun Investment Co., Ltd.* (光大富尊投資有限公司), a wholly owned subsidiary of Everbright Securities Company Limited (光大證券股份有限公司), a company listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 6178), and then served as the head of the energy industry research team and the investment manager in the equity investment trading department of Everbright Securities Company Limited from October 2019 to July 2021.

Mr. Cui was appointed as an executive Director on 10 November 2021.

Mr. Ye Xin (葉欣)

Mr. Ye, aged 47, obtained a bachelor's degree in accounting from Xi'an Jiaotong University, a master's degree in management from Xi'an University of Technology and an executive master of business administration from Cheung Kong Graduate School of Business. He has obtained the qualification certificate of the company secretary from the Shenzhen Stock Exchange. From July 1995 to October 2003, he served as the accountant in the finance department of the Northwest Civil Aviation Administration of Civil Aviation* (民航西北管理局). From October 2003 to July 2006, he was the deputy director of the strategic development department in Unisplendour Corporation Limited (清華紫光股份有限公司), an A-shares listed technology company (stock code: 000938) specializing in electronics and information technology, and Tsinghua Holding Group Co., Ltd.* (清華控股集團公司). He served as deputy director of investment and project management center, deputy manager of the financial management department, and director of the Beijing office successively from August 2006 to December 2011 in Shenzhen Cozhou Electronics Co., Ltd. (深圳市同洲電子股份有限公司), an A-shares listed technology company (stock code: 002052) focusing on providing leading smart home products and services to users worldwide, and from January 2012 to February 2015, he was promoted to the deputy general manager, and served as the company secretary from February 2012 to January 2015. He then served as the general manager of Shenzhen Cozhou Electronics Co., Ltd from February 2015 to January 2016. In January 2016, he established T-Rock Fund Management (Shenzhen) Company Limited (天石基金管理（深圳）有限公司), which focuses on private equity investment, and is currently the legal representative, general manager, and the director of T-Rock Fund Management (Shenzhen) Company Limited. Since 24 December 2019, Mr. YE has been appointed as the independent non-executive director of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. (蕪湖三七互娛網絡科技集團股份有限公司), a company listed in Shenzhen Stock Exchange (stock code: 002555) and is a leading game publisher and developer that principally engaged in the publication and development of mobile, browser and html games.

Mr. Ye was appointed as an executive Director on 12 July 2021.

* For identification purpose only

Ms. Wang Qian (王茜)

Ms. Wang, aged 46, is an executive Director. She joined the Group in January 2016. She has over 15 years of experience in finance, investment and management area. From October 2001 to June 2002, Ms. Wang was employed by PricewaterhouseCoopers Consulting, a company principally engaged in the provision of management consulting services, where she served as a consultant and was primarily responsible for enterprise strategy and financial management consultation. Ms. Wang successively acted as a senior manager of the finance strategy & business development department at the US headquarters of Goodyear Tire & Rubber Company and the Asia-Pacific region Finance Director of Goodyear Engineered Products Company from July 2004 to March 2009, Goodyear's principal business is manufacturing tires and rubber products, where she was primarily in charge of mergers and acquisitions, and annual operation planning, as well as organising and supervising the financial activities for Asia Pacific region, After Goodyear Engineered Products Company was acquired by The Carlyle Group, Ms. Wang had led several acquisitions and restructuring projects. Since March 2009, Ms. Wang has served as the president of HIXIH Investment, a company principally engaged in the business of equity and securities investment, and Ms. Wang is primarily responsible for company management and investment business, She has accomplished and participated in several initial public offering projects in New York Stock Exchange, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Shanghai Stock Exchange for companies in finance, energy and resources, culture industries. Ms. Wang received a certificate of Certified Public Accountant granted by the Accountancy Board in the USA in October 2005. Ms. Wang received her bachelor's degree of economics from the Central University of Finance and Economics in July 1998. Ms. Wang received her Master of Business Administration degree from the Carnegie Mellon University in the USA in May 2004.

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

Mr. Zhou Jianzhong (周建忠)

Mr. Zhou, aged 48, has over 20 years of experience in the construction and engineering management field. Mr. Zhou joined the Group in May 2017 and is currently the legal representatives of Hami Jinhua and Hami Jiatai, responsible for general operations of the Company's mines in the PRC. From 2008 to 2017, Mr. Zhou held the position of the general manager and executive director of Shanxi Zi Feng Technology Company Limited* (山西紫峰科技有限公司) responsible for corporate management and technical services in respect of lands involved in various projects. During the period from 1998 to 2008, Mr. Zhou was an engineer at China Railway 17th Bureau Group Co., Ltd. (中鐵十七局集團建築公司). Mr. Zhou obtained a bachelor's degree in industrial and civil architecture from Hebei University of Architecture (河北建築科技學院) and certificate of completion of postgraduate course of Road and railway construction from 石家莊鐵道學院 (Shijiazhuang Tiedao University). Mr. Zhou is a constructor (一級建造師) recognized by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) in 2008.

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

* For identification purpose only

NON-EXECUTIVE DIRECTOR

Mr. Cao Ye (曹野)

Mr. Cao Ye (曹野), aged 26, obtained a bachelor's degree in investment from the School of Banking and Finance, University of International Business and Economics (對外經濟貿易大學金融學院). He has extensive experience in investment and coal trading business. Since March 2015, he has held the position of the partner of 北京正略才誠資產管理有限公司 (Beijing Adfaith Xincheng Capital Co, Ltd.*) responsible for managing the fund that in acquisition, management and disposal of non-performing assets. Starting from November 2015, he has served as the assistant general manager of 山西昌盛鑫隆供應鏈管理服務有限公司 (Shanxi Changsheng Xinlong Supply Chain Service Co., Ltd.*), which is a coal trading company, to assist the general manager in developing business strategy and is in charge of the sales and marketing department of the company. Since November 2018, Mr. Cao has joined 博通能源銷售（寧波）有限公司 (Botong Energy Trading (Ningbo) Co., Ltd.*), which engages in coal trading business, as general manager and is mainly responsible for formulating the strategy of the company's business, overseeing the finance function of the company, and monitoring and coordinating the business development of the company's coal trading business.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Xiang Siying (項思英)

Ms. Xiang, aged 59, holds Bachelor's Degree in Agriculture Economics from China Agriculture University (now known as China Agriculture University) in 1986 and Master's Degree in Finance and Economics from Zhongnan University of Economics, Finance and Laws, China as well as The Research Institute of Finance and Economics of China in 1988. Ms. Xiang also holds a Master Degree in Business Administration from London Business School in 1999. She is a currently a consultant for CDH Investments ("CDH") and has had a long career in investment, banking and financial advisory services. From June 2010 to April 2016, Ms. Xiang had worked for CDH as an executive director; and before that from March 2004 to June 2010 she worked for China International Capital Corporation in its Direct Investment Department and Investment Banking Department as an executive director. Prior to returning China in early 2004, Ms. Xiang was an investment officer of Global Manufacturing and Service Department and East Asia and Pacific Department of International Finance Corporation ("IFC"), the World Bank Group, in Washington DC from August 1996 to March 2004, and before that Ms. Xiang was an investment analyst of IFC's representative office in China. From July 1988 to July 1991 Ms. Xiang served as an officer of Ministry of Agriculture China, in its Department of World Bank Agriculture Project Management and Department of Rural Reform Research and Farm Management. Ms. Xiang also held the position as the independent non-executive director of Titan Petrochemicals Group Limited, a company listed on the Stock Exchange with stock code 1192, from July 2015 to July 2018. Currently, Ms. Xiang has been the independent non-executive director of China Ocean Industry Group Limited, a company listed on the Stock Exchange with stock code 651 since May 2008.

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

* For identification purpose only

Ms. Huang Mei (黃梅)

Ms. Huang, aged 42, obtained a bachelor's degree in Management and a master degree in Accountancy from Tsinghua University. She is a member of the Chinese Institute of Certified Public Accountants. Ms. Huang has over 15 years' experience in accounting, auditing and corporate management. She has worked in PricewaterhouseCoopers Zhong Tian LLP, an international accounting firm, from August 2003 to July 2015. She has also been the financial controller of Alibaba Pictures Group Limited (a company listed on the Stock Exchange with stock code: 1060) from July 2015 to July 2018. Currently she is the chief financial officer of a startup company.

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

Mr. Chan Ping Kuen (陳炳權)

Mr. Chan, aged 36, has over 10 years of experience in the mining and material trading industry. Mr. Chan is currently the trading director of Ares Asia Limited, being a company listed on the Stock Exchange (stock code: 645), is responsible for coal, iron ore and rice imports to China. From April 2011 to March 2013, Mr. Chan held the position of assistant manager of trading department in Best Power Holdings (HK) Ltd., responsible for trading of iron ore and coal. From February 2009 to January 2011, Mr. Chan joined Hangpo Investment (Macau) Group Co., Ltd. as the assistant trading manager, responsible for procurement and coal, iron ore and manganese trading transactions. Mr. Chan obtained a bachelor's degree in accounting from Jinan University in 2009.

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

SENIOR MANAGEMENT

Mr. Yau Hong Chun (邱康俊)

Mr. Yau, aged 36, joined the Group on 14 January 2019 and was appointed as the company secretary and the financial controller of the Company on 13 February 2019. Mr. Yau holds a Bachelor degree in Business Administration in Accounting from the Chinese University of Hong Kong. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and the associate member of The Chartered Governance Institute. Mr. Yau possesses over 10 years of experience in accounting, auditing and corporate field. Mr. Yau worked in international accounting firms for auditing, and then joined a HK listed group as finance manager in April 2014 and was then promoted to assistant financial controller in January 2019.

REPORT OF THE DIRECTORS

The directors (the "Directors") of Huili Resources (Group) Limited (the "Company") present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the "Year").

CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 19 February 2010 as an exempted company with limited liability under Companies Law (Cap 22, as amended and revised) of the Cayman Islands in preparation for a listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the name of Realty Resources (Group) Limited. On 13 May 2010, the Company changed its name to Huili Resources (Group) Limited. The Company issued 250,000,000 ordinary new shares of HK$0.1 each at a subscription price of HK$1.7 per share pursuant to the public offering. The Company's shares including these new shares were listed on the main board of the Stock Exchange on 12 January 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the mining, ore processing and sales of nickel, copper, lead and zinc products, trading of coals, and financial services in the People's Republic of China (the "PRC"), details of which are set out in note 34 to the consolidated financial statements.

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. Meanwhile, the Group continued to devote reasonable resources in its mining and financial services business with the view to capture any potential opportunities from the segments.

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 Trading Company Limited* ("Changzhi Runce"), entered into a sale and purchase agreement with an independent third party to acquire 95% of the equity interest in Shanxi Fanpo Clean Energy Technology Company Limited* ("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 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 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 report.

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 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.

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

BUSINESS REVIEW

Details of business review, financial performance and future development of the Group's business are set out in the "Management Discussion and Analysis" from pages 7 to 18.

* For identification purpose only

PRINCIPAL RISKS AND UNCERTAINTIES

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

For risks and uncertainties relating to the Group's mining business and operation, the business of exploring for natural resources and the development and productions of mining operations are inherently risky. Projects may be unsuccessful and there are no assurances that current or future exploration or development programs will be successful. Certain projects of the Group have finite and relatively short estimated mine life and there are uncertainties to acquire new mining projects. The business and results of operations are also susceptible to volatility in commodity prices and economic cyclicality. In addition, as all the existing mining projects are located in the PRC, the Group's business, financial condition, results of operations and prospects are greatly affected by political, economic and legal developments and changes to government policies in the PRC. If any stricter regulations regarding the Group's operation or the mining industry are enacted in the future, business and operation of the Group may also be significantly impacted and there are uncertainties to renew the mining and exploration permits or obtain relevant approvals from the government.

As for the risks and uncertainties of the Group's coal business, the coronavirus disease ("COVID-19") pandemic has resulted in significant disruption and volatility in the financial and commodities markets, and restrictions on the conduct of the business in the place of the Group's operation has caused general economic uncertainty, any of which may have a significant adverse effect on the Group's operations, business and financial condition. Fluctuations in the market price of coal products may also significantly and adversely affect the results of the Group's coal business operations. The Group's coal business solely operates in the PRC market and the PRC market is a significant source of demand for coal products, thus sustained slowdown in the PRC's growth or demand could have an adverse effect on the price and/or demand for the Group's product. The nature of the Group's coal business is subject to numerous policies and regulations, including but not limited to health, safety, environmental, etc., and any changes to these policies and regulations may cause a significant impact on the Group's coal business.

The Group is also exposed to certain financial risk, including market risk (including foreign exchange risk, interest rate risk), credit risk and liquidity risk. Details of financial risks are set out in note 40 to the consolidated financial statements and the section headed "Principal Risks" under the "Management Discussion and Analysis" to this annual report.

KEY FINANCIAL PERFORMANCE INDICATORS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

The Group was in compliance with all relevant PRC laws and regulations regarding environmental protection in all material respects and was not subject to any environmental claims, lawsuits, penalties or administrative sanctions during the Year. The Group is also committed to allocate operating and financial resources to ensure environment protection compliance as required by applicable PRC laws and regulations. As at 31 December 2021, the provision for close down, restoration and environmental costs was approximately RMB3.0 million (2020: RMB2.9 million), details of which are set out in note 26 to the consolidated financial statements.

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

A full corporate governance report is set out on pages 34 to 46 of this annual report.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS AND OTHER STAKEHOLDERS

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

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

RESULTS AND DIVIDENDS

The Group's loss for the Year set out in the consolidated statement of comprehensive income on page 51 and the state of affairs of the Group as at 31 December 2021 are set out in the consolidated statement of financial position on pages 52 and 53.

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

DISTRIBUTABLE RESERVES

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

Under the Companies Law of the Cayman Islands, the share premium account is distributable to Shareholders if immediately following the date on which the Company proposes to distribute the dividend, the Company will be able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2021, the Company had a reserve balance of approximately RMB209.9 million, representing share premium of approximately RMB668.8 million, net of investment revaluation reserve of approximately negative RMB0.9 million and accumulated losses of approximately RMB458.0 million, available for distribution to the Shareholders.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 122. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital are set out in note 28 to these consolidated financial statements. There was no movement in the Company's share capital during the Year.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

PURCHASE, REDEMPTION OR SALE OF SECURITIES OF THE COMPANY

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

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for 29.8% (2020: 78.2%) of the total sales for the Year and sales to the largest customer included therein amounted to 12.2% (2020: 27.9%) of the total sales. During the Year, the purchases from Group's five largest suppliers and the largest supplier accounted for 96.5% (2020: 94.5%) and 64.2% (2020: 27.1%) of the total purchases, which solely contributed by the Group's new trading of coals business during the Year, respectively.

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

DIRECTORS

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

Executive Directors

Mr. Cui Yazhou (appointed on 10 November 2021)
Mr. Ye Xin (appointed on 12 July 2021)
Ms. Wang Qian
Mr. Zhou Jianzhong

Non-Executive Director

Mr. Cao Ye

Independent non-executive Directors

Ms. Xiang Siying (Chairlady)
Ms. Huang Mei
Mr. Chan Ping Kuen

Pursuant to article 83(3) of the Company's articles of association, a Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. In accordance with article 84(1) of the Company's articles of association, at each annual general meeting one-third of Directors (or if their number is not a multiple of three, the number nearest to but not less than one third) shall retire from office by rotation, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Mr. Cui Yazhou, Mr. Ye Xin, Mr. Cao Ye and Ms. Huang Mei will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 19 to 22.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

PERMITTED INDEMNITY

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

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

EQUITY LINKED AGREEMENTS

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

Share Option Scheme

The old share option scheme, which was adopted by the Company on 16 December 2011 was terminated upon the conclusion of the annual general meeting of the Company held on 28 May 2021 (the "AGM") and no share options can be further granted under the old share option scheme. A new share option scheme (the "Share Option Scheme") was adopted by the shareholders of the Company at the AGM. The Share Option Scheme shall continue in force for a period commencing from the date of adoption of the Share Option Scheme (the "Date of Adoption"), which is 28 May 2021, and expire at the close of business on the date which falls ten (10) years after the Date of Adoption (that is from 28 May 2021 to 27 May 2031).

The purpose of the Share Option Scheme is to enable the Company to grant Options to select Eligible Participants (as defined below) as incentives or rewards for their contribution or potential contribution to the Group and to enable the Group to recruit and retain high-calibre persons and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest (the "Invested Entity").

The Share Option Scheme intends to cover eligible participants (the "Eligible Participants") including (i) any directors, whether executive or non-executive and whether independent or not, of the Group or any Invested Entity; (ii) any full time or part time employees of the Group or any Invested Entity; (iii) any shareholders of any members of the Group or any Invested Entity or any holders of any securities issued by any member of the Group or any Invested Entity; and (iv) any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub-tenants) of the Group or any Invested Entity.

The subscription price for shares of the Company (the "Share(s)") under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the date on which an offer(s) (the "Offer(s)") of the grant of an option(s) to Eligible Participant(s) to subscribe for Share(s) under the Share Option Scheme (the "Option") is/are made to an Eligible Participant(s) (the "Offer Date"), which must be a day on which the Stock Exchange is open for the business of dealing in securities listed thereon ("Business Day"); (ii) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) Business Days immediately preceding the Offer Date; and (iii) the nominal value of the Share on the Offer Date.

An Offer of the grant of an Option shall be made to Eligible Participants in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of twenty-one (21) days inclusive of, from the date upon which it is made provided that no such Offer shall be open for acceptance after the earlier of the 10th anniversary of the Date of Adoption or the termination of the Share Option Scheme or the Eligible Participant to whom such Offer is made has ceased to be an Eligible Participant. A non-refundable nominal consideration of HK$1.00 is payable by the grantee upon acceptance of an Option.

The Share Option Scheme does not specify a minimum period for which a share option must be held before it can be exercised. The exercise period of the share options granted is determinable by the directors of the Company, and from the date of the grant of the particular option which shall not exceed the period of 10 years. The exercise of any share option may by subject to any vesting schedule or condition(s) to be determined by the Board.

The total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the Shares in issue as at the date of the approval of the Share Option Scheme (the "Scheme Mandate Limit"), unless approval from shareholders of the Company (the "Shareholder(s)") has been obtained. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. The Company may refresh the Scheme Mandate Limit at any time subject to approval of the Shareholders in general meeting, provided that the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of passing the relevant resolution. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised Options) will not be counted for the purpose of calculating this limit.

The total number of shares available for issue under the Share Option Scheme is 162,000,000 Shares, representing approximately 10% of the total number of Shares in issue as at the date of passing of an ordinary resolution by the Shareholders at the AGM to approve the adoption of the Share Option Scheme. As at 31 December 2021, 162,000,000 Shares are available for issue under the Share Option Scheme, representing 10% of the Shares in issue as at 31 December 2021 and the date of this annual report.

The total number of Shares issued and to be issued upon exercise of the Options granted to each Eligible Participant or grantee (including exercised and outstanding options) in any twelve (12)-month period up to the date of grant shall not exceed 1% of the Shares in issue. The overall limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the relevant class of Shares in issue from time to time.

As at 31 December 2021, there were no outstanding share options and no share options were granted, exercised or cancelled or lapsed during the Year. Further details of the Share Option Scheme are set out in the circular of the Company dated 23 April 2021.

CONTRACT OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

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

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

So far as was known to the Directors and the chief executive of the Company, as at 31 December 2021, the following Directors or the chief executives of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

Name	**Nature of interests**	**Total interests in shares**	**Approximate percentage of the Company's issued share capital**
Sky Circle International Limited ("Sky Circle")	Beneficial owner (Note 1)	412,592,702 (L)	25.47%
Mr. Cui Yazhou ("Mr. Cui")	Interest in a controlled corporation (Note 1)	412,592,702 (L)	25.47%
Prosper Union Holdings Limited	Beneficial owner (Note 2)	74,361,117 (L)	4.59%
Mr. Ye Xin ("Mr. Ye")	Interest in a controlled corporation (Note 2)	74,361,117 (L)	4.59%

Note 1: Mr. Cui owns 40% of the equity interests of Sky Circle, which holds 25.47% of the shareholding of the Company. The remaining 60% of the equity interests of Sky Circle is owned by Mr. Guo Jianzhong, who is the substantial Shareholder of the Company and is unrelated to Mr. Cui. Save as disclosed above, Mr. Cui has no other relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

Note 2: Mr. Ye is the legal and beneficial owner of the entire issued share capital of Prosper Union Holdings Limited which holds 74,361,117 shares of the Company.

Save as disclosed above, as at 31 December 2021, the Directors and the chief executive of the Company were not aware of any other Directors and chief executive of the Company who had, or is deemed to have, interests or short positions in the Shares, and underlying Shares which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

So far as was known to the Directors and the chief executive of the Company, as at 31 December 2021, the following persons (not being a Director or chief executive of the Company) had or is deemed to have an interest and short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Nature of interests	Total interests in Shares	Approximate percentage of the Company's issued share capital
Sky Circle	Beneficial owner (Note 1)	412,592,702 (L)	25.47%
Mr. Guo Jianzhong ("Mr. Guo")	Interest in a controlled corporation and beneficial owner (Note 1)	454,958,702 (L)	28.08%
Affinitiv Mobile Ventures Ltd.	Beneficial owner (Note 2)	320,000,000 (L)	19.75%
China Huarong Asset Management Co., Ltd.	Interest in controlled corporations (Note 2)	320,000,000 (L)	19.75%
China Huarong Overseas Investment Holdings Co., Limited	Interest in controlled corporations (Note 2)	320,000,000 (L)	19.75%
Huarong Zhiyuan Investment & Management Co., Ltd. (華融致遠投資管理有限責任公司)	Interest in controlled corporations (Note 2)	320,000,000 (L)	19.75%

Name	Nature of interests	Total interests in Shares	Approximate percentage of the Company's issued share capital
Huarong Overseas Chinese Asset Management Co., Ltd. (華融華僑資產管理股份有限公司)	Interest in controlled corporations (Note 2)	320,000,000 (L)	19.75%
Legend Vantage Limited	Beneficial owner (Note 3)	147,000,000 (L)	9.07%
Mr. Li Guangrong	Interest in a controlled corporation (Note 3)	147,000,000 (L)	9.07%
Ms. Gao Miaomiao	Interest in a controlled corporation (Note 3)	147,000,000 (L)	9.07%

Remarks: (L): Long position; (S): Short position

Notes:

1. Mr. Guo owns 60% of the equity interests of Sky Circle, which holds 25.47% of the shareholding of the Company. The remaining 40% of the equity interests of Sky Circle is owned by Mr. Cui, who is an executive Director and is unrelated to Mr. Guo. Save as disclosed above, Mr. Guo has no other relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

2. Affinitiv Mobile Ventures Ltd. is wholly-owned by China Huarong Overseas Investment Holdings Co., Limited which is wholly owned by Huarong Overseas Chinese Asset Management Co., Ltd. Huarong Zhiyuan Investment & Management Co., Ltd. held 91% of equity interests of Huarong Overseas Chinese Asset Management Co., Ltd.

   Huarong Zhiyuan Investment & Management Co., Ltd. is wholly owned by China Huarong Asset Management Co., Ltd.

3. Each of Mr. Li Guangrong and Ms. Gao Miaomiao holds 50% of the issued share capital of Legend Vantage Limited.

Save as disclosed above, as at 31 December 2021, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and chief executive of the Company) who had, or was deemed to have an interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 43 to the consolidated financial statements.

AUDITORS

On 19 June 2020, BDO Limited resigned as the auditor of the Company and ZHONGHUI ANDA CPA Limited was then appointed as the auditor of the Company thereafter. Save as disclosed above, there was no other change in auditor of the Company during the past three years.

The consolidated financial statements of the Group the Year was audited by ZHONGHUI ANDA CPA Limited, who will retire at the end of the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of ZHONGHUI ANDA CPA Limited as auditor of the Company is to be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Xiang Siying
Chairlady

Hong Kong, 31 March 2022

REPORT ON CORPORATE GOVERNANCE

INTRODUCTION

Huili Resources (Group) Limited (the "Company") is committed to maintain a high standard of corporate governance and has taken appropriate steps to adopt and comply with the provisions of the then Code on Corporate Governance Practices which was effective for the year ended 31 December 2021 (the "Year") (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the Year except for code provisions A.2.1 and A.4.1 of the Code as explained in this Corporate Governance Report (the "CG Report").

DIRECTORS' SECURITIES TRANSACTIONS

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

SECURITIES TRANSACTIONS BY RELEVANT EMPLOYEES

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

BOARD OF DIRECTORS

As at 31 December 2021, the Board comprises eight Directors including four executive Directors ("ED(s)"), one non-executive Director ("NED") and three independent non-executive Directors ("INED"). At least one of the independent non-executive Directors possesses appropriate professional qualifications (or accounting or related financial management expertise) as required by the Listing Rules. The biographical details of the Directors are set out on pages 19 to 22 to this annual report.

During the Year and up to the date of this report, the changes to the members of the Board were as below:

– Mr. Ye Xin was appointed as an executive Director on 12 July 2021.

– Mr. Cui Yazhou was appointed as an executive Director on 10 November 2021.

– Ms. Xiang Siying has been appointed as the chairlady of the nomination committee of the Company (the "Nomination Committee") in place of Ms. Wang Qian.

– Ms. Wang Qian remained as a member of the Nomination Committee.

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

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

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

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

During the Year, the INEDs held a closed-session where issues were discussed in the absence of the EDs, the NED and the management.

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

To facilitate effective oversight and decision making by the Board, the Company established a mechanism to ensure independent views and input are available to the Board, and such mechanism includes:

- engaging a People's Republic of China (the "PRC") legal advisor to provide advice to the Board on an ongoing basis in respect of all relevant PRC laws and regulations, including changes to such laws and regulations, which may affect business operations of the Group in the PRC;

- engaging a Cayman Islands legal advisor to provide advice to the Board in respect of all relevant Cayman Islands laws and regulations, including changes to such laws and regulations, which may affect the operations of the Company;

- engaging a legal advisor in Hong Kong Special Administrative Region, the PRC ("Hong Kong") to advise the Board on an ongoing basis in respect of the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong);

- upon the request of the Board, engaging a valuer to provide advice to the Board on any matters in relation to valuations of any business transactions;

- upon the request of the Board, engaging a financial advisor to provide financial advice to the Board on any business transactions;

- establishing communication channels to ensure the independent views from the aforementioned professional parties are communicated to the Board; and

- appointing at least one-third of its Directors as independent non-executive Directors.

On an annual basis, the Board will review the implementation and effectiveness of such mechanism.

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

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

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

	Attended/Eligible to attend					
	Board meeting	Audit committee meeting	Remuneration committee meeting	Nomination committee meeting	Investment committee meeting	Annual general meeting
Executive Directors						
Mr. Cui Yazhou (appointed on 10 November 2021)	2/3	N/A	N/A	N/A	N/A	0/0
Mr. Ye Xin (appointed on 12 July 2021)	6/7	N/A	N/A	N/A	N/A	0/0
Ms. Wang Qian	11/12	N/A	3/3	3/3	0/0	1/1
Mr. Zhou Jianzhong	12/12	N/A	N/A	N/A	N/A	1/1
Non-Executive Director						
Mr. Cao Ye	11/12	N/A	N/A	N/A	N/A	1/1
Independent Non-Executive Directors						
Ms. Xiang Siying *(Chairlady)*	12/12	3/4	3/3	3/3	0/0	1/1
Ms. Huang Mei	9/12	3/4	1/3	1/3	0/0	1/1
Mr. Chan Ping Kuen	12/12	4/4	N/A	N/A	N/A	1/1

Remarks: N/A: Not applicable

ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

TERMS OF NON-EXECUTIVE DIRECTORS

Under code provision A.4.1 of the Code, NED and INEDs should be appointed for a specific term, subject to curtailment upon retirement by rotation and re-election by Shareholders at annual general meeting, and neither the NED nor the INEDs are employees of the Company.

Except for Ms. Huang Mei, who is not appointed for a specific term, all other NED and INEDs are appointed for a term of three years. The terms of appointment of the NED and the INEDs may be renewed upon expiry usually for a period of three years. INEDs may serve a maximum term of nine years on the Board which the NED is not subject to the maximum nine-year term but is subject to the same requirements of retirement by rotation and re-election by Shareholders at annual general meeting. Each NED and INED has committed that they will devote sufficient time and make contributions to the Company on the Board matters.

All of the Directors are subject to retirement by rotation in accordance with the articles of association of the Company. The Board considers that sufficient measures were taken to ensure the corporate governance practices of the Company are not less than those in the Code.

REMUNERATION OF SENIOR MANAGEMENT

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

Remuneration bands	**Number of persons**
Up to HK$1,000,000 (up to RMB829,600 equivalents)	2

AUDIT COMMITTEE

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

The Audit Committee comprises three independent non-executive Directors, namely Ms. Huang Mei (chairlady of the Audit Committee), Ms. Xiang Siying and Mr. Chan Ping Kuen. During the Year, the Audit Committee held 4 meetings.

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

1. reviewed the Company's corporate governance policies and practices;

2. reviewed the training and continuous professional development of Directors and senior management;

3. reviewed the Company's policies and practices on compliance with legal and regulatory requirements;

4. reviewed the code of conduct and compliance manual (if any) applicable to employees and Directors;

5. reviewed the compliance of the Listing Rules, and the Company's compliance with the Code and disclosure in this CG Report;

6. reviewed the reports from the Auditor, accounting principles and practices adopted by the Group in relation to the annual results for the year ended 31 December 2020 and the interim results for the six months ended 30 June 2021;

7. reviewed the financial reports for the year ended 31 December 2020 and for the six months ended 30 June 2021 and recommended the same to the Board for approval;

8. concurred with the Board regarding the selection, appointment, resignation or dismissal of the Auditor;

9. reviewed the Group's internal control based on the information obtained from the external risk management and internal control review advisor of the Company (the "IC Advisor") and Company's management and Audit Committee was of the opinion that there are adequate internal controls in place in the Group; and

10. reviewed the financial reporting system, compliance procedures, risk management and internal control systems (including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function.

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

REMUNERATION COMMITTEE

A remuneration committee ("Remuneration Committee") of the Group was established on 16 December 2011 with written terms of reference in line with the Code. The responsibilities of the Remuneration Committee include considering and recommending to the Board the Group's remuneration policy and structure, approving the terms of the executive Directors' service contract and reviewing and determining the remuneration packages of the Directors and senior management.

The Directors are remunerated with Directors' fees and only EDs are remunerated with discretionary cash bonuses and/or share options. All Directors are covered by directors' and officers' liability insurance. Directors' fees are determined with reference to their respective duties and responsibility with the Company, the Company's performance, current market situation and the Group's remuneration policy.

As for the senior management of the Group, the senior management are remunerated with basic salary, discretionary cash bonuses and/or share options. The basic salary is a fixed-cash component of the total remuneration benchmarked against comparable peers to recruit and retain key leaders and managers, while the discretionary cash bonus is the variable cash component of the total remuneration to drive and reward performance. The senior management are also remunerated with Mandatory Provident Fund in compliance with statutory requirements, and other benefits such as annual leave, medical insurance, reimbursement of professional memberships and seminar course fees, etc.

Details of remunerations of the Directors for the Year are disclosed in note 12 to the consolidated financial statements.

The Remuneration Committee currently comprises two independent non-executive Directors, Ms. Xiang Siying (chairlady of the Remuneration Committee) and Ms. Huang Mei, and one executive Director, Ms. Wang Qian. During the Year, the Remuneration Committee held 3 meetings to review the Group's remuneration policy and structure and the remuneration packages of the Directors and senior management.

NOMINATION COMMITTEE

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

1. reviewing and recommending the structure, size, composition and skills mix of the Board at least annually;

2. identifying and nominating candidates to fill casual vacancies of Directors for the Board's approval;

3. reviewing the implementation and effectiveness of the Company's policy on board diversity on an annual basis;

4. assessing the independence of independent non-executive Directors; and

5. making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executives.

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

The Nomination Committee currently comprises, two independent non-executive Directors, Ms. Xiang Siying (chairlady of the Nomination Committee) and Ms. Huang Mei, and one executive Director, Ms. Wang Qian. During the Year, the Nomination Committee held 3 meetings to review the competence and nominate candidates to fill casual vacancies of Directors for the Board's approval, and to review the Board composition and the Board Diversity Policy.

INVESTMENT COMMITTEE

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

The Investment Committee currently comprises two independent non-executive Directors, Ms. Xiang Siying (chairlady of the Investment Committee) and Ms. Huang Mei, and one executive Director, Ms. Wang Qian. During the Year, the Investment Committee did not hold any meeting in view of lack of investment opportunities.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2021, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records with reasonable accuracy for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Auditor's Responsibilities and Remuneration

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

	RMB'000
Audit services	913
Other non-audit services including but not limited to agree-upon-procedures	166

The statement of the Auditor regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 47 to 50 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

Risk Identification

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

Risk Assessment

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

Risk Response

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

Risk Monitoring and Reporting

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

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

- established one internal compliance officer (the "Internal Compliance Officer"), Mr. Yau Hong Chun ("Mr. Yau"), the Company Secretary, financial controller of the Company, and Internal Compliance Officer. Mr. Yau shall, take into consideration the information provided by the Company's IC Advisor, report to the Board directly from time to time to assist the Board in ensuring that operations of the Group are in compliance with applicable laws, rules and regulations, strengthen the existing internal control framework and recommend remedial plans to the Board should there be any internal control deficiencies;
- engaged a PRC legal advisor to provide advice to the Board and the Company Secretary on an ongoing basis in respect of all relevant PRC laws and regulations, including changes to such laws and regulations, which may affect business operations of the Group in the PRC;
- engaged a Cayman Islands legal advisor to provide advice to the Board and the Company Secretary in respect of all relevant Cayman Islands laws and regulations, including changes to such laws and regulations, which may affect the operations of the Company;

- engaged a Hong Kong legal advisor to advise the Board and the Company Secretary on an ongoing basis in respect of the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong); and

- engaged APAC Compliance Consultancy and Internal Control Services Limited as the IC Advisor to conduct the annual review of the risk management and internal control systems for the Year. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Board through the Audit Committee. The IC Advisor has reported findings and areas for improvement to the Audit Committee and management. The Audit Committee are of the view that there are no material internal control defects noted. All recommendations from the IC Advisor are properly followed up by the Group to ensure that they are implemented within a reasonable period of time.

DIRECTORS' TRAINING

All Directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the Directors.

Each newly appointed Director has received comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Group and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. There are also arrangements in place for providing continuing briefing and professional development to Directors at the Company's expenses whenever necessary. During the Year, all Directors have confirmed that they have participated in continuous professional development by attending training course or reading relevant materials on the topics related to roles, functions and duties of a director of a listed company. All Directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices.

DIVERSITY

Board Diversity Policy

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

Measurable Objectives

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

Composition of the Diversified Board

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

	Age Group			Educational background			Professional Experience			
Name of Directors	25 to 35	35 to 45	Over 45	Science	Accounting and Finance	Others	Science	Accounting and Finance	Management	Years of serving the Board
Mr. Cui Yazhou	✓				✓			✓		<1 year
Mr. Ye Xin			✓		✓			✓		<1 year
Ms. Wang Qian			✓		✓			✓		6.2 years
Mr. Zhou Jianzhong			✓	✓			✓			3.0 years
Mr. Cao Ye	✓				✓			✓		2.8 years
Ms. Xiang Siying			✓		✓			✓		4.5 years
Ms. Huang Mei		✓			✓			✓		3.5 years
Mr. Chan Ping Kuen		✓			✓				✓	2.0 years

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

Gender Diversity

The Board recognised the importance of the gender diversity to bring different voices to the Board and support the attainment of the Company's strategic objective and substantiable development, with the ultimate goal of achieving gender parity on the Board. The Company currently has three female Directors and five male Directors, and depending on the business needs of the Group, the Board will take opportunities to increase the proportion of female members over time as and when appropriate candidates are identified.

DIRECTOR NOMINATION POLICY

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

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

Nomination Process

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

Selection Criteria

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

DIVIDEND POLICY

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

The Board does not recommend any payment of dividend during the Year (2020: Nil).

COMPANY SECRETARY

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

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

SHAREHOLDERS' RIGHTS

The Board is endeavour to maintain an on-going dialogue with Shareholders. The Company encourages the Shareholders to attend the general meetings and the chairmen of the Board and the board committees should attend the annual general meeting to answer questions. Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar, Tricor Investor Services Limited.

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

INVESTOR RELATIONS

The Company believes that regular and timely communication with Shareholders helps Shareholders better understand the business and operation of the Company. To promote effective communication with the public, the Company:

- maintains a website (www.huili.hk) on which comprehensive information about the Company's major businesses, press releases, notices, financial information, announcements, annual and interim reports and Shareholders circulars are made available;
- publishes its annual report within four months of the financial year end and its interim report within three months of the half-year period end;
- publishes announcements (and circulars, where required) on material information or developments as required by the Listing Rules and/or the Securities and Future Commission, or voluntarily as the Board considers appropriate;
- publishes the Company's interim and annual reports on its corporate website;
- publishes on its corporate website all corporate communications issued by the Company in accordance with the requirements of the Listing Rules, the profiles of the Directors and the senior management, and the business developments, and other news and latest developments of the Company; and
- makes available constitutive documents for inspection at the registered office of the Company.

For any enquiries to the Board, Shareholders may send written enquiries to the Company, for the attention of Company Secretary, by email to enquiry@huili.hk, fax to (852) 2840 0470 or mail to Room 2805, 28/F, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong. Any Shareholder who wishes to put forward a proposal may also send written requests to the Company (for the attention of the Company Secretary). Details of the rights of Shareholders, and the procedures, to put forward a proposal are set out in the section "Shareholders' Rights" to this annual report.

During the Year, the Board:

- held an annual general meeting on Friday, 28 May 2021, where Directors met with Shareholders;
- engaged Hong Kong legal advisor to advise on latest corporate governance trends;
- published the interim and full-year results, the interim and annual reports and other corporate communications of the Company within the time frame and in accordance with the requirements of the Listing Rules;
- updated then Company's corporate website (www.huili.hk) on an on-going basis to keep Shareholders and other stakeholders abreast of latest developments of the Company; and
- reviewed the implementation and effectiveness of the Shareholders' communication policy.

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

INDEPENDENT AUDITOR'S REPORT

中汇
ZHONGHUI

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

OPINION

We have audited the consolidated financial statements of Huili Resources (Group) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 121, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosures requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Mining structures and mining rights

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

The Group tested the amounts of mining structures and mining rights for impairment. These impairment tests are significant to our audit because the balances of mining structures and mining rights of approximately RMB13,150,000 and RMB94,538,000 respectively as at 31 December 2021 are material to the consolidated financial statements. In addition, the Group's impairment tests involve application of judgments and are based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the identification of the related cash generating units;

- Assessing the arithmetical accuracy of the valuation model;

- Assessing the competence, independence and integrity of the external valuer engaged by client;

- Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model; and

- Checking key assumptions and input data in the valuation model to supporting evidence.

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

Trade and bills receivables, loans receivables and other receivables

Refer to Notes 19, 20 and 21 to the consolidated financial statements.

The Group tested the amounts of trade and bills receivables, loan receivables and other receivables for impairment. This impairment test is significant to our audit because the balances of trade and bills receivables, loan receivables and other receivables of RMB5,885,000, RMB92,660,000 and RMB2,622,000 respectively as at 31 December 2021 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgments and is based on estimates.

KEY AUDIT MATTERS (Continued)

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

Our audit procedures included, among others:

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

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

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Li Chi Hoi
Audit Engagement Director
Practising Certificate Number P07268

Hong Kong, 31 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 RMB'000	2020 RMB'000
Revenue	6,7	**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	10	**(4,201)**	12,448
Other gains/(losses) – net	8	**198**	(4,896)
Operating loss		**(14,350)**	(12,566)
Finance income	9	**480**	982
Finance costs	9	**(173)**	(174)
Finance income – net	9	**307**	808
Loss before income tax	10	**(14,043)**	(11,758)
Income tax expense	14	**(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)	15	**(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	16	**57,878**	60,295
Mining rights	17	**94,538**	94,538
Right-of-use assets	31	**9,781**	8,743
Loan receivables	20	**29,563**	76,280
Financial assets at FVTOCI	18	**15,462**	19,138
Deposit paid for acquisition of a subsidiary	43(b)	**9,599**	–
Total non-current assets		**216,821**	258,994
Current assets			
Trade and bills receivables	19	**5,885**	16,147
Loan receivables	20	**63,097**	–
Other receivables and prepayments	21	**36,917**	24,500
Cash and cash equivalents	22	**235,866**	169,139
Total current assets		**341,765**	209,786
Total assets		**558,586**	468,780
LIABILITIES			
Current liabilities			
Trade payables	23	**77,445**	1,310
Other payables and accruals	24	**29,903**	14,408
Contract liabilities	25	**26,129**	11,812
Lease liabilities	31	**1,430**	664
Current tax liabilities		**2,632**	2,781
Total current liabilities		**137,539**	30,975
Net current assets		**204,226**	178,811

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2021

	Note	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Lease liabilities	31	**488**	–
Provision for close down, restoration and environmental costs	26	**2,994**	2,882
Deferred tax liabilities	27	**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	28	**137,361**	137,361
Share premium	28	**668,768**	668,768
Other reserves	29	**(10,320)**	(10,781)
Accumulated losses	30	**(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

The consolidated financial statements on pages 51 to 121 were approved by the board of directors on 31 March 2022 and were signed on its behalf.

Xiang Siying
Director

Zhou Jianzhong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to equity holders of the Company										
	Share capital RMB'000 (Note 28)	Share premium RMB'000 (Note 28)	Safety fund RMB'000 (Note 29)	Maintenance fund RMB'000 (Note 29)	Capital reserve RMB'000 (Note 29)	Investment revaluation reserves RMB'000 (Note 29)	Statutory reserve RMB'000 (Note 29)	Accumulated losses RMB'000 (Note 30)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	137,361	668,768	221	1,583	(13,972)	–	877	(366,937)	427,901	(2,587)	425,314
Total comprehensive (loss)/income for the year	–	–	–	–	–	(346)	–	(16,738)	(17,084)	1,387	(15,697)
Appropriations to statutory reserves	–	–	–	–	–	–	856	(856)	–	–	–
At 31 December 2020	137,361	668,768	221	1,583	(13,972)	(346)	1,733	(384,531)	410,817	(1,200)	409,617
At 1 January 2021	**137,361**	**668,768**	**221**	**1,583**	**(13,972)**	**(346)**	**1,733**	**(384,531)**	**410,817**	**(1,200)**	**409,617**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(546)**	**–**	**(16,685)**	**(17,231)**	**(74)**	**(17,305)**
Appropriations to statutory reserves	**–**	**–**	**–**	**–**	**–**	**–**	**1,007**	**(1,007)**	**–**	**–**	**–**
At 31 December 2021	**137,361**	**668,768**	**221**	**1,583**	**(13,972)**	**(892)**	**2,740**	**(402,223)**	**393,586**	**(1,274)**	**392,312**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 RMB'000	2020 RMB'000
Loss before income tax		**(14,043)**	(11,758)
Adjustments for:			
Depreciation of property, plant and equipment	16	**2,417**	2,464
Depreciation of right-of-use assets	10	**1,852**	2,254
Gain on redemption of financial assets at FVTOCI	8	**(566)**	–
Gain on disposal of property, plant and equipment	10	**(422)**	–
Finance costs	9	**173**	174
Finance income	9	**(480)**	(982)
Reversal of impairment loss on property, plant and equipment	16	**–**	(11,148)
Reversal of impairment loss on mining rights	17	**–**	(3,786)
Expected credit losses on financial assets	10	**4,201**	2,486
Cash used in operations before working capital changes		**(6,868)**	(20,296)
Decrease/(increase) in trade and bills receivables		**8,390**	(12,740)
Increase in loan receivables		**(18,457)**	(12,000)
(Increase)/decrease in other receivables and prepayments		**(12,668)**	11,983
Increase/(decrease) in trade and other payables and accruals		**91,630**	(4,033)
Increase in contract liabilities		**14,317**	158
Decrease in restricted cash at banks		**–**	247
Cash generated from/(used in) operations		**76,344**	(36,681)
Income tax paid		**(2,918)**	(1,735)
Net cash generated from/(used in) operating activities		**73,426**	(38,416)
Cash flows from investing activities			
Deposits paid for acquisition of a subsidiary		**(9,599)**	–
Net cash inflow from disposal of a subsidiary	32	**–**	9,608
Proceeds from disposal of property, plant and equipment		**422**	–
Redemption/(acquisition) of financial assets at FVTOCI		**3,695**	(19,484)
Interest received		**480**	982
Net cash used in investing activities		**(5,002)**	(8,894)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 RMB'000	2020 RMB'000
Cash flows from financing activities			
Repayment of principal portion of lease liabilities	37	**(1,598)**	(1,945)
Interest paid on lease liabilities	37	**(61)**	(62)
Net cash used in financing activities		**(1,659)**	(2,007)
Net increase/(decrease) in cash and cash equivalents		**66,765**	(49,317)
Cash and cash equivalents at beginning of financial year		**169,139**	218,630
Exchange differences on cash and cash equivalents		**(38)**	(174)
Cash and cash equivalents at end of financial year		**235,866**	169,139
Analysis of the balances of cash and cash equivalents			
Bank balances	22	**235,866**	169,139

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries (collectively the "Group") are principally engaged in the mining, ore processing and sales of nickel, copper, lead and zinc products, financial services, and trading of coal in the People's Republic of China (the "PRC"). The principal activities of its subsidiaries are set out in Note 34.

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

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

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

(b) New standards and amendments to standards issued but not yet effective for the accounting period beginning on 1 January 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. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Principles of consolidation

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Business combinations

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

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

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

The excess of the:

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Subsidiaries

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

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

4.4 Separate financial statements

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

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

4.5 Segment reporting

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

4.6 Goodwill

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

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

4.7 Property, plant and equipment

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Property, plant and equipment (Continued)

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Leases

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

Right-of-use asset

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

Lease liability

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Mining rights

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

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

4.10 Impairment of non-financial assets

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

4.11 Financial instruments

(i) Financial assets

Classification

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

– Financial assets at amortised cost; and

– Financial assets at FVTOCI,

The classification is generally based on two criteria:

– the business model under which the financial asset is managed; and

– the contractual cash flow characteristics of the financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial instruments (Continued)

(i) Financial assets (Continued)

Measurement

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

The subsequent measurement of financial assets is as follows:

Debt instruments

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

– Amortised cost: Financial assets that are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

– FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

– FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial instruments (Continued)

(i) Financial assets (Continued)

Financial liabilities

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

Financial liabilities at amortised cost

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

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

(ii) Effective interest method

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

(iii) Equity instruments

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

(iv) Derecognition

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Impairment of financial assets

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Impairment of financial assets (Continued)

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

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

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

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

4.13 Inventories

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

4.14 Revenue recognition

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Revenue recognition (Continued)

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

– provides all of the benefits received and consumed simultaneously by the customer;

– creates or enhances an asset that the customer controls as the Group performs; or

– does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

(i) Sales of coal and mining products

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Revenue recognition (Continued)

(ii) Other income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate. Rental income under operating leases in recognised on a straight-line basis over the term of the lease.

Contract assets and liabilities

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

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

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

4.15 Cash and cash equivalents

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

4.16 Borrowings and borrowing costs

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Share capital

Ordinary shares are classified as equity.

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

4.18 Current and deferred income tax

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

Current income tax

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

Deferred income tax

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Foreign currency translation (Continued)

(iii) Group companies (Continued)

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

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

4.20 Employee benefits

(i) Short-term obligations

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

(ii) Pension obligations

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

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

(iii) Housing benefits

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.21 Provisions

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

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

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

4.22 Contingent liability

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

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

4.23 Dividend distribution

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

4.24 Exploration and evaluation expenditure

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.25 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

The impairment of trade and bills receivables, loan receivables and other receivables are assessed on lifetime and 12-month ECLs basis. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when performing impairment assessment of these financial assets, the assessments are done based on the Group's historical credit losses experience, existing market conditions as well as forward looking estimates at the end of each reporting period. The provision of ECLs is sensitive to changes in estimates. The information about the ECLs and the Group's trade and bills receivables, loan receivables and other receivables is disclosed in notes 19, 20, 21 and 40.1(b), respectively.

(b) Carrying value of non-current assets

The Group tests whether property, plant and equipment, right-of-use assets and mining rights have been impaired due to events or changes in circumstances which indicate that the carrying amount of the asset may exceed its recoverable amount, in accordance with accounting policies stated in Note 4.10. For the year ended 31 December 2021, there was net reversal of impairment loss of approximately RMBNil (2020: RMB14,934,000) in aggregate on property, plant and equipment and mining rights of the Group. The recoverable amounts of different CGUs to which the property, plant and equipment, mining rights and mining structures belong, have been determined based on fair value calculations (2020: value-in-use (the "VIU") calculations), with reference to the valuation reports prepared by independent valuers, using cash flow projections, financial budgets approved by management covering a five-year period and management's assumptions and estimates including forecast of selling price of nickel, copper, lead and zinc, discount rates, time to resume production and inflation rate. Cash flows beyond the five-year period are assumed to be equal to the cash flows of year 2026 (2020: 2025) for CGUs without considering the inflation rate. The discount rates used in cash flow projections varied with different CGUs.

(c) Lease term and discount rate determination

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

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

(c) Lease term and discount rate determination (Continued)

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

(d) Fair value measurement of financial instruments

The Group's financial assets at FVTOCI of RMB15,462,000 as at 31 December 2021 are measured at fair values. The fair value measurement utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

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

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

(e) Mineral reserves

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

(f) Extension of legal title of mining right

As stated in note 17(c) to the consolidated financial statements, the legal titles of Hami Jiatai Mineral Resource Exploiture Limited ("Hami Jiatai") and Hami Jinhua Mineral Resource Exploiture Limited ("Hami Jinhua")'s mining rights have not yet been extended as at 31 December 2021. Despite the fact that the Group has not obtained the extension of relevant legal title, the Directors determine to continue to recognise the mining right on the grounds that they expect, based on the relevant legal opinion, that the legal title being extended in future should have no major difficulties and the Group is in substance controlling the mine.

6. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Group's chief operation 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.

6. SEGMENT INFORMATION (Continued)

(a) The segment information provided to the CODM for the reportable segments for each of the years ended and as at 31 December 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
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)
ECLs/(reversal of ECLs) on financial assets	375	2,437	2,069	(680)	4,201	1,089	3,302	102	(2,007)	2,486

6. SEGMENT INFORMATION (Continued)

(a) (Continued)

	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
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.

6. SEGMENT INFORMATION (Continued)

(b) Disaggregation of revenue from contracts with customers

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

For the year ended 31 December 2021

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

6. SEGMENT INFORMATION (Continued)

(c) Geographic information

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

	Revenue from external customers (by customer location)		Specified non-current assets (by location of asset)	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 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 RMB'000	2020 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.

7. REVENUE

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

Revenue recognised during the years ended 31 December 2021 and 2020 is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Trading of coal	**1,464,730**	135,625
Revenue from contracts with customers	**1,464,730**	135,625
Financial services		
– interest income from financial services	**5,666**	5,591
Total revenue	**1,470,396**	141,216

8. OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Foreign exchange losses, net (Note 10)	**(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 (Note 10)	**422**	–
Others	**908**	600
	198	(4,896)

9. 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 37)	**(61)**	(62)
– Unwinding of discount – provision for close down, restoration and environmental costs (Note 26)	**(112)**	(112)
	(173)	(174)
Finance income – net	**307**	808

10. 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)) and (Note 16)	**2,417**	2,464
Depreciation of right-of-use assets	**1,852**	2,254
Gain on disposal of property, plant and equipment (Note 8)	**(422)**	–
Reversal of impairment loss on property, plant and equipment (Note (b)) and (Note 16)	**–**	(11,148)
Reversal of impairment loss on mining rights (Note (b)) and (Note 17)	**–**	(3,786)
ECLs on financial assets (Note (b)) and (Note 40.1(b))	**4,201**	2,486
Interest on lease liabilities (Note 31)	**61**	62
Short-term leases expenses (Note 31)	**553**	305
Employee costs (Note 11)	**8,989**	7,598
Auditor's remuneration		
– annual audit	**913**	978
– others	**166**	178
Foreign exchange losses, net (Note 8)	**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.

11. EMPLOYEE COSTS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Staff costs (including directors' emoluments (Note 12)) comprise:		
Wages and salaries	**8,435**	7,252
Contributions to pension plans (Note (a))	**448**	260
Housing benefits (Note (b))	**1**	19
Welfare and other expenses	**105**	67
	8,989	7,598

Notes:

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

(b) The amount represented the Group's contributions to government-sponsored housing funds at a rate of 5% of the basic salary of permanent employees in the PRC.

12. DIRECTORS' EMOLUMENTS

For the year ended 31 December 2021:

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

	Directors' fee RMB'000	Salaries, allowances, and benefits in kind RMB'000	Employer's contributions to a retirement benefit scheme RMB'000	Total RMB'000
Ms. Wang Qian	–	–	–	–
Mr. Ye Xin (Note (a))	47	–	–	47
Mr. Zhou Jianzhong	–	436	–	436
Mr. Cui Yazhou (Note (b))	71	–	–	71
Mr. Cao Ye	299	–	–	299
Ms. Xiang Siying	498	–	–	498
Ms. Huang Mei	100	–	–	100
Mr. Chan Ping Kuen	100	–	–	100

12. DIRECTORS' EMOLUMENTS (Continued)

For the year ended 31 December 2020:

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

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

Notes:

(a) Mr. Ye Xin was appointed as executive director on 12 July 2021.

(b) Mr. Cui Yazhou was appointed as non-executive director on 10 November 2021.

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

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

13. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include two (2020: two) directors whose emoluments are reflected in the analysis shown in Note 12. The emoluments payable to the remaining three (2020: three) individuals during the year are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Basic salaries, allowances and benefits in kind	**1,986**	2,129

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
Emolument bands (in HK dollars)		
Nil to HK$1,000,000 (Nil to RMB829,600 (2020: RMB907,194) equivalents)	**3**	3

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

14. 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 (Note 27)	**(53)**	3,680
Income tax expense	**2,716**	3,593

The Company is an exempted company incorporated in the Cayman Islands and, as such, is not liable for taxation in the Cayman Islands on its non-Cayman Islands income.

The Group's subsidiaries incorporated in the British Virgin Islands ("BVI") were not liable for taxation in the BVI on their non-BVI income.

The Group's subsidiaries in Hong Kong were subject to Hong Kong profits tax at a rate of 16.5% for each of the years ended 31 December 2021 and 2020.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to a nominated qualifying entity in the Group for its annual period beginning on or after 1 January 2018.

The subsidiaries in the PRC were subject to Enterprise Income Tax at a rate of 25%, in accordance with the Law of the PRC on Enterprise Income Tax for each of the years ended 31 December 2021 and 2020.

Certain subsidiaries of the Group are eligible as Small Low-profit Enterprises and are subject to the relevant preferential tax treatments. During the year ended 31 December 2021, a Small Low-profit Enterprise with annual taxable income not more than RMB1,000,000 is subject to Enterprise Income Tax calculated at 12.5% of its taxable income at a tax rate of 20% (2020: a Small Low-profit Enterprise with annual taxable income not more than RMB1,000,000 is subject to Enterprise Income Tax calculated at 25% of its taxable income at a tax rate of 20%).

14. INCOME TAX EXPENSE (Continued)

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Loss before income tax	**(14,043)**	(11,758)
Tax on loss before income tax, calculated at the rates applicable to the tax jurisdictions	**(2,506)**	303
Tax effects of:		
– Expenses not deductible for tax purposes	**5,181**	4,495
– Income not taxable for tax purposes	**(924)**	(340)
– Under/(over) provision in prior years	**25**	(1,549)
– Effect of tax exemptions granted to PRC subsidiaries	**(220)**	(180)
– Tax effect of tax losses not recognised	**1,160**	864
Income tax expense	**2,716**	3,593

15. LOSS PER SHARE

The basic loss per share is calculated by dividing:

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

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

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery and equipment	Office equipment and others	Motor vehicles	Mining structures	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2020								
Opening net book amount	14,418	960	2,406	15	218	2,002	31,592	51,611
Depreciation (Note (a))	(1,791)	(305)	(368)	–	–	–	–	(2,464)
Reversal of impairment loss (Note (b))	–	–	–	–	–	11,148	–	11,148
Closing net book amount	12,627	655	2,038	15	218	13,150	31,592	60,295
As at 31 December 2020								
Cost	35,281	1,648	24,432	527	10,168	14,393	31,592	118,041
Accumulated depreciation	(22,654)	(675)	(22,394)	(503)	(8,606)	(1,243)	–	(56,075)
Accumulated impairment loss (Note (b))	–	(318)	–	(9)	(1,344)	–	–	(1,671)
Net book amount	12,627	655	2,038	15	218	13,150	31,592	60,295
Year ended 31 December 2021								
Opening net book amount	**12,627**	**655**	**2,038**	**15**	**218**	**13,150**	**31,592**	**60,295**
Depreciation (Note (a))	**(1,791)**	**(258)**	**(368)**	**–**	**–**	**–**	**–**	**(2,417)**
Closing net book amount	**10,836**	**397**	**1,670**	**15**	**218**	**13,150**	**31,592**	**57,878**
As at 31 December 2021								
Cost	**35,281**	**1,648**	**24,432**	**527**	**9,577**	**14,393**	**31,592**	**117,450**
Accumulated depreciation	**(24,445)**	**(933)**	**(22,762)**	**(503)**	**(8,015)**	**(1,243)**	**–**	**(57,901)**
Accumulated impairment loss (Note (b))	**–**	**(318)**	**–**	**(9)**	**(1,344)**	**–**	**–**	**(1,671)**
Net book amount	**10,836**	**397**	**1,670**	**15**	**218**	**13,150**	**31,592**	**57,878**

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of sales	**2,159**	2,159
Administrative expenses	**258**	305
Total depreciation	**2,417**	2,464

(b) Impairment assessment

The copper, nickel, zinc and lead market, being the core businesses of Hami Jiatai and Hami Jinhua, have been experiencing continuous depression since 2009. Although there was a sign of recovery of the market, the price of copper and nickel still fluctuated wildly during the years ended 31 December 2021 and 31 December 2020. In addition, there was an outbreak of Novel Coronavirus ("COVID-19") during the years ended 31 December 2021 and 2020. As such, the Company decided to delay production schedule of the Group's mining operations and will continue to study the possibility of the commencement of production in responses to the change in the market conditions.

In light of the above, management appointed independent valuers to carry out a review of the recoverable amount of its mining structures and mining rights, land use rights and property, plant and equipment belonging to these CGUs as at 31 December 2021 and 2020.

For the year ended 31 December 2021

Based on the valuation of the recoverable amounts of the Hami Jiatai's and Hami Jiahua's CGUs as at 31 December 2021 by the independent valuer appointed by management, no impairment losses on mining structures and mining rights of Hami Jiatai and Hami Jiahua were to be recognised during the year ended 31 December 2021. For the year ended 31 December 2021, the recoverable amounts of Hami Jiatai's and Hami Jiahua's CGUs were determined based on fair value method (see Note 17(b)).

For the year ended 31 December 2020

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

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 (losses)/gains for each of the years ended 31 December 2021 and 2020.

17. MINING RIGHTS

	2021 RMB'000	2020 RMB'000
Year ended 31 December		
Opening net book amount	**94,538**	90,752
Amortisation charge (Note (a))	**–**	–
Reversal of impairment loss (Note 16(b))	**–**	3,786
Closing net book amount	**94,538**	94,538
At 31 December		
Cost	**133,523**	133,523
Accumulated amortisation	**(3,812)**	(3,812)
Accumulated impairment loss	**(35,173)**	(35,173)
Net book amount (Note (c))	**94,538**	94,538

Notes:

(a) Mining rights are amortised using the unit-of-production method based on reserves estimated to be recovered from existing facilities using current operating methods. The mining rights were not amortised during the years ended 31 December 2021 and 2020 as the Group did not carry out any mining activities during the years. There is no exploration and evaluation expenditure incurred during the years ended 31 December 2021 and 2020.

(b) Impairment assessment

The Group has mines in Xinjiang Uyghur Autonomous Region and Shaanxi province, the PRC with diversified non-ferrous metal minerals that include nickel, copper, lead and zinc. Hami Jiatai has one mining right and Hami Jinhua has one mining right as at 31 December 2021 and 2020.

During the years ended 31 December 2021, each CGU's recoverable amount has been determined the fair value method. The fair value less cost of disposal has been determined using a discounted cash flow model and applied a marketability discount.

During the years ended 31 December 2020, each CGU's recoverable amount has been determined using the VIU method. VIU has been determined using a discounted cash flow model.

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.

17. MINING RIGHTS (Continued)

Notes: (Continued)

(b) (Continued)

Hami Jiatai's CGUs

For the calculation of the recoverable amount of Hami Jiatai, the key assumptions include the nickel and copper selling prices, which were estimated based on the current market prices of RMB154,350 (2020: RMB127,650) per tonne and RMB69,920 (2020: RMB57,910) per tonne, respectively, determined with reference to available public information in the PRC; and the growth rates of forecast selling prices, which were estimated with reference to the market consensus on forecast prices of the relevant commodities ore and sourced from the Bloomberg which were 4.1%, -0.1% and -4% from 2022 to 2024 (2020: 14.9% and 8% from 2021 to 2022) and 1.4%, 1.6% and -11% from 2022 to 2024 (2020: 17.6% and 4.2% from 2021 to 2022), respectively. The forecasted selling prices are then assumed to remain constant after 2024 and production costs increased with annual inflation rate of 2.5% (2020: 3%). The production volume was estimated with reference to the PRC Technical Report conducted by Xinjiang Engineering & Research Institute of Nonferrous Metals Company Limited.

The inflation rate over the expected life of the mines (which sourced from International Monetary Fund ("IMF")) of 3% (2020: 3%) and the discount rate of 25% (2020: 23%) 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 2023 (2020: 2022). The recoverable amount for Hami Jiatai as at 31 December 2021 was determined to be RMB39,000,000 based on fair value less cost of disposal (2020: RMB57,600,000 based on VIU).

Hami Jinhua's CGUs

For the calculation of the recoverable amount of Hami Jinhua, the key assumptions include the lead and zinc selling prices, which were estimated based on the current market prices of RMB15,275 (2020: RMB14,950) per tonne and RMB24,090 (2020: RMB21,050) per tonne respectively, which were with reference to available public information in the PRC; and the growth rate of forecast selling price, which were reference to the market consensus on forecast price of the relevant commodities ore and sourced from the Bloomberg which were -1.6%, -5.8% and 7.4% from 2022 to 2024 (2020: 8.7% and 3.8% from 2021 to 2022) and 1.2%, -12.6% and -3.9% from 2022 to 2024 (2020: 13.6% and 9.3% from 2021 to 2022), respectively. The forecast selling price then remained constant after 2024 and production cost increased with annual inflation rate of 3% (2020: 3%). The production volume was estimated with reference to the PRC Technical Report that was conducted by Xinjiang Engineering & Research Institute of Nonferrous Metals Company Limited.

The inflation rate over the expected life of the mines (which sourced from IMF) of 2.5% (2020: 3%) and the discount rate 23% (2020: 21%) 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 2023 (2020: 2022). The recoverable amount for the Hami Jinhua as at 31 December 2021 was determined to be RMB224,000,000 based on fair value less cost of disposal (2020: RMB414,900,000 based on VIU).

(c) At the end of the reporting period, the carrying amount of mining right amounted to approximately RMB94,538,000 (2020: RMB10,783,000) for which relevant legal title have not yet been extended. At the date of approval of these consolidated financial statements, the application for obtaining the extension of aforesaid legal title is still in progress.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 **RMB'000**	2020 RMB'000
Analysed as non-current assets		
Unlisted corporate bonds	**15,462**	19,138

19. TRADE AND BILLS RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	**11,485**	19,275
Less: ECLs of trade receivables (Notes (b), (d))	**(5,600)**	(3,721)
Trade receivables, net (Note (a))	**5,885**	15,554
Bills receivables	**–**	600
Less: ECLs of bills receivables (Notes (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 RMB'000	2020 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 RMB'000	2020 RMB'000
Balance at 1 January (Note 40.1(b))	**3,728**	1,192
ECLs recognised during the year (Note 40.1(b))	**1,872**	2,536
Balance at 31 December (Note 40.1(b))	**5,600**	3,728

20. LOAN RECEIVABLES

	2021 RMB'000	2020 RMB'000
Loans to third parties (Note (a)) and (Notes 40.1(b))	**95,457**	77,000
	95,457	77,000
Less: ECLs of loan receivables (Note (b)) and (Notes 40.1(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.

20. LOAN RECEIVABLES (Continued)

Notes: (Continued)

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

	2021 RMB'000	2020 RMB'000
Balance at 1 January (Note 40.1(b))	**720**	465
ECLs on loan receivable recognised during the year (Note 40.1(b))	**2,077**	255
Balance at 31 December (Note 40.1(b))	**2,797**	720

21. OTHER RECEIVABLES AND PREPAYMENTS

	2021 RMB'000	2020 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 RMB'000	2020 RMB'000
Balance at 1 January (Note 40.1(b))	**88,281**	93,227
Written off of other receivables (Note 40.1(b))	**(355)**	(2,855)
ECLs/(reversal of ECLs) on other receivables recognised during the year (Note 40.1(b))	**252**	(305)
Exchange differences (Note 40.1(b))	**(1,285)**	(1,786)
Balance at 31 December (Note 40.1(b))	**86,893**	88,281

22. CASH AND CASH EQUIVALENTS

	2021 RMB'000	2020 RMB'000
Cash on hand	**–**	–
Current deposits with banks	**235,866**	169,139
Cash and cash equivalents	**235,866**	169,139

Balances can be analysed as follows:

	2021 RMB'000	2020 RMB'000
Denominated in:		
– RMB	**131,300**	33,109
– HK$	**58,497**	135,644
– US$	**46,069**	386
	235,866	169,139

Notes:

(a) The bank deposits were interest bearing at rates based on bank deposit rates as agreed with banks. The weighted average effective interest rate on deposits ranged from 0.01% to 0.35% per annum as at 31 December 2021 (2020: 0.05% to 0.3%).

(b) Deposits denominated in RMB were deposited with banks in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

(c) The deposits were mainly placed with reputable banks for which the credit risk is considered remote.

23. TRADE PAYABLES

Trade payables are analysed as follows:

	2021 RMB'000	2020 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.

23. TRADE PAYABLES (Continued)

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

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

24. OTHER PAYABLES AND ACCRUALS

	2021 **RMB'000**	2020 RMB'000
Other payables (Note (a))	**18,372**	3,424
Salary and welfare payables	**5,659**	5,567
Accrued taxes other than income tax	**5,872**	5,417
	29,903	14,408

Notes:

(a) Other payables mainly included security deposits received from customers, payables of equipment purchasing costs, service charges payable and advances from third parties as at 31 December 2021 and 2020.

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

25. CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Contract liabilities arising from sale of goods:		
Trading of coal	**26,129**	11,812

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

Sale of goods

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

Movements in contract liabilities

	2021 RMB'000	2020 RMB'000
Balance as at 1 January	**11,812**	11,654
Increase in contract liabilities as a result of receipts in advance of trading activities	**1,466,837**	107,735
Transfer of contract liabilities to revenue	**(1,452,520)**	(107,577)
Balance at 31 December	**26,129**	11,812
Revenue recognised in the year that was included in contract liabilities at beginning of year	**11,761**	11,603

26. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	2021 RMB'000	2020 RMB'000
At beginning of year	**2,882**	2,770
Unwinding of discount (Note 9)	**112**	112
At end of year	**2,994**	2,882

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

27. DEFERRED INCOME TAX

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

	2021 **RMB'000**	2020 RMB'000
Deferred tax assets	**–**	–
Deferred tax liabilities	**25,253**	25,306
	25,253	25,306

	2021 **RMB'000**	2020 RMB'000
At beginning of year	**25,306**	21,626
(Credited)/charged to the consolidated statement of comprehensive income (Note 14)	**(53)**	3,680
At end of year	**25,253**	25,306

The movements in deferred tax assets and liabilities for each of the years ended 31 December 2021 and 2020, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets

No deferred income tax assets were recognised for tax losses as at 31 December 2021 and 2020 as there is uncertainty on whether the unused tax losses can be utilised in the foreseeable future.

The Group did not recognise deferred tax assets of approximately RMB4,815,500 (2020: RMB3,657,500) in respect of tax losses incurred by the PRC companies, in aggregate amounting to approximately RMB19,262,000 (2020: RMB14,630,000), that will expire from 2022 to 2026 (2020: from 2021 to 2025).

The Group did not recognise deferred tax assets of approximately RMB2,541,500 (2020: RMB2,539,000) in respect of tax losses of approximately RMB15,403,000 (2020: RMB15,388,000) arising in Hong Kong companies, that may be carried forward indefinitely.

27. DEFERRED INCOME TAX (Continued)

Deferred tax liabilities

	Valuation surplus of acquired assets upon business combination RMB'000
At 1 January 2020	21,626
Charged to the consolidated statement of comprehensive income	3,680
At 31 December 2020	25,306
Credited to the consolidated statement of comprehensive income	(53)
At 31 December 2021	25,253

28. SHARE CAPITAL AND SHARE PREMIUM

	Authorised shares of HK$0.1 each
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	5,000,000,000

	Number of share '000	Share capital RMB'000	Share premium RMB'000	Total RMB'000
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	1,620,000	137,361	668,768	806,129

29. OTHER RESERVES

	Safety fund RMB'000 Note (a)	Maintenance fund RMB'000 Note (b)	Capital reserve RMB'000 Note (c)	Investment revaluation reserves RMB'000 Note (d)	Statutory Reserve RMB'000 Note 33(a)	Total RMB'000
At 1 January 2020	221	1,583	(13,972)	–	877	(11,291)
Fair value changes of financial assets (debts instruments) at FVTOCI	–	–	–	(346)	–	(346)
Appropriation from accumulated losses	–	–	–	–	856	856
At 31 December 2020	221	1,583	(13,972)	(346)	1,733	(10,781)
Fair value changes of financial assets (debts instruments) at FVTOCI	**–**	**–**	**–**	**(546)**	**–**	**(546)**
Appropriation from accumulated losses	**–**	**–**	**–**	**–**	**1,007**	**1,007**
At 31 December 2021	**221**	**1,583**	**(13,972)**	**(892)**	**2,740**	**(10,320)**

Notes:

(a) Pursuant to certain regulations issued by the State of Administration of Work Safety, the Group is required to set aside an amount to a safety fund at RMB8 per tonne of raw ore mined. The fund can be used for improvements of safety at the mines, and not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount is transferred from safety fund to retained earnings. There were no appropriation to the safety funds for the years ended 31 December 2021 and 2020 as no ore was mined.

(b) Pursuant to certain regulations issued by the State of Administration of Work Safety and the Ministry of Finance of the PRC, the Group is required to set aside an amount to a maintenance fund calculated based on a rate of RMB18 per tonne of raw ore mined.

The fund can be used for improvement of mining structures, and is not available for distributions to shareholders. Upon incurring qualifying capital expenditure, an equivalent amount is transferred from maintenance fund to retained earnings. There were no appropriation to the maintenance fund for the years ended 31 December 2021 and 2020 as no ore was mined.

(c) Capital reserve represented the difference between the existing book values of net assets of the group companies comprising the Group as at the date of group reorganisation (the "Reorganisation") which was recognised as part of the deemed cost of investment in subsidiaries upon the Reorganisation and the share capital of Right Source International Limited ("Right Source") and Fortune In Investments Limited ("Fortune In").

(d) The investment revaluation reserves comprises the cumulative net changes in the fair value of financial assets at FVTOCI held at the end of the reporting period.

30. ACCUMULATED LOSSES

	2021 RMB'000	2020 RMB'000
Accumulated losses at beginning of year	**(384,531)**	(366,937)
Loss for the year	**(16,685)**	(16,738)
Appropriation to statutory reserves (Note (a))	**(1,007)**	(856)
Accumulated losses at end of year	**(402,223)**	(384,531)

Notes:

(a) In accordance with the PRC Company Law and the PRC subsidiaries' Articles of Association, the PRC subsidiaries are required to transfer 10% of the profit after taxation determined in accordance with PRC generally accepted accounting principles to the statutory reserve until the balance reaches 50% of the paid-up capital. Such reserve can be used to reduce any losses incurred or to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital. For the year ended 31 December 2021, except three of the PRC subsidiaries has appropriated RMB1,007,000 (2020: RMB856,000), others have reported losses and no appropriation to the statutory reserve (2020: Nil).

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

31. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

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

As at 31 December	2021 RMB'000	2020 RMB'000
Land use rights	**7,884**	8,127
Land and buildings – office premises	**1,897**	616
	9,781	8,743

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

Lease liabilities

Land and buildings – Office premises	**2021** **RMB'000**	2020 RMB'000
As at 1 January	**664**	2,783
Addition of lease	**2,890**	–
Interest expense (Notes 10 and 37)	**61**	62
Lease payments (Note 37)	**(1,659)**	(2,007)
Foreign exchange movements (Note 37)	**(38)**	(174)
	1,918	664

Future lease payments are due as follows:

	Lease payments RMB'000	**Interest** RMB'000	**Present value of lease payments** RMB'000
As at 31 December 2021			
Not later than one year	**1,474**	**44**	**1,430**
Later than one year and not later than two years	**491**	**3**	**488**
	1,965	**47**	**1,918**
As at 31 December 2020			
Not later than one year	669	5	664
Later than one year and not later than two years	–	–	–
	669	5	664

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

Lease liabilities (Continued)

The present value of future lease payments are analysed as:

	2021 RMB'000	2020 RMB'000
Current liabilities	1,430	664
Non-current liabilities	488	–
	1,918	664

Disclosure of other lease-related items:

	2021 RMB'000	2020 RMB'000
Short term lease expense (Note 10)	553	305
Additions of lease	2,890	–
Total cash outflow for leases	2,212	2,312

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

As at 31 December 2021, the Group do not have any commitments for short-term leases (2020: Nil).

32. DISPOSAL OF A SUBSIDIARY

The Group completed the disposal of Shaanxi Jiahe Mineral Exploiture Limited on 23 March 2020.

Net assets at the date of disposal were as follows:

	RMB'000
Cash and cash equivalents	392
Property, plant and equipment	10,361
Mining rights and exploration rights	4,916
Payables to third parties	(368)
Provision for close down, restoration and environmental costs	(2,746)
Payables to the Company and its subsidiaries	(18,634)
Deferred tax liabilities	(2,555)
	(8,634)
Add: Payables to the Company and its subsidiaries	18,634
Net assets disposed of and total consideration – satisfied by cash	10,000
Net cash inflow arising on disposal:	
Cash consideration received	10,000
Cash and cash equivalents disposed of	(392)
	9,608

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

	Note	2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**399**	656
Right-of-use assets	31	**1,897**	616
Investments in subsidiaries	34	**124,798**	124,798
Loans receivables		**18,457**	–
Financial assets at FVTOCI	18	**15,462**	19,138
Total non-current assets		**161,013**	145,208
Current assets			
Other receivables and prepayments from third parties		**1,082**	760
Other receivables and prepayments from subsidiaries		**84,068**	86,295
Cash and cash equivalents		**104,115**	135,565
Total current assets		**189,265**	222,620
Total assets		**350,278**	367,828
LIABILITIES			
Current liabilities			
Other payables		**1,000**	1,317
Other payable to a subsidiary		**136**	140
Lease liabilities	31	**1,430**	664
Total current liabilities		**2,566**	2,121
Non-current liabilities			
Lease liabilities	31	**488**	–
Total liabilities		**3,054**	2,121
EQUITY			
Share capital	28	**137,361**	137,361
Share premium	28	**668,768**	668,768
Investment revaluation reserves	(a)	**(892)**	(346)
Accumulated losses	(a)	**(458,013)**	(440,076)
Total equity		**347,224**	365,707
Total equity and liabilities		**350,278**	367,828

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

The balance sheet of the Company was approved by the Board on 31 March 2022 and was signed on its behalf.

Xiang Siying	**Zhou Jianzhong**
Director	*Director*

Note (a)

Reserves movements of the Company

	Investment revaluation reserves RMB'000	**Accumulated losses** RMB'000
At 1 January 2020	–	(407,212)
Total comprehensive loss for the year	(346)	(32,864)
At 31 December 2020 and 1 January 2021	(346)	(440,076)
Total comprehensive loss for the year	(546)	(17,937)
At 31 December 2021	(892)	(458,013)

34. INFORMATION ABOUT PRINCIPAL SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2021 are set out below. Unless otherwise stated, the proportion of ownership interests held equals the voting rights held by the Group.

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

34. INFORMATION ABOUT PRINCIPAL SUBSIDIARIES (Continued)

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

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

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

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

35. RELATED PARTY TRANSACTIONS

(a) The Group's management is of the view that the following persons are related parties of the Group during the years ended 31 December 2021 and 2020:

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

(b) Key management compensation

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Basic salaries, allowances and other benefits	**3,059**	3,675
Contributions to pension plan	**30**	48
	3,089	3,723

36. CONTINGENT LIABILITIES

The Group had contingent liabilities at 31 December 2021 in respect of:

(a) Environmental contingencies

Historically, the Group has not incurred any significant expenditure for environmental remediation. Save as disclosed in Note 26, the Group is presently not involved in any environmental remediation and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislations, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, may move further towards the adoption of more stringent environmental standards.

Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including but not limited to mines and land development areas, whether operating, closed or sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under future environmental legislations cannot reasonably be estimated at present, and could be material.

(b) Insurance

The Group carries commercial insurance for its employees who work underground for personal injury. However, such insurance may not be sufficient to cover the potential future losses. While the effect of under-insurance on future incidents cannot be reasonably assessed at present, management believes this can have a material adverse impact on the results of operations or the financial position of the Group.

37. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Lease liabilities (Note 31) RMB'000
At 1 January 2020	2,783
Changes from cash flows:	
Repayment of principal portion of lease liabilities	(1,945)
Interest paid	(62)
Total changes from financing cash flows	(2,007)
Other changes	
Exchange differences (Note 31)	(174)
Interest expenses (Notes 9 and 31)	62
Total other changes	(112)
At 31 December 2020 and 1 January 2021	664
Changes from cash flows:	
Repayment of principal portion of lease liabilities	(1,598)
Interest paid	(61)
Total changes from financing cash flows	(1,659)
Other changes	
Additions	2,890
Exchange differences (Note 31)	(38)
Interest expenses (Notes 9 and 31)	61
Total other changes	2,913
At 31 December 2021	1,918

38. CAPITAL COMMITMENTS

There is no contracted commitments for capital expenditure as at 31 December 2021 and 2020.

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2021 and 2020 are categorised as follows:

	2021 RMB'000	2020 RMB'000
Financial assets		
Financial assets measured at amortised cost (including cash and cash equivalents)	**335,236**	263,162
Financial assets at FVTOCI	**15,462**	19,138
Financial liabilities		
Financial liabilities measured at amortised cost	**101,476**	10,301

(a) Financial instruments not measured at fair value

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

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

(b) Financial instruments measured at fair value

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

	Fair value measurement using			
	Quoted price in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2)** RMB'000	**Significant unobservable inputs (Level 3)** RMB'000	**Total** RMB'000
As at 31 December 2021				
– Financial assets at FVTOCI	–	15,462	–	15,462

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

During the years ended 31 December 2021 and 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

40. FINANCIAL RISK MANAGEMENT

40.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk, liquidity risk and concentration risk. The Group historically has not used derivative instruments for hedging or trading purposes.

(a) Market risk

(i) Foreign exchange risk

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

At 31 December 2021, if RMB had weakened/strengthened by 1% against HK$ with all other variables held constant, loss for the year would have been RMB580,000 (2020: RMB1,342,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of HK$ denominated cash and cash equivalents, other receivables and other payables.

At 31 December 2021, if RMB had weakened/strengthened by 1% against US$ with all other variables held constant, loss for the year would have been RMB461,000 (2020: Nil) lower/higher mainly as a result of foreign exchange gains/losses on translation of US$ denominated cash and cash equivalents.

(ii) Interest rate risk

The Group's interest rate risk arises from bank deposits and cash at banks which are bearing floating interest rates. Floating interest rates cause the Group cash flow interest rate risk. The Group also had borrowings with fixed interest rate for the years ended 31 December 2021 and 2020 which exposed the Group to fair value interest rate risk. For the years ended 31 December 2021 and 2020, management of the Group is of the opinion that relevant cash flow interest rate risks were not material to the Group and hence sensitivity analysis of effects of reasonably possible changes in the relevant interest rates is not provided.

(b) Credit risk

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

In respect of restricted cash at banks and cash and cash equivalents, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rates of cash and cash equivalents are assessed to be close to zero and no provision was made as of 31 December 2021 and 31 December 2020.

40. FINANCIAL RISK MANAGEMENT (Continued)

40.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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

As at 31 December 2021, trade and bills receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

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

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

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

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

The loss allowances as at 31 December 2021 and 2020 was determined for trade and bills receivables, loan receivables and other receivables as follow:

As at 31 December 2021	Trade and bills receivables	Loan receivables	Other receivables	Total
Expected credit loss rate (%)	48.76%	2.93%	99.06%	
Gross carrying amount of trade and bill receivables (RMB'000)	11,485	–	–	11,485
Gross carrying amount of loan receivables (RMB'000)	–	95,457	–	94,457
Gross carrying amount of other receivables (RMB'000)	–	–	87,718	87,718

40. FINANCIAL RISK MANAGEMENT (Continued)

40.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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

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

	Trade and bills receivables (Note 19(d)) RMB'000	**Loan receivables** (Note 20(b)) RMB'000	**Other receivables** (Note 21(a)) RMB'000	**Total** RMB'000
Balance at 1 January 2020	1,192	465	93,227	94,884
Written off	–	–	(2,855)	(2,855)
ECLs/(reversal of ECLs) on financial assets	2,536	255	(305)	2,486
Exchange differences	–	–	(1,786)	(1,786)
Balance at 31 December 2020 and 1 January 2021	3,728	720	88,281	92,729
Written off	–	–	(355)	(355)
ECLs on financial assets	1,872	2,077	252	4,201
Exchange differences	–	–	(1,285)	(1,285)
Balance at 31 December 2021	5,600	2,797	86,893	95,290

40. FINANCIAL RISK MANAGEMENT (Continued)

40.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

	Carrying amount	Total contractual undiscounted cash flow	Less than 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2021						
Trade and other payables	**101,476**	**101,476**	**101,476**	**–**	**–**	**–**
At 31 December 2020						
Trade and other payables	10,301	10,301	10,301	–	–	–

(d) Concentration risk

Revenue of the Group is principally derived from trading of coal business and financial services in 2021 and 2020.

The revenue of each business segment was derived from:

	For the year ended 31 December			
	2021		2020	
	Concentration of revenue	**Number of customers**	Concentration of revenue	Number of customers
Trading business	**26%**	**4**	74%	4
Financial services	**100%**	**4**	100%	4

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

41. RETIREMENT BENEFITS SCHEME

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

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

At 31 December 2021 and 2020, there were no significant forfeited contributions which arose upon employees leaving the schemes before they are fully vested in the contributions and which are available to reduce the contributions payable by the Group in the future.

42. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to:

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

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

43. EVENTS AFTER THE REPORTING DATE

(a) Since January 2020 and up till to the date of this report, the outbreak of COVID-19 has impact on the global business environment. Up to the date of this report, COVID-19 has not caused material financial difficulties to the Group. Pending the development and spread of COVID-19 subsequent to the date of this report, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this report. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

(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 is 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.

FIVE YEARS FINANCIAL SUMMARY

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

RESULTS

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**1,470,396**	141,216	93,572	32,828	22,845
LOSS BEFORE INCOME TAX	**(14,043)**	(15,351)	(4,953)	(48,225)	(46,357)
Income tax (expense)/credit	**(2,716)**	(3,593)	(10,283)	4,695	(1,829)
LOSS FOR THE YEAR	**(16,759)**	(15,351)	(15,236)	(43,530)	(48,186)
Attributable to:					
Equity holders of the Company	**(16,685)**	(16,738)	(16,013)	(41,269)	(46,129)
Non-controlling interests	**(74)**	1,387	777	(2,261)	(2,057)
	(16,759)	(15,351)	(15,236)	(43,530)	(48,186)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**558,586**	468,780	494,170	522,964	555,205
TOTAL LIABILITIES	**(166,274)**	(59,163)	(68,856)	(82,223)	(64,549)
NON-CONTROLLING INTERESTS	**1,274**	1,200	2,587	3,364	1,080
	393,586	410,817	427,901	444,105	491,736