



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

2022  
Interim Report

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Cui Yazhou (*Chairman*)  
Mr. Ye Xin  
Ms. Wang Qian  
Mr. Zhou Jianzhong

### Non-Executive Director

Mr. Cao Ye

### Independent Non-Executive Directors

Ms. Xiang Siying  
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

Mr. Cui Yazhou  
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 the Hong Kong Special  
Administrative Region ("Hong Kong")  
of the People's Republic of China (the "PRC")*  
Michael Li & Co.

*As to laws of the PRC*  
King & Wood Mallesons

*As to Cayman Islands laws*  
Conyers Dill & Pearman

## Corporate Information (Continued)

### 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  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### COMPANY WEBSITE

[www.huili.hk](http://www.huili.hk)

### STOCK CODE

1303

## Mines Information

### Mineral Resources as of 30 June 2022<sup>(Note)</sup>

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 30 June 2022<sup>(Note)</sup>

Project name	Reserve classification	Ore Quantity (kt)	Ni metal (t)	Ni Grade (%)	Cu metal (t)	Cu Grade (%)
Project No. 20	Proved	–	–	–	–	–
	Probable	1,099	7,071	0.64	2,362	0.21

Project name	Reserve classification	Ore 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.

## Mines Information (Continued)

### Mining Permits

Project name	Type of ore under mining	Mining area (km <sup>2</sup> )	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 six months ended 30 June 2022 and 2021.

For the six months ended 30 June 2022 and 2021, no capital expenditure was incurred for the development and mining activities.

For the six months ended 30 June 2022, the Group did not charge (2021: RMB94,000) any exploration expenses to the interim condensed consolidated statement of comprehensive income.

## Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>Revenue</b>	6	780,204	457,893
Cost of sales		(750,646)	(452,386)
<b>Gross profit</b>		29,558	5,507
Administrative expenses		(9,532)	(10,703)
Other operating losses		(6,410)	(1,260)
Other gains – net	7	7,627	560
Fair value changes of financial assets at fair value through profit or loss (“FVTPL”)		1,290	–
Gain on bargain purchases on acquisition of a subsidiary	20	3,081	–
<b>Operating profit/(loss)</b>		25,614	(5,896)
Finance income	8	505	128
Finance costs	8	(205)	(76)
Finance income – net	8	300	52
<b>Profit/(loss) before income tax</b>	9	25,914	(5,844)
Income tax expense	10	(5,231)	(1,338)
<b>Profit/(loss) for the period</b>		20,683	(7,182)
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Company		20,955	(7,152)
Non-controlling interests		(272)	(30)
<b>Profit/(loss) for the period</b>		20,683	(7,182)

## Interim Condensed Consolidated Statement of Comprehensive Income (Continued)

	Note	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>Other comprehensive income after tax:</b>			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Fair value changes of financial assets (debt instruments) at fair value through other comprehensive income ("FVTOCI")		(2,923)	463
Other comprehensive (loss)/income for the period, net of tax		(2,923)	463
<b>Total comprehensive income/(loss) for the period</b>		<b>17,760</b>	<b>(6,719)</b>
<i>Total comprehensive income/(loss) for the period attributable to:</i>			
Equity holders of the Company		18,032	(6,689)
Non-controlling interests		(272)	(30)
Total comprehensive income/(loss) for the period		17,760	(6,719)
<b>Earnings/(loss) per share attributable to the equity holders of the Company</b>			
– Basic and diluted (RMB cents)	11	1.29	(0.44)

## Interim Condensed Consolidated Statement of Financial Position

	Note	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	140,927	57,878
Mining rights		94,538	94,538
Right-of-use assets		11,250	9,781
Loan receivables	15	–	29,563
Financial assets at FVTOCI		9,890	15,462
Deposit paid for acquisition of a subsidiary		–	9,599
Deferred tax assets		6,299	–
<b>Total non-current assets</b>		<b>262,904</b>	<b>216,821</b>
<b>Current assets</b>			
Inventories		3,271	–
Trade receivables	14	42,897	5,885
Loan receivables	15	87,119	63,097
Other receivables and prepayments	16	62,228	36,917
Financial assets at FVTPL		24,888	–
Cash and cash equivalents		145,597	235,866
<b>Total current assets</b>		<b>366,000</b>	<b>341,765</b>
<b>Total assets</b>		<b>628,904</b>	<b>558,586</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	17	98,538	77,445
Other payables and accruals	18	48,579	29,903
Contract liabilities		27,955	26,129
Lease liabilities		1,321	1,430
Current tax liabilities		4,424	2,632
<b>Total current liabilities</b>		<b>180,817</b>	<b>137,539</b>
<b>Net current assets</b>		<b>185,183</b>	<b>204,226</b>



## Interim Condensed Consolidated Statement of Financial Position (Continued)

	Note	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
<b>Non-current liabilities</b>			
Lease liabilities		2,539	448
Provision for close down, restoration and environmental costs		3,049	2,994
Deferred tax liabilities		31,760	25,253
<b>Total non-current liabilities</b>		<b>37,348</b>	<b>28,735</b>
<b>Total liabilities</b>		<b>218,165</b>	<b>166,274</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	19	137,361	137,361
Share premium	19	668,768	668,768
Other reserves		(13,009)	(10,320)
Accumulated losses		(381,502)	(402,223)
		411,618	393,586
<b>Non-controlling interests</b>		<b>(879)</b>	<b>(1,274)</b>
<b>Total equity</b>		<b>410,739</b>	<b>392,312</b>
<b>Total equity and liabilities</b>		<b>628,904</b>	<b>558,586</b>

## Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company										
	Share capital	Share premium	Safety fund	Maintenance fund	Capital reserve	Investment	Statutory reserves	Accumulated losses	Subtotal	Non-controlling interests	Total equity
						revaluation reserves					
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2022 (unaudited)</b>	137,361	668,768	221	1,583	(13,972)	(892)	2,740	(402,223)	393,586	(1,274)	392,312
Total comprehensive (expense)/ income for the period (unaudited)	-	-	-	-	-	(2,923)	-	20,955	18,032	(272)	17,760
Acquisition of a subsidiary (unaudited) (note 20)	-	-	-	-	-	-	-	-	-	667	667
Appropriations to statutory reserves (unaudited)	-	-	-	-	-	-	234	(234)	-	-	-
<b>Balance at 30 June 2022 (unaudited)</b>	137,361	668,768	221	1,583	(13,972)	(3,815)	2,974	(381,502)	411,618	(879)	410,739
<b>At 1 January 2021 (unaudited)</b>	137,361	668,768	221	1,583	(13,972)	(346)	1,733	(384,531)	410,817	(1,200)	409,617
Total comprehensive income/ (expense) for the period (unaudited)	-	-	-	-	-	463	-	(7,152)	(6,689)	(30)	(6,719)
Appropriations to statutory reserves (unaudited)	-	-	-	-	-	-	375	(375)	-	-	-
<b>Balance at 30 June 2021 (unaudited)</b>	137,361	668,768	221	1,583	(13,972)	117	2,108	(392,058)	404,128	(1,230)	402,898

## Interim Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>Cash flows from operating activities</b>		
Cash used in operations	(80,217)	(30,440)
Income tax paid	(2,036)	(2,637)
<b>Net cash used in operating activities</b>	<b>(82,253)</b>	<b>(33,077)</b>
<b>Net cash (used in)/generated from investing activities</b>	<b>(7,295)</b>	<b>128</b>
<b>Net cash used in financing activities</b>	<b>(747)</b>	<b>(915)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(90,295)</b>	<b>(33,864)</b>
Cash and cash equivalents at beginning of period	235,866	169,139
Exchange differences on cash and cash equivalents	26	317
Cash and cash equivalents at the end of period	<b>145,597</b>	<b>135,592</b>

# Notes to the Interim Condensed Consolidated Financial Information

## 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. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 12 January 2012. The principal place of business of the Company is located at Room 2805, 28/F., Harbour Centre, No. 25 Harbour Road, Wan Chai, Hong Kong.

The Company is an investment holding company and its subsidiaries (together with the Company, the “Group”) are principally engaged in the trading of coal, provision of coal processing services, coal service supply chain, financial services, and mining, processing and sales of nickel, copper, lead and zinc products in the PRC during the six months ended 30 June 2022 (the “Period”).

These interim condensed consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These interim condensed consolidated financial statements, which have not been audited, have been approved and authorised for issue by the board (the “Board”) of directors (the “Director(s)”) of the Company on 26 August 2022.

## 2 Basis of Preparation

These interim condensed consolidated financial statements for the Period have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). These interim condensed consolidated financial statements contain selected explanatory notes which include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group after the financial year ended 31 December 2021. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021 (“2021 Annual Financial Statements”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 2 Basis of Preparation (Continued)

These interim condensed consolidated financial statements have been prepared on the historical cost basis except for financial assets at FVTPL and financial assets at FVTOCI, which are measured at fair value.

In preparing these interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2021 Annual Financial Statements.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

### 3 Changes in Accounting Policies

#### 3.1 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 these interim condensed consolidated financial statements.

HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKFRS 3 (Amendments)	Conceptual Framework for Financial Reporting
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020 Cycle

The Group concluded that the adoption of these new and revised HKFRSs in the current period has had no material impact on the amounts reported and/or disclosures set out in these interim condensed consolidated financial statements.

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 3 Changes in Accounting Policies (Continued)

#### 3.2 New standards and amendments to standards issued but not yet effective for the accounting period beginning on 1 January 2022 and not early adopted by the Group

		<b>Effective for accounting periods beginning on or after</b>
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
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.

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 4 Estimates

The preparation of these interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the carrying amounts of assets and liabilities, income and expense that are not readily apparent from other sources. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2021 Annual Financial Statements.

### 5 Financial Risk Management

#### 5.1 Financial risk factors

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

These interim condensed consolidated financial statements do not include the disclosures of the Group's financial risk management information that were required in the annual financial information, and should be read in conjunction with the Group's 2021 Annual Financial Statements.

There have been no changes in the risk management policies since 31 December 2021.

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 5 Financial Risk Management (Continued)

#### 5.2 Fair value estimation

This section analyses the Group's financial instruments carried at fair value as at 30 June 2022 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading securities and securities carried at FVTPL) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives and debts instruments carried at FVTOCI) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.



## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 5 Financial Risk Management (Continued)

#### 5.2 Fair value estimation (Continued)

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

	Fair value measurement using			Total RMB'000
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 30 June 2022				
– Financial assets at FVTOCI (unaudited)	–	9,890	–	9,890
– Financial assets at FVTPL (unaudited)	24,888	–	–	24,888
<b>Total</b>	<b>24,888</b>	<b>9,890</b>	<b>–</b>	<b>34,778</b>
As at 31 December 2021				
– Financial assets at FVTOCI (audited)	–	15,462	–	15,462

The fair value of financial assets at FVTPL was measured at the quoted market prices of the identical equity securities in the publicly listed stock exchanges, while the fair value of financial assets at FVTOCI was measured at traded prices for identical debts instruments in over-the-counter markets at the end of the reporting period.

During the six months ended 30 June 2022, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 6 Segment Information

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

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

For the six months ended 30 June 2022, the Group had three reportable segments:

- (a) the "Coal business" segment engages in the trading of coal through Changzhi Runce Trading Company Limited\* ("Changzhi Runce"), Hainan Runce Energy Co., Ltd.\* ("Hainan Runce"), Gujiao Runce Trading Company Limited\* ("Gujiao Runce") and Ningbo Runce Trading Company Limited\* ("Ningbo Runce"), the provision of coal processing business through Shanxi Fanpo Clean Energy Technology Company Limited\* ("Shanxi Fanpo") and coal service supply chain through Runce Supply Chain Management (Shenzhen) Co., Ltd\* ("Shenzhen Runce") in the PRC;
- (b) the "Financial services" segment engages in financial services through Runxi Energy Technology (Shanghai) Company Limited\* ("Runxi Energy") in the PRC; and
- (c) the "Mining business" 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.

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 6 Segment Information (Continued)

For the six months ended 30 June 2021, the Group had three reportable segments:

- (a) the “Coal business” segment engages in trading of coal through Changzhi Runce, Gujiao Runce and Ningbo Runce in the PRC;
- (b) the “Financial services” segment engages in financial services through Runxi Energy in the PRC; and
- (c) the “Mining business” segment engages in the mining, ore processing and sales of nickel, copper, lead and zinc products through Hami Jiatai and Hami Jinhua in the PRC.

Apart from the above 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 these interim condensed consolidated financial statements disclosures.

The CODM assesses the performance of the operating segments based on operating profit. Interest income and expenditure at the level of the 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.

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 6 Segment Information (Continued)

(A) The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2022 and 2021 is as follows:

	For the six months ended									
	30 June 2022					30 June 2021				
	Coal business	Financial services	Mining business	Unallocated	Total	Coal business	Financial services	Mining business	Unallocated	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Segment Revenue										
– Trading of coal	712,176	–	–	–	712,176	455,104	–	–	–	455,104
– Provision of coal processing services	28,829	–	–	–	28,829	–	–	–	–	–
– Coal service supply chain	36,155	–	–	–	36,155	–	–	–	–	–
– Interest income from financial services	–	3,044	–	–	3,044	–	2,789	–	–	2,789
	777,160	3,044	–	–	780,204	455,104	2,789	–	–	457,893
Segment operating profit/(loss) (Note (a))	28,180	2,560	(1,617)	2,901	32,024	3,376	(3,438)	(2,270)	(2,304)	(4,636)
Segment expected credit losses (“ECLs”)/ (reversal of ECLs) on trade receivables	6,500	–	–	–	6,500	1,698	–	–	(426)	1,272
Segment (reversal of ECLs)/ECLs on loan and other receivables	(40)	(196)	(43)	189	(90)	1	(265)	791	(539)	(12)
Segment finance income/(costs) – net	278	8	(56)	70	300	61	16	(56)	31	52
Segment income tax (expense)/credit	(4,526)	(758)	53	–	(5,231)	(672)	(719)	53	–	(1,338)
Depreciation of right-of-use assets	64	–	122	657	843	–	–	210	850	1,060
Depreciation of property, plant and equipment	2,752	–	1,080	107	3,939	–	–	1,080	127	1,207

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 6 Segment Information (Continued)

#### (A) (Continued)

	As at 30 June 2022					As at 31 December 2021				
	Coal business	Financial services	Mining business	Unallocated	Total	Coal business	Financial services	Mining business	Unallocated	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (audited)
Segment assets (Note (b))	234,916	82,233	165,687	146,068	628,904	171,587	81,316	167,005	138,678	558,586
Segment liabilities (Note (c))	174,163	722	41,924	1,356	218,165	119,672	1,561	42,095	2,946	166,274

#### Notes:

- (a) Unallocated operating profit for the six months ended 30 June 2022 mainly represented unrealised foreign exchange gain, fair value changes of financial assets at FVTPL, netted by administrative and professional services expenses incurred by the Company, while the unallocated operating loss for the six months ended 30 June 2021 mainly represented unrealised foreign exchange loss, administrative and professional services expenses incurred by the Company, as well as the administrative expenses incurred by Yonghe County Changshi Engineering Service Company Limited\* ("Changshi").
- (b) Unallocated assets as at 30 June 2022 mainly represented the right-of-use assets, financial assets at FVTOCI and FVTPL, other receivables and the bank deposits held by the Company, while the unallocated assets as at 31 December 2021 mainly represented the right-of-use assets, financial assets at FVTOCI, other receivables and the bank deposits held by the Company.
- (c) Unallocated liabilities mainly represented other payables and accruals and lease liabilities of the Company as at both 30 June 2022 and 31 December 2021.
- \* The English name referred herein represent management's best effort at translating the Chinese name of the company as no English names has been registered.

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 6 Segment Information (Continued)

#### (B) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers are disaggregated by primary geographical markets, major products and service lines and timing on revenue recognition.

**For the six months ended 30 June 2022**

	Coal business RMB'000 (unaudited)
Primary geographical market	
– The PRC	777,160
Major products and services	
– Trading of coal	712,176
– Provision of coal processing services	28,829
– Coal service supply chain	36,155
Timing of revenue recognition	
– At a point in time	777,160

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 6 Segment Information (Continued)

#### (B) Disaggregation of revenue from contracts with customers (Continued)

For the six months ended 30 June 2021

	Coal business RMB'000 (unaudited)
Primary geographical market	
– The PRC	455,104
Major products and services	
– Trading of coal	455,104
Timing of revenue recognition	
– At a point in time	455,104

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	<b>For the six months ended 30 June</b>	
	<b>2022 RMB'000 (unaudited)</b>	2021 RMB'000 (unaudited)
Coal business		
– Trading of coal	712,176	455,104
– Provision of coal processing services	28,829	–
– Coal service supply chain	36,155	–
Revenue from contracts with customers	777,160	455,104
Financial services – interest income from financial services	3,044	2,789
Total revenue	780,204	457,893

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 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 assets)	
	For the six months ended 30 June		As at 30 June	As at 31 December
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (audited)
The PRC	779,855	457,799	245,184	159,901
Hong Kong	349	94	1,531	2,296
	780,204	457,893	246,715	162,197



## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 7 Other Gains – Net

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Foreign exchange gain, net	6,169	1
Government subsidy	60	–
Interest income on financial assets at FVTOCI	487	559
Dividend income from financial assets at FVTPL	41	–
Loss on redemption of financial assets at FVTOCI	(11)	–
Penalty income from customers	751	–
Others	130	–
	<b>7,627</b>	<b>560</b>

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 8 Finance Income – Net

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>Finance income</b>		
Interest income	505	128
<b>Finance costs</b>		
Interest expenses		
– Interest on lease liabilities	(150)	(20)
– Unwinding of discount – provision for close down, restoration and environmental costs	(55)	(56)
	(205)	(76)
Finance income – net	300	52

### 9 Profit/(Loss) before Income Tax

Profit/(loss) before income tax is arrived at after charging:

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Cost of inventories recognised as expenses	693,004	451,048
Depreciation		
– right-of-use assets	843	1,060
– property, plant and equipment	3,939	1,207
Employee costs	18,367	4,735

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 10 Income Tax Expense

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Current tax – PRC Enterprise Income Tax	3,828	1,391
Deferred tax	1,403	(53)
Income tax expense	5,231	1,338

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 six months ended 30 June 2022 and 2021.

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 Hong Kong dollars ("HK\$") 2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 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 during the six months ended 30 June 2022 and 30 June 2021.

The Group's subsidiaries in the PRC were subject to the corporate income tax at a rate of 25% in accordance with the Law of the PRC on Enterprise Income Tax for each of the six months ended 30 June 2022 and 2021.

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 10 Income Tax Expense (Continued)

Certain subsidiaries of the Group are eligible as Small Low-profit Enterprises and are subject to the relevant preferential tax treatments. During six months ended 30 June 2022 and 30 June 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%.

During the six months ended 30 June 2022, Hainan Runce was entitled to a preferential tax rate of 15% in accordance to the Notice on Preferential Policies for Enterprise Income Tax of Hainan Free Trade Port (“關於海南自由貿易港企業所得稅優惠政策的通知”), which was applied to company incorporated in Hainan, the PRC from 1 January 2020 to 31 December 2024, and subjected to fulfillment of certain conditions precedent to entitlement of the preferential tax rate. During the six months ended 30 June 2022, Hainan Runce was subject to the enterprise income tax at a rate of 15%.

During the six months ended 30 June 2022, Shenzhen Runce was entitled to a preferential tax rate of 15% in accordance to Notice of the Ministry of Finance and the State Administration of Taxation on Continuing the Preferential Enterprise Income Tax Policies of Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (Caishui [2021] No. 30) (“財政部稅務總局關於延續深圳前海深港現代服務業合作區企業所得稅優惠政策的通知(財稅[2021]30號)”), which was applied to company incorporated in Qianhai, the PRC from 1 January 2021 to 31 December 2025, and subjected to fulfillment of certain conditions precedent to entitlement of the preferential tax rate. During the six months ended 30 June 2022, Shenzhen Runce was subject to the enterprise income tax at a rate of 15%.

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 11 Earnings/(Loss) per Share

The basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to the equity holders of the Company by weighted average number of ordinary shares in issue during the six months ended 30 June 2022 and 2021.

	For the six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)
Profit/(loss) attributable to equity holders of the Company (RMB'000)	20,955	(7,152)
Weighted average number of shares in issue (in thousands)	1,620,000	1,620,000
Basic and diluted earnings/(loss) per share (RMB cents)	1.29	(0.44)

Diluted earnings/(loss) per share equals to basic earnings/(loss) per share as there was no dilutive potential share outstanding for the six months ended 30 June 2022 and 2021.

### 12 Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022 and 30 June 2021.

### 13 Property, Plant and Equipment

For the six months ended 30 June 2022, the Group incurred approximately RMB11,645,000 (2021: nil) of capital expenditure on property, plant and equipment. There were no disposal of property, plant and equipment during the six months ended 30 June 2022 and 2021.

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 14 Trade Receivables

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Trade receivables	54,997	11,485
Less: ECLs of trade receivables	(12,100)	(5,600)
Trade receivables, net	<b>42,897</b>	<b>5,885</b>

As at 30 June 2022 and 31 December 2021, the ageing analysis of trade receivables after ECLs based on invoice date were as follows:

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Up to 3 months	7,975	679
3 to 6 months	560	270
6 to 12 months	31,942	55
Over 12 months	2,420	4,881
	<b>42,897</b>	<b>5,885</b>

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 within one year.

The carrying amounts of trade receivables approximated to their fair values. The balances were denominated in RMB.

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 15 Loan Receivables

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Loans to third parties (Note)	89,634	95,457
Less: ECLs of loan receivables	(2,515)	(2,797)
	<b>87,119</b>	<b>92,660</b>
Representing:		
– Non-current	–	29,563
– Current	87,119	63,097
	<b>87,119</b>	<b>92,660</b>

Note: 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.

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 15 Loan Receivables (Continued)

Note: (Continued)

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 (equivalent to approximately RMB18,500,000), 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 (equivalent to approximately RMB12,600,000) 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 HK\$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 name referred herein represent management's best effort at translating the Chinese name of the company as no English names has been registered.

Of the total balances, approximately RMB12,634,000 (31 December 2021: RMB17,917,000) is denominated in HK\$ and remaining balances are denominated in RMB.



## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 16 Other Receivables and Prepayments

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Other receivables	94,824	89,515
Less: Provision of impairment losses on other receivables	(89,213)	(86,893)
	5,611	2,622
Deposits paid to suppliers – third parties	13,000	–
Advances to suppliers – third parties	43,617	34,295
<b>Total other receivables and prepayment, net</b>	<b>62,228</b>	<b>36,917</b>

The carrying amounts of other receivables approximated to their fair values.

### 17 Trade Payables

The ageing analysis of trade payables as the end of reporting period, based on invoice date was as follows:

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Up to 3 months	97,237	76,144
Over 12 months	1,301	1,301
	98,538	77,445

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

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 18 Other Payables and Accruals

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Other payables (Note)	29,300	18,372
Salary and welfare payables	10,999	5,659
Accrued taxes other than income tax	8,280	5,872
	<b>48,579</b>	<b>29,903</b>

Note: Other payables mainly included security deposits received from customers, payables of equipment purchasing and facilities construction costs, service charges payable and advances from third parties as at 30 June 2022 and 31 December 2021.

The carrying amounts of other payables and accruals approximated their fair values due to their short-term nature.

### 19 Share Capital and Share Premium

	<b>Authorised Shares of HK\$0.1 each</b>			
As at 1 January 2021 (unaudited), 31 December 2021 (audited), 1 January 2022 (unaudited) and 30 June 2022 (unaudited)				5,000,000,000
	Number of Shares Thousands	Share Capital RMB'000	Share Premium RMB'000	Total RMB'000
As at 1 January 2021 (unaudited), 31 December 2021 (audited), 1 January 2022 (unaudited) and 30 June 2022 (unaudited)	1,620,000	137,361	668,768	806,129

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 20 Acquisition of Shanxi Fanpo

On 29 November 2021, the Group entered into a sale and purchase agreement with an independent third party (the "Vendor") to purchase, 95% equity interest in the Shanxi Fanpo (the "Acquisition") at a consideration of RMB9,599,000. The Acquisition was completed on 5 January 2022. Shanxi Fanpo was engaged in the sales of coal and the operation of coal washery. The Acquisition would allow the Group to move upstream in the coal industry, broaden the Group's source of income and diversify its business portfolio.

The fair values of identifiable assets and liabilities of Shanxi Fanpo as at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	75,343
Right-of-use assets	2,312
Deferred tax assets	8,143
Inventories	2,211
Trade receivables	232,788
Other receivables and prepayments	3,976
Cash and cash equivalents	24,767
Trade payables	(285,764)
Other payables and accruals	(17,826)
Contract liabilities	(23,180)
Lease liabilities	(2,475)
Deferred tax liabilities	(6,948)
Net identifiable assets acquired	13,347
Less: non-controlling interests (5%)	(667)
Net assets acquired	12,680
Gain on bargain purchases on acquisition of a subsidiary	(3,081)
Total consideration satisfied by cash (paid in 2021)	9,599
Net cash inflow arising from the acquisition:	
Cash and cash equivalents acquired	(24,767)

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 20 Acquisition of Shanxi Fanpo (Continued)

The Group has elected to measure the non-controlling interests in Shanxi Fanpo at the non-controlling interests' proportionate share of Shanxi Fanpo's net identifiable assets acquired.

The Group recognised a gain on bargain purchase of approximately RMB3,081,000 in the business combination.

On 29 November 2021 (the "Agreement Date"), the Group entered into a sale and purchase agreement with the Vendor with respect to the acquisition of Shanxi Fanpo at a consideration of RMB9,599,000, which is determined based on the appraised value of net assets of Shanxi Fanpo as set out in the valuation report to be prepared by the valuer. Since the Agreement Date, Shanxi Fanpo has been profit making and expanded the operation scale. The increase in fair value of Shanxi Fanpo represented the upward adjustment on net assets. As such, business combination resulted in a gain on bargain purchase as the fair value of Shanxi Fanpo increased accordingly after the Agreement Date.

Shanxi Fanpo contributed revenue amount to approximately RMB150,087,000 to the Group's revenue and incurred a profit of approximately RMB3,841,000 for the period between the date of acquisition and the end of the reporting period. If the acquisition had been completed on 1 January 2022, the Group's revenue and net profit would have been approximately RMB780,204,000 and RMB20,683,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future performance.

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 21 Related Party Transactions

For the six months ended 30 June 2022 and 2021, the Group had the following material transactions with related parties:

#### Key management compensation

Included in staff costs are key management personnel compensation, which also included Directors' remuneration, and comprises the following categories.

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Basic salaries, allowances and other benefits	1,610	1,492
Contributions to retirement benefit scheme	15	15
	1,625	1,507

### 22 Capital Commitments

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
	Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of:	
– acquisition of plant and equipment	2,859	–
– construction of new production plant	5,947	–
	8,806	–

## Notes to the Interim Condensed Consolidated Financial Information (Continued)

### 23 Contingent Liabilities

The Group had contingent liabilities as at 30 June 2022 in respect of:

#### (a) Environmental contingencies

Historically, the Group has not incurred any significant expenditure for environmental remediation. The Group has made provision for close down, restoration and environmental costs, and 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.

# Management Discussion and Analysis

## BUSINESS REVIEW

Huili Resources (Group) Limited (the “Company”) and its subsidiaries (together with the Company, the “Group”) mainly participate in the coal business, financial services and nonferrous ore mining and processing.

### Coal business

During the six months ended 30 June 2022 (the “Period”), the Group has set a milestone in its coal business through expanding its geographical presence in Hainan, the People’s Republic of China (the “PRC”) and moving upstream and diversifying to the coal processing business and coal service supply chain business. The Group also, through an indirect wholly-owned subsidiary of the Company, Changzhi Runce Trading Company Limited\* (“Changzhi Runce”), completed the acquisition of 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”) during the Period.

During the Period, despite the epidemic and policy control, supply and demand in the coal market was improving. According to the National Bureau of Statistics, from January to May 2022, industrial enterprises above designated size (規模以上工業企業) achieved an operating income of Renminbi (“RMB”) 53.16 trillion, a year-on-year increase of 9.1%, while the coal mining and washing industry achieved an operating income of RMB1,657.06 billion, a year-on-year increase of 60.8%, benefiting from the rapid growth in both quantity and price of energy products.

From the supply perspective, since the last quarter of 2021, the relevant departments have raised the guarantee of coal supply to a new height. With the continuous implementation of the policy of increasing production and ensuring supply of raw coal by the mainland Chinese government, the rate of output has been significantly accelerated and the daily output of raw coal hit a record high of 12.77 million tonnes in March 2022. According to the National Bureau of Statistics, raw coal production maintained its rapid growth. From January to May 2022, 1.81 billion tonnes of raw coal were produced, a year-on-year increase of 10.4%. However, due to the resurgence of the coronavirus disease (“COVID-19”) pandemic in the second quarter of 2022, the daily output of raw coal hit a record high of 12.77 million tonnes and subsequently fell to 12.09 million tonnes in April 2022, and further fell to 11.87 million tonnes in May 2022.

On the contrary, the export ban in Indonesia at the beginning of the year and the Russia-Ukraine war began in February 2022 both contributed to the soar of the coal price and an expectation of a sharp reduction in the amount of imported coal in the PRC. The country imported 95.95 million tonnes of coal, representing a 13.6% decrease year-on-year.

\* For identification purpose only

## Management Discussion and Analysis (Continued)

However, there are still a number of factors interfering the supply side. First, the hysteresis of policy and the safety and environmental protection issues behind the increase in production are expected to be highlighted. Safety inspections and environmental protection policies will curb the growth of coal production to a certain extent. Second, the performance of long-term coal contracts (煤炭長期合同) continues to increase, which denotes a favorable long-term supply-demand relationship in the coal market, but in the short term, the coal supply in the market is expected to shrink and the market maneuvering is expected to decrease. The third is the uncertainty of the COVID-19 pandemic since the disturbance caused by the COVID-19 pandemic may lead to logistics interruption and even affect production, resulting in a contraction of regional supply (Source: cctd.com, "Forecast of coal market situation in the second half of 2022" (《2022年下半年煤炭市場形勢預測》) dated 9 June 2022).

From the demand perspective, according to the National Bureau of Statistics, power generation reached 3.2 trillion kWh, a year-on-year increase of 0.5% from January to May 2022. However, due to another round of the outbreak of the COVID-19 pandemic in the second quarter of 2022 within the PRC, major cities such as Shenzhen, Shanghai, and Beijing amongst others have been shut down. The secondary and tertiary industries have been suspended and logistics and transportation have been under strict control. All these hindered the production demand of the society and caused a drop in coal price from the year-to-date high in February 2022. The power generation showed a decreasing trend as the year-on-year growth rate of the power generation turned from 4.0% in January 2022 to -4.3% in May 2022.

Nonetheless, with the gradual easing of the epidemic in the later period, the infrastructure and real estate projects that have been delayed or stalled in the early stage are expected to recover. In addition, the government strictly prohibits power cuts, and the demand for coal caused by the resumption of work and production and the resonance of the peak summer season are expected to rise the demand on coal in the second half of the year.

The Group carried out the coal trading business through four subsidiaries, Changzhi Runce, Gujiao Runce Trading Company Limited\* ("Gujiao Runce"), Ningbo Runce Trading Company Limited\* ("Ningbo Runce") and a newly formed subsidiary, Hainan Runce Energy Co., Ltd.\* ("Hainan Runce") in the PRC. The Group also started to provide coal processing service through the newly acquired subsidiary, Shanxi Fanpo and coal service supply chain through a newly formed subsidiary, Runce Supply Chain Management (Shenzhen) Co., Ltd\* ("Shenzhen Runce") in the PRC.

\* For identification purpose only



## Management Discussion and Analysis (Continued)

During the Period, the customers of the coal trading business segment were mainly local coal traders and energy companies in the PRC. Despite another wave of the outbreak of the COVID-19 pandemic in the second quarter of 2022, the demand on domestic coal products continued to boom due to the decrease in the amount of imported coal and the stable demand from the power generation, as was evidenced by a 10.4% year on year increase of raw coal production. At the same time, there was an increase in the coal price during the Period. According to the statistics provided by National Coal Exchange Co., Ltd. (全國煤炭交易中心有限公司), the NCEI 5500K (國煤下水動力煤價格指數5500K), a gauge of coal prices in the PRC, had raised from RMB750 per tonne in January 2022 to its peak of RMB807 per tonne in February 2022, and then flattened to RMB770 per tonne from March to June 2022.

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 for the Shanxi Fanpo Acquisition in November 2021. The Shanxi Fanpo Acquisition was completed on 5 January 2022 and would allow the Group to move upstream in the coal industry, broaden the Group's source of income and diversify its business portfolio.

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 was 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.

Currently Shanxi Fanpo is focused on providing coal processing services to coal traders and upstream coal suppliers. During the Period, Shanxi Fanpo has contributed approximately RMB150.1 million to the Group's revenue.

For details, please refer to the section headed "Material Acquisitions and Disposals" under the "Management Discussion and Analysis" to this report.

Meanwhile, the Group continued to make progress towards the Group's strategy of allocating more resources to the Group's coal business. The Group expanded its coal trading business to Hainan, the PRC through its newly formed subsidiary, Hainan Runce. The Group also continued to broaden its business scope within the coal industry by commencing the coal service supply chain through a newly formed subsidiary, Shenzhen Runce, and such business contributed approximately RMB36.2 million to the Group's revenue during the Period.

## Management Discussion and Analysis (Continued)

Riding on the increasing demand on coal, the Group will continue to actively seek for opportunities to develop its coal business, either through value-added mergers and acquisitions or strategically re-allocating its internal resources to expand the current coal business or diversify into other business scopes within the coal industry.

The coal business segment has contributed RMB777.2 million (2021: RMB455.1 million) to the Group's revenue during the Period.

### Mining business

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.

During the Period, the commodities markets continued to be influenced by worldwide inflation, supply chain disruption and the Russia-Ukraine war. The supply chain continued to be interrupted by the COVID-19 pandemic and inflation remains unresolved globally. The Russia-Ukraine war began in February 2022, intensifying the short-term tightening of global energy supplies and leading to the increase of energy price. The rise in oil and gas prices was then reflected in other commodity prices.

According to the London Metal Exchange, the prices of zinc fluctuated wildly during the Period, the prices of zinc increased from approximately United States dollar ("USD") 3,600 per tonne at beginning of the year to approximately USD4,250 per tonne in February 2022 and peaked at approximately USD4,530 per tonne in mid April 2022. However, the price dropped significantly by approximately 30% to approximately USD3,200 per tonne within 1.5 months only and approximately 11% as compared to the Period's beginning price of approximately USD3,600 per tonne.

On the contrary, unlike zinc, both copper and lead prices recorded a downward trend during the Period. Copper opened at around USD9,550 per tonne at the beginning of the Period and closed at around USD8,080 per tonne at 30 June 2022, representing an approximate 15% drop during the Period, notwithstanding that the price once bounced at approximately USD10,700 per tonne in early March 2022 due to the commencement of Russia-Ukraine war. Lead, on the other hand, opened at around USD2,350 per tonne at the beginning of the Period and closed at around USD1,900 per tonne at 30 June 2022, representing an approximate 20% drop during the Period, notwithstanding that the price once bounced at approximately USD2,511 per tonne in early March 2022, sharing the similar reasons as the price of copper.

## Management Discussion and Analysis (Continued)

Nickel, during the Period, showed much more volatile market movement, as compared to the market of zinc, copper and lead. The price of nickel gradually increased from approximately USD20,000 per tonne at the beginning of the Period to approximately USD24,700 per tonne by end of February 2022, and then recorded a sharp increase of approximately 75% to approximately USD43,000 per tonne within a week, followed by a cliff-like drop to approximately USD30,750 per tonne in one day. Such price movement led to a suspension of nickel trading in the exchange from 8 to 22 March 2022. Subsequent to the said suspension, the price of nickel gradually decreased to approximately USD23,100 per tonne from approximately USD35,500 per tonne.

As at 30 June 2022, 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, 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 at both mines and will also look for potential partners to jointly develop the mines to capture the economic values of both mines.

Meanwhile, the Group holds two exploration rights, namely Baiganhu Gold tenement and H-989 and 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. However, based on exploration and economic data, 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 a co-operating party for opportunities of cooperative exploration in order to materialise the exploration rights. Up to the date of this report, there is neither public announcement nor any official statement that the Group's exploration rights are cancelled.

Hami Jiatai also 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 tonnes 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 Period.

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.

\* For identification purpose only

## Management Discussion and Analysis (Continued)

### Financial services

During the Period, the Company mainly carried out the financial service business through 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 Loan 1 and with the approval of the board (the “Board”) of directors (the “Director(s)”) of the Company, the term of Loan 1 was extended for 31 months after the end of the initial 5-month term.

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

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 Hong Kong Dollar (“HKD”) 22.6 million (equivalent to approximately RMB18.5 million), bearing interest 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 Loan 2 after extension shall not be longer than 60 months. The Guarantor has provided a personal guarantee to guarantee Loan 2, and proposed to pledge a property located in Shanghai, the PRC, with fair value higher than the principal amount of Loan 2. Since the Guarantor has not completed the registration of the pledge, the Borrower renegotiated the terms of 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 USD1 million (equivalent to approximately HKD7.8 million or RMB6.5 million) on or before 10 March 2022; (2) the remaining outstanding amount of HKD14.8 million (equivalent to approximately RMB12.6 million) shall be interest bearing at 5% p.a. after 10 March 2022; (3) the extension option of Loan 2 shall be removed; and (4) the maturity date of Loan 2 shall be shortened to 31 December 2022. The Borrower repaid USD1 million (equivalent to approximately HKD7.8 million or RMB6.5 million) of Loan 2 on 7 March 2022 and the remaining HKD14.8 million loan is interest bearing at 5% per annum after 10 March 2022 and shall mature on 31 December 2022.

\* For identification purpose only

## Management Discussion and Analysis (Continued)

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

Revenue of approximately RMB3.0 million (2021: RMB2.8 million) was generated by the financial services segment during the Period.

### RESULTS REVIEW

#### Revenue and gross profit

Since 2021, the Group has set the coal business as the strategic business segment of the Group and allocated more resources in developing the Group's coal business. During the Period, the Group has made remarkable progress and results in its strategic move and financial performance.

With the strong coal demand in the domestic coal market in the first half of 2022 in the PRC, both the sales volume and the average selling prices of the Group's coal products increased during the Period, as compared with the six months ended 30 June 2021 (the "Prior Period"). The Group's newly acquired subsidiary, Shanxi Fanpo, also contributed to the improvement in the Group's performance. During the Period, the Group's revenue increased by approximately 70.4% to approximately RMB780.2 million from approximately RMB457.9 million for the Prior Period. The increase was mainly attributable to the RMB322.1 million increase in revenue generated from the coal business during the Period.

The cost of sales was approximately RMB750.6 million for the Period, as compared with approximately RMB452.4 million in the Prior Period, representing a year-on-year increase of approximately 65.9%. The increase was mainly contributed by the coal business as the result of the increased sales of coal products during the Period.

The gross profit increased by approximately 4.4 folds from approximately RMB5.5 million for the Prior Period to approximately RMB29.6 million for the Period. The increase was mainly contributed by the increased average selling price and sales volume of the Group's coal products during the Period.

The Group is currently conducting a full scope review of the operations of mines and processing plants before their resumption in order to ensure their operations in a safe and environmental manner. 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.

## Management Discussion and Analysis (Continued)

### Operating results

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

	For the Period			For the Prior Period		
	Revenue RMB'000	Operating profit/ (loss) RMB'000	Operating profit margin %	Revenue RMB'000	Operating profit/ (loss) RMB'000	Operating profit margin %
Coal business	777,160	28,180	3.6%	455,104	3,376	0.7%
Interest income from financial services	3,044	2,560	84.1%	2,789	(3,438)	(>100%)
Mining	–	(1,617)	N/A	–	(2,304)	N/A
<b>Segment total</b>	<b>780,204</b>	<b>29,123</b>	<b>4.1%</b>	<b>457,893</b>	<b>(4,636)</b>	<b>(1.0%)</b>

### Administrative expenses

Administrative expenses for the Period, which included mainly depreciation charges, professional fees, staff costs and office overheads, amounted to approximately RMB9.5 million for the Period (the Prior Period: RMB10.7 million).

### Other gains – net

Other gains for the Period of approximately RMB7.6 million (the Prior Period: RMB0.56 million) mainly represented unrealised foreign exchange gain, penalty received from customers and interest income from financial assets at fair value through other comprehensive income (“FVTOCI”) of approximately RMB6.2 million (the Prior Period: RMB1,000), RMB0.8 million (the Prior Period: nil) and RMB0.49 million (the Prior Period: RMB0.56 million) respectively. The unrealised foreign exchange gain mainly arose from the financial assets denominated in USD and HKD as the result of the appreciation of USD and HKD against RMB, being the Group’s functional and presentation currency.

### Other operating losses

Other operating losses of approximately RMB6.4 million was recorded during the Period (the Prior Period: approximately RMB1.3 million). During the Period, expected credit losses (“ECLs”) on financial assets of approximately RMB6.7 million (the Prior Period: RMB2.5 million) and reversal of ECLs on financial assets of approximately RMB0.3 million (the Prior Period: RMB1.3 million) were recorded.

## Management Discussion and Analysis (Continued)

### Finance income – net

Finance income of approximately RMB0.5 million (the Prior Period: RMB0.1 million) during the Period mainly represented interest income earned from the Group's cash at bank, netted by interest expenses on lease liabilities.

### Income tax expense

During the Period, income tax expense was approximately RMB5.2 million (the Prior Period: RMB1.3 million). It mainly represented the tax provision of approximately RMB3.8 million for operations in the PRC and deferred tax of approximately RMB1.4 million during the Period. No provision for profits tax in Hong Kong was made during the Period.

## SIGNIFICANT INVESTMENTS HELD

As at 30 June 2022, the Group had investments in debt securities and listed equity securities of approximately RMB9.9 million (31 December 2021: RMB15.5 million) and RMB24.9 million (31 December 2021: nil) respectively and none of the debt securities and listed equity securities, both individually and in aggregate, held by the Group equaled or exceeded 5 per cent of the Group's total assets. For further details, please refer to the section headed "Liquidity and Financial Resources" under the "Management Discussion and Analysis" to this report.

## MATERIAL ACQUISITIONS AND DISPOSALS

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 HKD11.7 million).

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

Save for the above, there were no other material acquisitions and disposals during the Period and the Prior Period.

## Management Discussion and Analysis (Continued)

### CAPITAL EXPENDITURE

For the Period, the Group incurred approximately RMB11.6 million (the Prior Period: nil) of capital expenditure on property, plant and equipment, and nil (the Prior Period: RMB2.8 million) on right-of-use assets. There were no disposal of property, plant and equipment and right-of-use assets during both the Period and the Prior Period.

### LIQUIDITY AND FINANCIAL RESOURCES

The equity attributable to owners of the Company as at 30 June 2022 increased to RMB411.6 million, an increase of approximately 4.6% over that as at 31 December 2021 of RMB393.6 million while the Group's total assets employed increased to RMB628.9 million as at 30 June 2022 as compared to RMB558.6 million as at 31 December 2021.

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 and quality equity securities listed on well recognised stock exchanges to generate additional returns for the Group and the shareholders of the Company.

As at 30 June 2022, the debt securities were predominantly denominated in USD with weighted average tenor of approximately 2 years. Debt securities investments are closely monitored by a 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 30 June 2022, 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 30 June 2022, the Group had the debt securities of approximately RMB9.9 million (31 December 2021: RMB15.5 million).

As at 30 June 2022, the Group also invested approximately RMB24.9 million (31 December 2021: nil) in certain listed equity securities investments. These listed equity investments are denominated in HKD and were classified as financial assets at fair value through profit or loss ("FVTPL"). The Directors considered that the closing price of those listed equity securities as at 30 June 2022 was approximately the fair value of those listed equity investments. As at 30 June 2022, the fair value of the listed equity securities are approximately RMB24.9 million and none of the equity securities, both individually and in aggregate, held by the Group equaled or exceeded 5 per cent of the Group's total assets.



## Management Discussion and Analysis (Continued)

During the Period, the Group's listed equity securities investments and debt securities have recorded a gain in fair value of approximately RMB1.3 million and loss in fair value of approximately RMB2.9 million, respectively, which were presented as "Fair value changes of financial assets at fair value through profit or loss" and "Fair value changes of financial assets (debt instruments) at fair value through other comprehensive income" in the consolidated statement of comprehensive income, respectively.

During the Period, the Group also received dividend income of approximately RMB41,000 (the Prior Period: nil) from listed equity securities that the Group invested, and interest income of approximately RMB0.5 million (the Prior Period: RMB0.6 million) from the debt securities that the Group held. The Group also redeemed certain debt securities and recorded a loss of approximately RMB11,000 (the Prior Period: nil) during the Period. All of the dividend income from equity securities, interest income from debt securities and the loss on redemption of debt securities were included in "Other gains – net" in the consolidated statement of comprehensive income.

The Group financed its day-to-day operations by internally generated cash flows during the Period. Primary uses of funds during the Period was mainly the payment of operating expenses.

As at 30 June 2022, the Group had current assets of approximately RMB366.0 million (31 December 2021: RMB341.8 million) and current liabilities of approximately RMB180.8 million (31 December 2021: RMB137.5 million). The current ratios for the Group, being total current assets to total current liabilities, was 2.0 and 2.5 as at 30 June 2022 and 31 December 2021 respectively.

As at 30 June 2022 and 31 December 2021, 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.

As at 30 June 2022, the Group maintained bank and cash balances of approximately RMB145.6 million (31 December 2021: RMB235.9 million).

## Management Discussion and Analysis (Continued)

### 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 HKD. Surplus cash is generally placed in fixed deposits and high-quality debt securities mostly denominated in HKD and USD. The Group did not arrange any foreign currency contracts for hedging purposes.

### 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 30 June 2022, the gearing ratio was 0% (31 December 2021: 0%).

## PRINCIPAL RISKS

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

### Foreign exchange exposure

The Group's businesses are mainly conducted in RMB. The Group has not experienced any material difficulties with its operations or liquidity as a result of fluctuations in currency exchange rates during the Period. 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.

## Management Discussion and Analysis (Continued)

### 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, with exposure to loss if an accrued debt exceeds the value of security taken. In the Group's financial services business, the Group's loan criteria takes into account the borrower's financial performance and strength, and the value of security, if any. Specific borrower limits are set based on financial strength and the availability of 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 borrowers and the value of the security, if any, and periodically, the Company engages an 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 risks, and the loss allowances recognised during the Period was therefore limited to 12-month ECLs.

The Group also reviews the carrying value of its loan receivables at each date during the 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 30 June 2022, none of the loan receivables of the Group was impaired.

Meanwhile, the Group is also exposed to credit risks in its coal business which is primarily attributable to its trade 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 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 receivables.

The Group also separately assesses trade 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 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 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 30 June 2022, none of the trade receivables of the Group was impaired.

## Management Discussion and Analysis (Continued)

### CHARGES ON COMPANY'S ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 22 to the interim condensed consolidated financial statements of the Company, the Group had no other contracted capital expenditure, commitments and charge on the Company's assets as at 30 June 2022 and 31 December 2021.

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 underinsurance on future accidents incurred by the employees. Such (i) new environmental laws and regulations; and (ii) underinsurance on the employees may lead to additional costs and liabilities on the Group.

Save as disclosed above and in note 23 to the interim condensed consolidated financial statements of the Company, the Group had no material contingent liability as at 30 June 2022 and 31 December 2021.

### DIVIDEND

The Directors do not recommend the payment of any interim dividend in respect of the Period (the Prior Period: nil).

### HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 30 June 2022, the Group employed 712 employees (31 December 2021: 46). The total staff costs (including Directors' emoluments) for the Period was approximately RMB18.4 million (the Prior Period: approximately RMB4.7 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, their experience and responsibilities and the 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 employee benefits, including pension, medical scheme and other applicable social insurance as required by applicable laws and regulations. Apart from regular on-the-job training, the Group encourages its employees to attend external 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 Peiroad and as at 30 June 2022.

## Management Discussion and Analysis (Continued)

### FUTURE OUTLOOK AND PROSPECTS

Since January 2020, the resurgence of the COVID-19 pandemic has impacted and continued to impact the business environment in the PRC. Given the ongoing and dynamic nature of the circumstances surrounding the COVID-19 pandemic, it is difficult to predict the significance of the impact of the COVID-19 pandemic on the global economy and in particular the PRC 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 COVID-19 pandemic in respect 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.

Meanwhile, the unresolved worldwide inflation issue, coupled with the Russia-Ukraine war, will continue to largely influence the coal and the commodities market. With the United States' entry into the interest rate hike cycle; rising inflationary pressure in the United States and Eurozone; geopolitical tensions in Eastern Europe; and lockdowns in certain cities in the PRC, both the global and PRC market and the operational environment will become increasingly unpredictable. These impacts may differ in magnitude depending on a number of scenarios, which we will continue to monitor and take into consideration in our decision making as we continue to assess medium to long-term impacts.

In April 2022, the International Monetary Fund ("IMF") released the latest "World Economic Outlook Report", pointing out that due to the conflict between Russia and Ukraine, the global economy is expected to grow by 3.6% in 2022 and 2023, down 0.8 points and 0.2 points from the forecast values respectively, from the January *World Economic Outlook Update*. Beyond 2023, global growth is forecasted to decline to about 3.3 percent over the medium term.

More specifically, whilst developed economies are expected to grow by 3.3% and 2.4% in 2022 and 2023, respectively, it is still down 0.6 and 0.2 percentage points from the previous forecast. Emerging markets and developing economies are expected to grow by 3.8% and 4.4% in 2022 and 2023, respectively, which is still down 1 and 0.3 percentage points from the previous forecast. Among the major economies, the US economy is expected to grow by 3.7% and 2.3% respectively this year and next; the Eurozone economy will grow by 2.8% and 2.3% respectively; the Chinese economy will grow by 4.4% and 5.1% respectively.

## Management Discussion and Analysis (Continued)

The Group subscribes to a more conservative outlook, hence it will stay alert to changes in the market and manage operations prudently and pragmatically. Nevertheless, the Group will continue to, while mitigating the risk associated with external economic and business risks, study the feasibility of resuming the productions for the mines owned by the Group with the expectation in capitalising on economic growth in the PRC in the future.

During the Period, while the financial service segment continued to provide a stable source of revenue to the Group, the performance of the Group's coal business segment was encouraging and exciting, in which an approximate 70.8% increase in the revenue from the business was recorded as compared with the Prior Period. This evidenced the successful mitigation of the Group's business risk through diversification of businesses and broadening of its income streams, as well as successful capturing of the opportunities of the booming coal business.

To further exploit the opportunities of the booming coal industry, the Group has set a milestone in its coal business through expanding its geographical presence in Hainan, the PRC and moving upstream and diversifying to coal processing business and coal service supply chain. The Group also, through an indirect wholly-owned subsidiary of the Company, Changzhi Runce, completed the Shanxi Fanpo Acquisition during the Period.

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. 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.

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 contracts 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 5,500 kcal thermal coal was also increased to a range between RMB550 to RMB850 from the previous range between RMB470 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.

## Management Discussion and Analysis (Continued)

Since May 2022, the National Development and Reform Commission released “Series of Interpretation of Coal Price Regulation and Supervision Policies” (煤炭價格調控監管政策系列解讀系列), setting out the policy details on the price ceiling along the trade link of long-term coal contracts, the identification of the implicit price increase method, and the performance criteria for coal prices price gouging behavior.

The National Development and Reform Commission also issued “On Further Notice on Improving the Coal Market Price Formation Mechanism (Development and Reform Price ‘2022’ No. 303) (國家發展改革委關於進一步完善煤炭市場價格形成機制的通知(發改價格[2022]303號)) and 2022 Announcement No. 4 (2022年第4號) in February and April 2022 respectively to regulate the coal price, and hence the medium and long-term coal trading prices have had reasonable price ranges since 1 May 2022. Particularly, the reasonable price range of medium and long-term trading prices and spot prices of Qinhuangdao Port launched coal (5,500 kcal) (秦皇島港下水煤(5,500千卡)) is between RMB570 and RMB770 (inclusive of tax) per tonne and any price exceeding RMB770 per tonne, without any justified reasons, will generally be considered as price gouging behavior.

The Company believes that the implementation of the Work Plan and the above notice and announcement provides a clear guidance on the coal market in the PRC and will benefit the Group’s coal business in the long run.

During the Period, according to the statistics provided by National Coal Exchange Co., Ltd., the NCEI 5500K, a gauge of coal prices in the PRC, was raised from RMB750 per tonne in January 2022 to its peak of RMB807 per tonne in February 2022, and then flattened RMB770 per tonne from March to June 2022. In the short term, with the arrival of the traditional peak season of coal consumption in the summer, coal prices are expected to be at high levels and volatile. After the peak of coal consumption in summer, the market is expected to gradually relax, power plants usually carry out unit maintenance, and coal consumption demand will gradually then decline. Coupled with factors such as policy regulation, coal prices may face downward pressure.

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 the 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.

## Management Discussion and Analysis (Continued)

Looking ahead, the Board remains prudent and optimistic about the prospects of our core businesses, particularly 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 acquisitions to capture market opportunities in the PRC and to diversify the Group's business and broaden its revenue base.

### **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 30 June 2022, 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").



## Management Discussion and Analysis (Continued)

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)	441,000,000 (L)	27.22%
Mr. Cui Yazhou ("Mr. Cui")	Interest in a controlled corporation (Note 1)	441,000,000 (L)	27.22%
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%

Remarks: (L) Long position

Notes:

- Mr. Cui is the legal and beneficial owner of the entire issued share capital of Sky Circle which holds 441,000,000 shares of the Company. Save as disclosed above, Mr. Cui has no other relationship with any Directors, senior management or substantial or controlling shareholders of the Company.
- 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 30 June 2022, 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.

## Management Discussion and Analysis (Continued)

### 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 30 June 2022, 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
Affinitiv Mobile Ventures Ltd.	Beneficial owner (Note 1)	320,000,000 (L)	19.75%
China Huarong Asset Management Co., Ltd.	Interest in controlled corporations (Note 1)	320,000,000 (L)	19.75%
China Huarong Overseas Investment Holdings Co., Limited	Interest in controlled corporations (Note 1)	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 1)	320,000,000 (L)	19.75%
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 1)	320,000,000 (L)	19.75%
Pine Success International Holdings Limited	Beneficial owner (Note 2)	147,000,000 (L)	9.07%
Ms. Gao Miaomiao	Interest in a controlled corporation (Note 2)	147,000,000 (L)	9.07%
Mr. Cao Jiawei	Interest in a controlled corporation (Note 2)	147,000,000 (L)	9.07%

Remarks: (L): Long position

## Management Discussion and Analysis (Continued)

### Notes:

1. 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.
2. Ms. Gao Miaomiao and Mr. Cao Jiawei hold 85% and 15% of the issued share capital of Pine Success International Holdings Limited, respectively.

Save as disclosed above, as at 30 June 2022, 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.

### 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").

## Management Discussion and Analysis (Continued)

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 nonrefundable 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 be subject to any vesting schedule or condition(s) to be determined by the Board.

## Management Discussion and Analysis (Continued)

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 the ordinary resolution by the Shareholders at the AGM to approve the adoption of the Share Option Scheme. As at 30 June 2022, 162,000,000 Shares are available for issue under the Share Option Scheme, representing 10% of the Shares in issue as at 30 June 2022 and the date of this interim 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 30 June 2022, there were no outstanding share options and no share options were granted, exercised or cancelled or lapsed during the Period. Further details of the Share Option Scheme are set out in the circular of the Company dated 23 April 2021.

## PURCHASE, REDEMPTION OR SALE OF SECURITIES

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

## Management Discussion and Analysis (Continued)

### DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

Pursuant to the Loan Agreement 1 and a mortgage agreement entered between Runxi Energy, one of the subsidiaries of the Group, and Beijing Fengwo Technology Company Limited\* (北京豐沃科技有限公司) (“Beijing Fengwo”) dated 4 December 2019, the Group agreed to provide Loan 1 being RMB65 million, bearing interest at 7% per annum for a term of 5 months to Beijing Fengwo.

Beijing Fengwo has pledged its properties located in Beijing, the PRC, with fair value higher than the loan principal amount. On 28 February 2020, the Board approved the extension of the term of Loan 1 to 5 December 2022 (in respect of RMB45 million drawn down on 5 December 2019) and 6 December 2022 (in respect of RMB20 million drawn down on 6 December 2019).

During the Period and as at 30 June 2022, the principal amount of Loan 1 represents more than 8% of the assets ratio defined under Rule 14.07(1) of the Listing Rules. Accordingly, the advance to Beijing Fengwo triggered a general disclosure obligation under Rule 13.13 of the Listing Rules and the continuing disclosure requirement under Rule 13.20 of the Listing Rules. As at 30 June 2022, Loan 1 was secured by properties located in Beijing, the PRC owned by Beijing Fengwo, and the balance of Loan 1 and the interest outstanding and accrued was RMB65 million and RMB2.5 million, respectively. Pursuant to the Loan Agreement 1, the principal amount of Loan 1 is repayable at maturity, and the interest then accrued and outstanding is repayable on an annual basis during the term of Loan 1 from the date of drawdown.

### CHANGE IN BOARD COMPOSITION

During the Period, Ms. Xiang Siying (“Ms. Xiang”), an independent non-executive Director, resigned as the chairlady (the “Chairlady”) and authorised representative (“Authorised Representative”) of the Company on 31 May 2022 (the “Resignation”). As a result of the Resignation, Ms. Xiang’s monthly remuneration was changed from HK\$50,000 to HK\$10,000 with effect from even date. Following the Resignation, Mr. Cui, an executive Director and a substantial shareholder of the Company, was appointed as the chairman of the Company (the “Chairman”) and Authorised Representative with effect from 1 June 2022. As at the date of this report, Mr. Cui is deemed to be interested in 441,000,000 Shares through 441,000,000 Shares held by Sky Circle which is wholly and beneficially owned by him, representing approximately 27.22% of the issued Shares.

During the Period, Ms. Xiang was appointed as the chairlady of the nomination committee of the Company (the “Nomination Committee”) in place of Ms. Wang Qian with effect from 10 January 2022. Ms. Wang Qian remains as a member of the Nomination Committee.

\* For identification purpose only

## Management Discussion and Analysis (Continued)

### AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND ADOPTION OF NEW ARTICLES OF ASSOCIATION

At the annual general meeting of the Company dated 29 April 2022, a special resolution was passed to amend the existing articles of association (the “Articles of Association”) of the Company, as amended on 16 December 2011, and the adoption of the amended and restated articles of association (the “New Articles of Association”) of the Company.

The New Articles of Association consolidated all the amendments to bring the constitution of the Company in line with amendment to the Listing Rules, relating to, among others, the articles of association or equivalent constitutional documents of listed issuers under the new Appendix 3 to the Listing Rules with effect from 1 January 2022 for which listed issuers are required to make necessary amendments to the constitutional documents to bring the constitutional documents to conformation.

The New Articles of Association was amended to (i) bring the Articles of Association in line with the relevant requirements of the Listing Rules as well as the Companies Act and the applicable laws of the Cayman Islands; (ii) allow general meetings of the Company to be held as a physical meeting, hybrid meeting or electronic meeting; and (iii) adopt house-keeping improvements and amendments in line with the proposed amendments as set out in Appendix III to the circular of the Company dated 29 April 2022.

The New Articles of Association are available on the websites of the Company and the Stock Exchange.

For further details of the amendments to the Articles of Association and adoption of the New Articles of Association, please refer to Company’s announcement dated 20 April 2022 and 10 June 2022, and the circular of the Company dated 29 April 2022.

## Management Discussion and Analysis (Continued)

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance and has taken appropriate steps to adopt and comply with the provisions of its Code on Corporate Governance Practices which adopted practices that meet the requirements of the Corporate Governance Code (the “Code”) effective from 1 January 2022 set out in Appendix 14 of the Listing Rules during the Period, with the following exceptions:

Under code provision C.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the period from 1 January 2022 to 31 May 2022, Ms. Xiang was the Chairlady and from 1 June 2022 to 30 June 2022, Mr. Cui was the Chairman. The Company does not maintain the office of chief executive officer and the duties of a chief executive officer has been taken up by other executive Directors and senior management of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are comparable to those in the Code.

### MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”) for directors’ securities transactions. Having made specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code throughout the Period.



## Management Discussion and Analysis (Continued)

### REVIEW BY AUDIT COMMITTEE

The Company has an audit committee (the “Audit Committee”) which was established in accordance with the requirements of the Code, for the purposes of, among other things, reviewing and providing supervision over the Group’s financial reporting process, internal controls and risk management systems.

The Audit Committee comprises three independent non-executive Directors. The interim results for the Period are unaudited but have been reviewed by the Audit Committee.

### PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

The performance and the results of the operations of the Group contained in this report are historical in nature, and past performance is no guarantee of the future results of the Group. This report contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent the Company’s current expectations, beliefs, assumptions or projections concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Forward looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ, in some instances materially, from those expressed, implied or anticipated in any forward looking statement or assessment of risk. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this report; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

### PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement and this interim report are available for viewing on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.huili.hk](http://www.huili.hk).

By order of the Board  
**Huili Resources (Group) Limited**  
**Cui Yazhou**  
*Chairman*

Hong Kong, 26 August 2022