



滙力集團
HUILI GROUP

2024

INTERIM REPORT

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

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

REGISTERED OFFICE

Cricket Square Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

Unit No. 4, 23rd Floor
Overseas Trust Bank Building
No. 160 Gloucester Road
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

STOCK CODE

1303

Mines Information

MINERAL RESOURCES AS OF 30 JUNE 2024^(Note)

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 2024^(Note)

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 Baiganhu was 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 (km²)	Permit expiry date (month/year)
Project Baiganhu	Pb, Zn	0.96	September 2021 (Note)

Glossary:

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 2024 and 2023.

For the six months ended 30 June 2024 and 2023, no capital expenditure was incurred for the development and mining activities.

For the six months ended 30 June 2024 and 2023, the Group did not charge 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	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Revenue	6	1,359,778	1,334,580
Cost of sales		(1,230,149)	(1,239,425)
Gross profit		129,629	95,155
Administrative expenses		(19,282)	(17,298)
Other operating (losses)/gains		(108)	636
Other gains – net	7	9,479	15,401
Fair value changes of financial assets at fair value through profit or loss (“FVTPL”)		–	(157)
Fair value changes of derivative financial assets		364	–
Gain on bargain purchases on acquisition of a subsidiary	19	20,071	–
Operating profit		140,153	93,737
Finance income	8	1,141	2,873
Finance costs	8	(3,081)	(440)
Finance (costs)/income – net	8	(1,940)	2,433
Profit before income tax	9	138,213	96,170
Income tax expense	10	(21,230)	(13,884)
Profit for the period		116,983	82,286
Profit attributable to:			
Equity holders of the Company		117,032	82,352
Non-controlling interests		(49)	(66)
Profit for the period		116,983	82,286

Interim Condensed Consolidated Statement of Comprehensive Income (Continued)

	Note	Six months ended 30 June	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Other comprehensive income/(loss) after tax:			
<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")		158	(435)
Other comprehensive income/(loss) for the period, net of tax		158	(435)
Total comprehensive income for the period		117,141	81,851
<i>Total comprehensive income for the period attributable to:</i>			
Equity holders of the Company		117,190	81,917
Non-controlling interests		(49)	(66)
Total comprehensive income for the period		117,141	81,851
Earnings per share attributable to the equity holders of the Company			
– Basic and diluted (RMB cents)	11	6.08	5.08

Interim Condensed Consolidated Statement of Financial Position

	Note	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	327,859	177,647
Mining rights		83,754	83,754
Right-of-use assets		36,428	15,831
Goodwill		16,494	16,494
Deferred tax assets		4,344	5,806
Total non-current assets		468,879	299,532
Current assets			
Inventories		813,814	457,350
Trade and bills receivables	14	621,745	238,525
Other receivables and prepayments	15	118,851	64,941
Financial assets at FVTOCI		9,383	8,868
Derivative financial assets		368	–
Pledged bank deposits		33,006	33,977
Cash and cash equivalents		241,786	474,597
Total current assets		1,838,953	1,278,258
Total assets		2,307,832	1,577,780
LIABILITIES			
Current liabilities			
Trade payables	16	961,740	637,851
Other payables and accruals	17	68,798	59,027
Contract liabilities		131,202	30,842
Lease liabilities		2,921	2,797
Current tax liabilities		16,151	11,646
Total current liabilities		1,180,812	742,163
Net current assets		658,141	536,095

Interim Condensed Consolidated Statement of Financial Position (Continued)

	Note	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Non-current liabilities			
Loan from an ex-shareholder of a subsidiary	19(a)	91,269	–
Promissory notes	19(b)	36,175	–
Lease liabilities		12,450	9,575
Provision for close down, restoration and environmental costs		2,052	2,017
Deferred tax liabilities		32,948	31,959
Total non-current liabilities		174,894	43,551
Total liabilities		1,355,706	785,714
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	18	167,236	152,933
Share premium	18	732,410	703,804
Other reserves		25,165	21,056
Retained earnings/(accumulated losses)		23,331	(89,750)
		948,142	788,043
Non-controlling interests		3,984	4,033
Total equity		952,126	792,076
Total equity and liabilities		2,307,832	1,577,790

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 revaluation reserves	Statutory reserves	Retained earnings/ (accumulated losses)	Subtotal	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024 (audited)	152,933	703,804	221	1,583	(13,819)	(5,649)	38,720	(89,750)	788,043	4,033	792,076
Total comprehensive (loss)/income for the period (unaudited)	-	-	-	-	-	158	-	117,032	117,190	(49)	117,141
Issue of shares upon acquisition of a subsidiary (unaudited) (note 18)	14,303	28,606	-	-	-	-	-	-	42,909	-	42,909
Appropriations to statutory reserves (unaudited)	-	-	-	-	-	-	3,951	(3,951)	-	-	-
Balance at 30 June 2024 (unaudited)	167,236	732,410	221	1,583	(13,819)	(5,491)	42,671	23,331	948,142	3,984	952,126
At 1 January 2023 (audited)	137,361	668,768	221	1,583	(13,972)	(2,802)	16,247	(234,886)	572,520	(773)	571,747
Total comprehensive (loss)/income for the period (unaudited)	-	-	-	-	-	(435)	-	82,352	81,917	(66)	81,851
Acquisition of non-controlling interests of a subsidiary (unaudited)	-	-	-	-	153	-	-	-	153	(653)	(500)
Appropriations to statutory reserves (unaudited)	-	-	-	-	-	-	4,285	(4,285)	-	-	-
Deregistration of a subsidiary (unaudited)	-	-	-	-	-	-	-	-	-	(156)	(156)
Balance at 30 June 2023 (unaudited)	137,361	668,768	221	1,583	(13,819)	(3,237)	20,532	(156,819)	654,590	(1,648)	652,942

Interim Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Cash flows from operating activities		
Cash (used in)/generated from operations	(199,191)	87,131
Income tax paid	(14,339)	(17,635)
Net cash (used in)/generated from operating activities	(213,530)	69,496
Net cash used in investing activities	(17,761)	(1,027)
Net cash used in financing activities	(1,987)	(1,367)
Net (decrease)/increase in cash and cash equivalents	(233,278)	67,102
Cash and cash equivalents at beginning of period	474,597	369,309
Exchange differences on cash and cash equivalents	467	(1,311)
Cash and cash equivalents at the end of period	241,786	435,100

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 in preparation for a listing of the Company’s shares on the main board of the Stock Exchange of Hong Kong Limited (the “Listing”) under the name of Realty Resources (Group) Limited. On 13 May 2010, the Company changed its name to Huili Resources (Group) Limited. The Company’s shares were listed on the main board of the Stock Exchange of Hong Kong Limited on 12 January 2012. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The registered office and the principal place of business of the Company is located at Unit No. 4, 23rd Floor, Overseas Trust Bank Building, No. 160 Gloucester Road, Hong Kong.

The Company is an investment holding company and its subsidiaries (together with the Company, the “Group”) were principally engaged in the mining, ore processing and sales of lead and zinc products, trading of coal, provision of coal processing services, coal storage services and supply chain management services in the People’s Republic of China (the “PRC”) during the six months ended 30 June 2024 (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 29 August 2024.

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 2023. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2023 (“2023 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 FVTOCI and derivative financial assets, 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 2023 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.

HK-Int 5 (Amendments)	Amendments to HKAS 1
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current
HKAS 1 (Amendments)	Non-current Liabilities with Covenants
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback
HKFRS 7 and HKAS 7 (Amendments)	Supplier Finance Arrangements

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 2024 and not early adopted by the Group

		Effective for accounting period beginning on or after
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 7 and 9 (Amendments)	Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
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 applications 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 2023 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.

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 2023 Annual Financial Statements.

There have been no material changes in the risk management policies since 31 December 2023.

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 2024 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 2024				
– Derivative financial assets (unaudited)	–	368	–	368
– Financial assets at FVTOCI (unaudited)	–	9,383	–	9,383
As at 31 December 2023				
– Financial assets at FVTOCI (audited)	–	8,868	–	8,868

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.

The derivative financial assets were foreign currency forward contracts of which the fair value was determined using exchange rates quoted by financial institutions.

During the six months ended 30 June 2024 and 2023, 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.

During the six months ended 30 June 2024, the CODM considered that it is the best interest of the Company to concentrate the resources in the coal supply chain business, and decided to minimize the activities of the mining segment and disposed the mining business subsequent to the end of the reporting period (Note 23(a)). As such, the financial performance of the mining segment was no longer presented separately.

The CODM regard the Group's coal supply chain business as a single operating segment and review consolidated financial statements accordingly. As the Group has only one operating segment qualified as reporting segment under HKFRS 8 and the information that regularly reviewed by the directors of the Group for the purposes of allocating resources and assessing performance of the operating segment is the interim condensed consolidated financial statements of the Group, no separate segmental analysis is presented in the interim condensed consolidated financial statements.

(A) 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 2024

	Coal business RMB'000 (unaudited)
Primary geographical market	
– The PRC	1,359,778
Major products and services	
– Trading of coal and provision of coal processing services	1,329,032
– Coal storage services	13,371
– Coal supply chain management services	17,375
	1,359,778
Timing of revenue recognition	
– At a point in time	1,359,778

Notes to the Interim Condensed Consolidated Financial Information (Continued)

6 Segment Information (Continued)

(A) Disaggregation of revenue from contracts with customers (Continued)

For the six months ended 30 June 2023

	Coal business RMB'000 (unaudited)
Primary geographical market	
– The PRC	1,334,580
Major products and services	
– Trading of coal and coal processing services	1,304,219
– Coal supply chain management services	30,361
	1,334,580
Timing of revenue recognition	
– At a point in time	1,334,580

Notes to the Interim Condensed Consolidated Financial Information (Continued)

6 Segment Information (Continued)

(B) 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
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)	2024 RMB'000 (unaudited)	2023 RMB'000 (audited)
The PRC	1,359,778	1,334,580	463,519	292,386
Hong Kong	–	–	1,016	1,340
	1,359,778	1,334,580	464,535	293,726

Notes to the Interim Condensed Consolidated Financial Information (Continued)

7 Other Gains – Net

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Foreign exchange gain, net	4,138	6,787
Government subsidy (Note (i))	4,737	5,280
Penalty income from customers	119	2,100
Interest income on financial assets at FVTOCI	241	422
Dividend income from financial assets at FVTPL	–	589
Others	244	223
	9,479	15,401

Note:

- (i) Amounts are mainly related to unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving incentive to enterprises, including but not limited to refund of taxes.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

8 Finance (Costs)/Income – Net

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Finance income		
Interest income	1,141	2,873
Finance costs		
Interest expenses		
– Interest on lease liabilities	(486)	(385)
– Unwinding of discount – provision for close down, restoration and environmental costs	(35)	(55)
– Interest on loan from an ex-shareholder of a subsidiary	(1,849)	–
– Interest on promissory notes	(711)	–
	(3,081)	(440)
Finance (costs)/income – net	(1,940)	2,433

9 Profit Before Income Tax

Profit before income tax is arrived at after charging:

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Cost of inventories	1,157,369	1,007,987
Depreciation of right-of-use assets	2,496	1,950
Depreciation of property, plant and equipment	5,008	4,009
Less: Capitalised in inventories	(247)	–
Depreciation of property, plant and equipment charged to profit or loss	4,761	4,009
Employee costs	41,787	25,680
Loss on written off of property, plant and equipment	–	86

Notes to the Interim Condensed Consolidated Financial Information (Continued)

10 Income Tax Expense

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Current tax – PRC Enterprise Income Tax	18,844	14,100
Deferred tax	2,386	(216)
Income tax expense	21,230	13,884

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 2024 and 2023.

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 2024 and 30 June 2023.

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 2024 and 2023.

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 in the PRC. During the six months ended 30 June 2024, a Small Low-profit Enterprise with annual taxable income of not more than RMB1,000,000 is subject to Enterprise Income Tax calculated at 25% (2023: 12.5%) of its taxable income at a tax rate of 20%.

During the six months ended 30 June 2024 and 2023, 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 companies 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. Accordingly, during the six months ended 30 June 2024 and 2023, Hainan Runce was subject to the enterprise income tax at a rate of 15%.

During the six months ended 30 June 2024 and 2023, 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 companies 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. Accordingly, during the six months ended 30 June 2024 and 2023, 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 Per Share

The basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by weighted average number of ordinary shares in issue during the six months ended 30 June 2024 and 2023.

	For the six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Profit attributable to equity holders of the Company (RMB'000)	117,032	82,352
Weighted average number of shares in issue (in thousands)	1,924,198	1,620,000
Basic and diluted earnings per share (RMB cents)	6.08	5.08

Diluted earnings per share equals to basic earnings per share as there was no dilutive potential share outstanding for the six months ended 30 June 2024 and 2023.

12 Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2024 (2023: Nil).

13 Property, Plant and Equipment

For the six months ended 30 June 2024, the Group incurred approximately RMB23,215,000 (2023: RMB4,388,000) of capital expenditure on property, plant and equipment and wrote off property, plant and equipment of RMBNil (2023: RMB86,000). There were no disposals of property, plant and equipment during the six months ended 30 June 2024 and 2023.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

14 Trade and Bills Receivables

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Trade receivables	581,635	193,399
Less: ECLs of trade receivables	(5,863)	(5,096)
Trade receivables, net	575,772	188,303
Bills receivables	46,316	50,729
Less: ECLs of bills receivables	(343)	(507)
Bills receivables, net	45,973	50,222
Total trade and bills receivables, net	621,745	238,525

As at 30 June 2024 and 31 December 2023, the ageing analysis of trade and bills receivables after ECLs based on invoice date were as follows:

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Up to 3 months	600,019	229,887
3 to 6 months	21,726	8,638
	621,745	238,525

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.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

14 Trade and Bills Receivables (Continued)

Bills receivables represent unconditional orders in writing issued by customers of the Group for completed sale orders which entitle the Group to collect a sum of money from banks. The bills are non-interest bearing and have a maturity from six months to one year.

The carrying amounts of trade and bills receivables approximated to their fair values. Approximately RMB605,215,000 and RMB16,530,000 of the balances were denominated in RMB and USD respectively.

15 Other Receivables and Prepayments

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Other receivables	67,703	66,170
Less: Provision of impairment losses on other receivables	(65,364)	(63,501)
	2,339	2,669
Deposits paid to suppliers – third parties	11,050	9,890
Prepayments to suppliers – third parties	72,067	49,805
Other tax recoverable	33,395	2,577
Total other receivables and prepayments, net	118,851	64,941

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

16 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 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Up to 3 months	770,094	586,651
3 to 6 months	181,339	49,662
6 to 12 months	5,527	823
Over 12 months	4,780	715
	961,740	637,851

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)

17 Other Payables and Accruals

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Other payables (Note)	43,147	27,424
Salary and welfare payables	19,528	19,738
Accrued taxes other than income tax	6,123	11,865
	68,798	59,027

Note: Other payables mainly included security deposits received from customers, payables of equipment purchasing costs, service charges payable and advances from third parties as at 30 June 2024 and 31 December 2023.

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

Notes to the Interim Condensed Consolidated Financial Information (Continued)

18 Share Capital and Share Premium

	Authorised Shares of HK\$0.1 each			
As at 1 January 2023 (audited), 31 December 2023 (audited), 1 January 2024 (audited) and 30 June 2024 (unaudited)	5,000,000,000			
	Number of Shares Thousands	Share Capital RMB'000	Share Premium RMB'000	Total RMB'000
As at 1 January 2023 (audited)	1,620,000	137,361	668,768	806,129
Issue of shares pursuant to the acquisition of a subsidiary	167,388	15,572	35,036	50,608
As at 31 December 2023 (audited) and 1 January 2024 (audited)	1,787,388	152,933	703,804	856,737
Issue of share pursuant to the acquisition of a subsidiary (Note 19)	156,600	14,303	28,606	42,909
As at 30 June 2024 (unaudited)	1,943,988	167,236	732,410	899,646

Notes to the Interim Condensed Consolidated Financial Information (Continued)

19 Acquisition of CC Bong Logistics Limited (“CCB Logistics”)

On 29 December 2023 (the “Agreement Date”), the Group entered into a sale and purchase agreement with an independent third party (the “Vendor”) to purchase, 100% equity interest in CC Bong Logistics Limited (the “CCB Logistics Acquisition”) at a consideration of RMB77,558,000. The CCB Logistics Acquisition was completed on 24 January 2024. CCB Logistics Limited and its subsidiaries were engaged in coal supply chain management services. The CCB Logistics Acquisition would allow the Group to strengthen its existing trading of coal business and supply chain management services capabilities and its presence and provision of services in the coal industries in the PRC.

The fair values of identifiable assets and liabilities of CCB Logistics Limited and its subsidiaries as at the date of the CCB Logistics Acquisition are as follows:

	RMB'000
Property, plant and equipment	132,005
Right-of-use assets	18,606
Deferred tax assets	110
Inventories	1,240
Trade receivables	27,648
Other receivables and prepayments	14,584
Cash and cash equivalents	3,101
Trade payables	(7,759)
Other payables and accruals	(2,311)
Loan from an ex-shareholder of a subsidiary (Note a)	(89,420)
Deferred tax liabilities	(175)
Net identifiable assets acquired	97,629
Gain on bargain purchases on acquisition of a subsidiary	(20,071)
	77,558
Consideration satisfied by:	
– Issue of 156,600,000 ordinary shares of the Company (Note 18)	42,909
– Issue of the promissory note in the principal amount of HK\$37,360,000 (Note b)	34,649
	77,558
Net cash inflow arising from the acquisition:	
Cash and cash equivalents acquired	3,101

Notes to the Interim Condensed Consolidated Financial Information (Continued)

19 Acquisition of CC Bong Logistics Limited (“CCB Logistics”) (Continued)

Notes:

- (a) The loan was granted by an ex-shareholder of a subsidiary of CCB Logistics for a term of 8 years from 1 December 2023 to 30 November 2031. The loan is unsecured, interest-free for the first year and carries interests at 4.2% per annum for the rest of loan period. The loan principal will be repaid by 10 semi-annual installments from the fourth to eighth years, while the accrued loan interests will be repaid by 14 semi-annual installments from the second to eighth years. Thus, the loan was reclassified as non-current liability as at 30 June 2024.
- (b) The promissory note was issued by the Company to the Vendor for a term of 5 years from 24 January 2024 to 23 January 2029. The promissory note is unsecured and carries interests at 5% per annum. The promissory note will be repaid by 23 January 2029 while the interests will be repaid annually in arrears on 31 December of each year after the date of issue of the promissory note, i.e. 24 January 2024. Thus, the promissory note was reclassified as non-current liability as at 30 June 2024.

The fair value of the 156,600,000 shares of the Company (the “Consideration Shares”) issued as the consideration paid was determined on the basis of the closing market price of HK\$0.3 (equivalent to RMB0.274) of the Company’s ordinary shares on the acquisition date.

The Group recognised a gain on bargain purchase of approximately RMB20,071,000 in the business combination.

The issue price of the Consideration Shares of HK\$0.4 per share was determined with reference to the unaudited consolidated net assets value attributable to equity holders of the Company per share as of 30 June 2023, i.e. reporting date of latest published financial statements since the Agreement Date. Since the fair value of the Consideration Shares decreased as the closing market price of the Company’s ordinary shares decreased to HK\$0.3 per share on the acquisition date, business combination resulted in a gain on bargain purchase.

CCB Logistics contributed revenue amount to approximately RMB1,873,000 to the Group’s revenue and incurred a loss of approximately RMB1,497,000 for the period between the date of acquisition and the end of the reporting period. If the acquisition had been completed on 1 January 2024, the Group’s revenue and net profit for the six months ended 30 June 2024 would have been approximately RMB1,359,778,000 and RMB116,068,000 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 2024, nor is it intended to be a projection of future performance.

Notes to the Interim Condensed Consolidated Financial Information (Continued)

20 Related Party Transactions

- (a) The Group's management is of the view that the following persons are related parties of the Group during the six months ended 30 June 2024 and 2023:

Name of related parties	Relationship with the Group
Sky Circle International Limited	A shareholder of the Company which holds 26.8% (2023: 27.2%) equity interest in the Company.

(b) **Key management compensation**

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

	For the six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Basic salaries, allowances and other benefits	3,387	1,505
Contributions to retirement benefit scheme	89	15
	3,476	1,520

21 Capital Commitments

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of:		
– acquisition of plant and equipment	3,814	4,173
– construction of new production plant	–	136
	3,814	4,309

Notes to the Interim Condensed Consolidated Financial Information (Continued)

22 Contingent Liabilities

As at 30 June 2024, the Group did not have any significant contingent liabilities.

23 Events After the Reporting Date

- (a) On 19 July 2024, the Group entered into an agreement to dispose 95% equity interests of Hami Jinhua Mineral Resource Exploiture Limited (“Hami Jinhua”) at a consideration of RMB94,000,000. The consideration shall be satisfied by cash. Hami Jinhua owned a mining right of non-ferrous metals and was engaged in mining, processing and sales of lead and zinc products in the PRC.
- (b) On 25 June 2024, the Group entered into an agreement to acquire entire issued share capital of Mouton Investment Limited (“Mouton”) at a consideration of HK\$40,333,333. The consideration shall be satisfied by the Group upon completion by the allotment and issue of 73,333,333 consideration shares to the vendor at the closing market price as at completion date of HK\$0.55 per consideration share. Mouton and its subsidiaries were engaged in supply chain management services and general cargo storage services. Although the acquisition is completed on 24 July 2024, there is not sufficient time for the management to prepare the financial statements of the subsidiaries, thus it is impracticable at this moment to disclose further information about the acquisition.

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 and in non-ferrous ore mining and processing.

Coal business

The coal industry in the People’s Republic of China (“China” or the “PRC”) plays a pivotal role in the nation’s energy sector and economic framework. China’s energy resources are characterized by abundance in coal, scarcity in oil, and limited gas reserves. According to the “Statistical Bulletin of the National Economic and Social Development of the People’s Republic of China in 2023”, coal consumption represents a significant portion of China’s energy consumption, standing at 55.3%. In contrast, clean energy sources contribute 26.4% to the energy mix, with oil accounting for 18.3%. The reliance on coal in China’s energy consumption structure is notably higher than the global average (Source: Statistical Review of World Energy 2023 73rd edition), reflecting a distinct energy profile compared to western countries that primarily depend on oil, supplemented by other energy sources.

China predominantly sources its raw coal domestically, with supplementary imports to meet demand. Despite an increase in coal production since 2021 supported by supply assurance policies, the growth rate of national raw coal production slowed significantly in 2023. Industrial raw coal output above designated size experienced a 1.7% year-on-year decline to 2.27 billion tonnes in the first half of 2024 (Source: National Bureau of Statistics). Monthly production trends indicated a decrease in raw coal output compared to the same period in 2023, except for a 3.6% uptick in June 2024 (Source: National Bureau of Statistics).

On the contrary, China’s coal imports have surged to new heights, driven by economic transformations and shifts in energy commodity trade patterns. Since 2023, imports from Mongolia and Australia have risen significantly. With the gradual liberalization of Australia’s coal imports post-February 2023 and increased supply from Russia, China’s overall coal imports have expanded by over 60%. In the first half of 2024, coal and lignite imports reached 250 million tonnes, marking a substantial 12.5% growth despite the high base in the corresponding period of 2023 (Source: National Bureau of Statistics).

Meanwhile, major ports around the Bohai Sea have maintained at relatively high coal inventories level, reflecting the continuous influx of imports. As of 28 June 2024, the overall coal inventories at major ports around the Bohai Sea stood at 26.80 million tonnes (Source: 中國煤炭資源網 sxcoal.com), marking an increase from the 25.65 million tonnes as at the beginning of the year. This increase of 1.15 million tonnes represents a 4.5% growth. The average daily coal inventory for the first half of the year was 21.7 million tonnes, showcasing a decrease of 5.52 million tonnes compared to the corresponding period in 2023, amounting to a 20.3% decline. Notably, despite this decrease, inventories remain considerably high, showing a 12.6% increase compared to the same period in 2023.

Management Discussion and Analysis (Continued)

The persistent high levels of port coal inventories underscore ongoing challenges within China's coal market. While imports have surged, domestic demand growth has been limited, leading to elevated inventory levels. These dynamics have had a notable impact on market conditions, influencing pricing trends and industry dynamics.

On the other hand, downstream demand in China's coal industry primarily stems from the thermal power, steel, and building materials sectors, with additional usage in civil, coal chemical, and other industries. However, as the economy transitions to new productive forces, challenges such as insufficient effective demand and overcapacity persist, impacting the macroeconomic environment.

In the first half of 2024, China's macroeconomy exhibited moderate growth of 5.0% (Source: National Bureau of Statistics). Nevertheless, second-quarter gross domestic product (the "GDP") growth dipped to 4.7%, below market's expectations and the Chinese government's target level of 5.0%, exerting a dampening effect on economic activities. During the six months ended 30 June 2024 ("the Period"), China's industrial power generation above designated size reached 4,435.4 billion kilowatt-hours, marking a year-on-year increase of 5.2%. This growth rate represents a notable acceleration of 1.4 percentage points compared to the same period last year (Source: National Energy Administration). Concurrently, total electricity consumption across society surged to 4,657.5 billion kilowatt-hours, reflecting a robust year-on-year increase of 8.1% and underscoring the resilience and expansion of China's power sector. Conversely, the real estate development sector in China faced challenges during the Period. According to the data from National Bureau of Statistics, investment completion in real estate development witnessed a year-on-year decline of 10.1%, showcasing a slowdown in activity. The area dedicated to new housing construction also decreased by 23.7% year-on-year, highlighting a contraction in the sector. Moreover, the area of commercial housing available for sale experienced a year-on-year decline of 15.2%. These statistics reflect the nuanced dynamics within the real estate market, influencing broader economic trends.

Despite a year-on-year decrease in domestic raw coal production, overall production levels remain high. The surge in coal imports has effectively supplemented domestic supply, ensuring stability. However, limited demand follow-up, high power plant inventories, and subdued non-power industry purchases have hindered market support. The China coal index 5500K ("CCI 5500K"), a key indicator of coal prices in China, demonstrated notable volatility throughout the Period. Opening at Renminbi ("RMB") 928 per tonne, the index fluctuated between RMB800 and RMB950 per tonne before closing at RMB854 as of 28 June 2024 (Source: 中國煤炭資源網 sxcoal.com). These fluctuations reflected the intricate balance of supply and demand dynamics within the market, influenced by various factors including production levels, imports, and industry demand.

Management Discussion and Analysis (Continued)

During the Period, the customers of the Company's coal supply chain business segment were mainly local coal traders, steel plants and energy companies in the PRC. The Group carried out the coal trading and processing business through three indirectly wholly owned subsidiaries, Changzhi Runce Trading Company Limited* (長治潤策貿易有限公司) ("Changzhi Runce"), Hainan Runce Energy Co., Ltd.* (海南潤策能源有限公司) ("Hainan Runce") and Shanxi Fanpo Clean Energy Technology Company Limited* (山西反坡清潔能源科技有限公司) ("Shanxi Fanpo") in the PRC. The Group also provided coal supply chain management services through an indirectly wholly-owned subsidiary, Runce Supply Chain Management (Shenzhen) Co., Ltd* (潤策供應鏈管理(深圳)有限公司) ("Shenzhen Runce") and storage and coal mixing services, which is part of its coal service supply chain business, through Shanxi Margaux Supply Chain Management Company Limited* (山西瑪高供應鏈管理有限公司) ("Margaux Shanxi") and the newly acquired indirect wholly-owned subsidiary, Changzhishi Desheng Coal Storage and Distribution Company Limited* (長治市德勝煤炭儲配有限公司) ("Changzhi Desheng") in the PRC.

Shanxi Fanpo is principally engaged in the sale of coal and the operation of the coal washery. 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.

Margaux Shanxi, which is an indirect wholly-owned subsidiary of the Company, is principally engaged in coal supply chain management services. The coal shed that is owned by Margaux Shanxi has the storage capacity of 250,000 tonnes of coal with a construction area of approximately 16,746 square metre ("sq.m.") and is located approximately 7.0 kilometers ("km") from the Group's washery plant and approximately 2.5 km to 3.0 km from the key highways in Shanxi province, the PRC, which the Company considers is a prime location from an operational perspective.

Meanwhile, the Group completed the acquisition of CC Bong Logistics Limited ("CC Bong Logistics") (the "CC Bong Acquisition") in January 2024 and expects to operate storage and coal mixing services, which is a part of coal service supply chain business, through its indirect wholly-owned subsidiary, Changzhi Desheng. Changzhi Desheng is principally engaged in coal supply chain management services. Changzhi Desheng owns two coal sheds and the associated machineries of such coal sheds. The expected total storage capacity of the two coal sheds is 1 million tonnes of coal. The coal sheds are located in a logistics park in Shanxi province, the PRC, which has storage and logistics supporting facilities such as cylindrical silos, train dumpers, and coal storage yards. The logistics park is located approximately 1.5 km from a railway station, which is connected to Changzhi South Station of the Central-South Railway, and is also adjunct to the National Highway 228, Erguang Expressway, county and township roads, which the Company considers is a prime location from an operational perspective and would provide a stable source of demand and may potentially provide an additional source of supply to the Group's trading businesses.

* For identification purpose only

Management Discussion and Analysis (Continued)

On 25 June 2024, the Group, through Surplus Plan Limited (“Surplus Plan”), a company incorporated in Hong Kong with limited liability and a direct wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the “Mouton SPA”) with Mr. Chu Yuk Shun Joseph (“Mr. Chu”) in respect of the acquisition (the “Mouton Acquisition”) of the entire issued share capital of Mouton Investment Limited (“Mouton HK”), a company incorporated in Hong Kong with limited liability. Pursuant to the Mouton SPA, Surplus Plan had agreed to acquire, and Mr. Chu had agreed to sell the entire issued share capital of Mouton HK, at a consideration (the “Consideration”) of Hong Kong dollars (“HK\$” or “HKD”) 40,333,333. The Consideration was satisfied by the Company by the allotment and issue of 73,333,333 shares of the Company (the “Consideration Share(s)”) to Mr. Chu at an issue price (the “Issue Price”) of approximately HK\$0.55 per Consideration Share at completion.

Mouton HK owns 100% of the equity interest of Zhuhai Mutong Supply Chain Investment Company Limited* (珠海木桐供應鏈投資有限公司) (“Zhuhai Mutong”) and Zhuhai Mutong owns 100% of the equity interest of Shanxi Luyuan Xinneng Technology Company Limited* (山西潞源新能科技有限公司) (“Luyuan Xinneng”) (collectively the “Mouton Group”). The core assets of the Mouton Group are two coal sheds and the associated machineries of such coal sheds. The expected total storage capacity of the two coal sheds is 120,000 tonnes of coal. The coal sheds are located in Shanxi province, the PRC, which is close to the Group’s existing coal washery plant and is about 16.7 km southeast of Changzhi county, the PRC, connected by a county-level asphalt road and a provincial highway from Changzhi to Gaoping. It is 5 km east of National Highway 207 and 5.8 km from Jinchang Expressway. It is 2.5 km from Tailuo Highway, 2.5 km from Taijiao Railway Line and Dongtianliang Coal Transportation Station, and has very convenient road and rail transportation. From an operational perspective, this location is a prime location and can provide an additional source of supply for the Group’s trading business.

The coal sheds and the specialised equipment allow the Company to fulfill the storage, loading and coal mixing demands of its customers in Shanxi province, the PRC and the Mouton Acquisition will allow the Group to enhance the value chain of the coal supply chain management business through providing additional storage and coal mixing services to the Group’s customers, and in turn strengthen the competitiveness of the Group. The Mouton Acquisition would also allow the Group to have immediate access to existing coal sheds and the specialised equipment, thereby facilitating the integration of the operation of the Mouton Group with the Group’s existing businesses to expand its scale of operation and create a new growth driver. On 24 July 2024, the Mouton Acquisition was completed.

* For identification purpose only

Management Discussion and Analysis (Continued)

The Board believes that both the CC Bong Acquisition and the Mouton Acquisition are in line with the development strategy of the Group to strengthen its existing trading of coal business and supply chain management services and its presence and provision of services in the coal industries in the PRC. Furthermore, the CC Bong Acquisition and the Mouton Acquisition will allow the Group to utilise the synergies created by the acquisitions of CC Bong and Mouton HK and its subsidiaries and create long-term and strategic growth opportunities for the Group.

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

During the Period, the Company decided to embark on a strategic expansion into the international supply chain trading business, marking a significant milestone in the Group’s growth journey. By expanding its coal supply chain business and capabilities, the Group can diversify its revenue streams and reduce its reliance on any single market or product, which is likely to enhance its long-term stability and resilience.

Recognizing the evolving dynamics of the global marketplace and the need to diversify the Company’s operations, the Company’s strategic decision to extend reach beyond domestic borders and venture into international supply chain business would position the Group to take advantage of emerging opportunities in the coal supply chain industry, while also enabling it to respond effectively to changing market conditions and regulatory requirements.

To ensure the success of this expansion, the Company has assembled a dedicated team of industry experts who possess deep knowledge of international trade dynamics, regulatory frameworks, and market trends. This team will work tirelessly to establish a robust global supply chain network, forging strong partnerships and leveraging our existing relationships to facilitate seamless and reliable coal trading operations across borders. Overall, the Group’s efforts to widen the scope of its coal supply chain business are a positive development, and should help to strengthen its position in the industry.

Despite that the Group’s international supply chain trading business is still at an embryo stage, such business segment has already made a noteworthy contribution of approximately RMB82.6 million to the Group’s revenue during the Period. This remarkable result validates the Group’s strategic decision, as it unlocks new avenues for growth, mitigates risks associated with local market fluctuations, and creates sustainable value for our esteemed stakeholders.

By venturing into international markets, the Company not only expands its customer and supplier base but also capitalizes on emerging opportunities and builds resilience in its business.

Management Discussion and Analysis (Continued)

Meanwhile, despite that the energy security role of coal will remain in the near term, low carbonization and clean and efficient productions are still the main development direction of the coal industry. Thus, the Company has commenced a photovoltaic project, aiming to promote low carbonization, integrate development of coal-based energy and multi and green energy, and expand green transformation channels for the coal business. The Company strives and is committed to the green development of the Company's business, and ultimately achieving balanced operations between coal business development and ecological protection.

The coal business segment has contributed approximately RMB1.36 billion (2023: RMB1.33 billion) to the Group's revenue during the Period.

Mining business

The diversified non-ferrous 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 km southeast of Urumqi, the capital of Xinjiang.

Throughout the Period, the commodities markets continued to be a relatively weak performance, largely due to the ongoing slowdown of the global economy. This slowdown had put downward pressure on the commodity markets, despite global inflation having started to moderate. While price pressures remained historically high, the combination of high prices and rising borrowing costs had constrained both consumption and businesses investments. As a result, consumers' spending on goods and services had remained subdued, and manufacturing activity had been sluggish. These factors, coupled with weaker business-to-business demand and capital investment growth, were set to reduce demand for metal commodities and limit price growth during the Period.

According to the London Metal Exchange, the prices of zinc exhibited a short-term decrease during the Period, starting at approximately United States dollar ("USD") 2,640 per tonne and bottoming at around USD2,300 per tonne in mid-February 2024. However, prices gradually increased by approximately 34% to around USD3,100 in mid-May 2024. The price then dropped again to around USD2,720 before closing at USD2,920 per tonne as at 28 June 2024.

The price of lead fluctuated widely during the Period, opening at approximately USD2,030 per tonne and decreasing to around US1,950 per tonne near in April 2024, and then peaked at approximately USD2,300 per tonne, and then decreased by 9% before closing at around USD2,150 per tonne as at 28 June 2024.

Management Discussion and Analysis (Continued)

As at 30 June 2024, the Company's subsidiary, Hami Jinhua Mineral Resource Exploiture Limited* (哈密市錦華礦產資源開發有限責任公司) ("Hami Jinhua"), owned a mining permit of non-ferrous metals in Xinjiang, the PRC, namely Baiganhu Mine, which produces lead and zinc ores. To maximise the economic value of the Baiganhu Mine, on 19 July 2024, the Group made an important move to monetarise the Project Baiganhu, through disposing Hami Jinhua at a consideration of RMB94,000,000 (the "Disposal"). The Disposal will allow the Group to monetarise its valuable resources and reallocate its scarce resources to its strategic business segment. The Group believes that this move will increase the return of the Group's capital employed and in turn enhance the value of the Company and the shareholders of the Company as a whole. As the date of this report, the Disposal has not been completed yet.

Hami Jinhua owns a lead-zinc ore processing plant, which was set up to process the ore extracted from their deposits, and adopts a non-conventional flotation circuit. The throughput capacity of the plant is 1,500 tonnes per day respectively. Lead and zinc concentrates are separated and recovered from ore processing for sale. Hami Jinhua did not carry out any mining and processing activities during the Period.

RESULTS REVIEW

Revenue and gross profit

Since 2021, the Group has set the coal supply chain business as the strategic business segment of the Group and allocated more resources in developing the Group's coal supply chain business. During the Period, the performance of the Group's coal supply chain business continued to be remarkable and thus evidenced the Group's successful strategy in moving into the coal business. In July 2024, the Group also successfully monetarised the Project Baiganhu, which produces lead and zinc ores, through disposing Hami Jinhua at a consideration of RMB94,000,000, leading to the cessation of the Group's mining segment. The divestment of Hami Jinhua marks a pivotal moment in the Company's transformation journey and as a result, the Company now operates solely in the coal supply chain business. With the cessation of the mining segment, the focus of the Company is now fully directed towards enhancing and expanding coal supply chain business. This strategic shift aligns with commitment to adapt proactively to industry dynamics and optimize the Group's operations for sustainable growth and value creation.

* For identification purpose only

Management Discussion and Analysis (Continued)

Despite the challenging macro economy during the Period, the economy in the PRC was still experiencing a steady growth in the first half of 2024. The GDP of the PRC recorded a growth of 5% year-on-year. Yet the domestic coal market was experiencing a downward trend due to elevated inventory levels and limited domestic demand for coal products. As compared with the six months ended 30 June 2023 (the "Prior Period"), the Group's revenue increased by approximately 1.9% to approximately RMB1.36 billion during the Period from approximately RMB1.33 billion for the Prior Period.

The cost of sales was approximately RMB1.23 billion for the Period, as compared with approximately RMB1.24 billion in the Prior Period, representing a year-on-year decrease of approximately 0.7%. The reduction in cost of sales can be attributed to the stringent cost control measures that were put in place during the Period.

The gross profit surged by approximately 36.2%, from approximately RMB95.2 million in the Prior Period to approximately RMB129.6 million for the Period. This remarkable growth was primarily driven by the increase in revenue from the Group's supply chain service business. Furthermore, the Company's strategic investment in storage facilities has begun to yield promising results. The contribution of storage services with high-profit margins to external customers has played a pivotal role in augmenting the Group's gross profit margins. This strategic initiative underscores the Company's commitment to optimizing operational capabilities and diversifying revenue streams.

To further expand the coal supply chain business of the Group, the Group completed the acquisition of CC Bong Logistics in January 2024. CC Bong Logistics indirectly owns two coal sheds with expected total storage capacity of 1 million tonnes of coal and is located approximately 1.5 km from a railway station in Shanxi province, the PRC.

Meanwhile, on 25 June 2024, the Group, through Surplus Plan, a company incorporated in Hong Kong with limited liability and a direct wholly owned subsidiary of the Company, further entered into the Mouton SPA with Mr. Chu in respect of the acquisition of the entire issued share capital of Mouton HK, a company incorporated in Hong Kong with limited liability. Pursuant to the Mouton SPA, Surplus Plan had agreed to acquire, and Mr. Chu had agreed to sell the entire issued share capital of the Mouton HK, at the Consideration of HK\$40,333,333. The Consideration was satisfied by the Company by the allotment and issue of 73,333,333 the Consideration Shares to Mr. Chu at the Issue Price of approximately HK\$0.55 per Consideration Share at completion of the Mouton Acquisition.

Management Discussion and Analysis (Continued)

Mouton HK owns 100% of the equity interest of Zhuhai Mutong and Zhuhai Mutong owns 100% of the equity interest of Luyuan Xinneng. The core assets of the Mouton Group are two coal sheds and the associated machineries of such coal sheds. The expected total storage capacity of the two coal sheds is 120,000 tonnes of coal. The coal sheds are located in Shanxi province, the PRC, which is close to the Group's existing coal washery plant and is about 16.7 km southeast of Changzhi county, the PRC, connected by a county-level asphalt road and a provincial highway from Changzhi to Gaoping. It is 5 km east of National Highway 207 and 5.8 km from Jinchang Expressway. It is 2.5 km from Tailuo Highway, 2.5 km from Taijiao Railway Line and Dongtianliang Coal Transportation Station, and has very convenient road and rail transportation. From an operational perspective, this location is a prime location and can provide an additional source of supply for the Group's trading business. The Mouton Acquisition was completed on 24 July 2024.

The coal sheds and the specialised equipment acquired from both the CC Bong Acquisition and Mouton Acquisition allow the Company to fulfill the storage, loading and coal mixing demands of its customers in Shanxi province, the PRC and both acquisitions will allow the Group to enhance the value chain of the coal supply chain business through providing additional storage and coal mixing services to the Group's customers, and in turn strengthen the competitiveness of the Group.

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

In order to maximise the economic value of the Baiganhu Mine, on 19 July 2024, the Group made an important move to monetarise the Project Baiganhu, which produces lead and zinc ores, through disposing Hami Jinhua at a consideration of RMB94,000,000. The Disposal will allow the Group's to monetarise its valuable resources and reallocate its scarce resources to its strategic business segment. The Group believes that this move will increase the return of the Group's capital employed and in turn enhance the value of the Company and the shareholders of the Company as a whole. As the date of this report, the Disposal has not been completed yet.

Administrative expenses

During the Period, administrative expenses amounted to approximately RMB19.3 million (the Prior Period: RMB17.2 million), which included depreciation charges, professional fees, staff costs, and office overheads. The rise in administrative expenses was mainly driven by an increase in staff costs as a result of the expansion of business activities during the Period.

Management Discussion and Analysis (Continued)

Other gains – net

Other gains – net for the Period of approximately RMB9.5 million (the Prior Period: RMB15.4 million) mainly represented unrealised foreign exchange gain, net of approximately RMB4.1 million (the Prior Period: RMB6.8 million), government subsidy of approximately RMB4.7 million (the Prior Period: RMB5.3 million), interest income from financial assets at fair value through other comprehensive income (“FVTOCI”) of approximately RMB0.2 million (the Prior Period: RMB0.4 million) and penalty received from customers of approximately RMB0.1 million (the Prior Period: RMB2.1 million). 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)/gains

Other operating losses of approximately RMB0.1 million was recorded during the Period. During the Period, expected credit losses (“ECLs”) on trade and bills receivables of approximately RMB0.6 million, netted by reversal of ECLs on other receivables of approximately RMB0.5 million were recorded during the Period. During the Prior Period, other operating gains of approximately RMB0.6 million was recorded, which was resulted by the reversal of ECLs on trade and bills receivables of approximately RMB0.9 million, netted by ECLs on loan and other receivables of approximately RMB0.3 million.

Finance (costs)/income – net

Net finance costs of approximately RMB1.9 million (the Prior Period: net finance income of RMB2.4 million) during the Period mainly represented interest expenses on lease liabilities and interest bearing borrowings of approximately RMB3.1 million, netted by interest income of approximately RMB1.1 million earned from the Group’s cash at bank.

Income tax expense

During the Period, income tax expense was approximately RMB21.2 million (the Prior Period: RMB13.9 million), which mainly represented the tax provision for operations in the PRC during the Period. The increase was mainly attributable to the deferred tax expenses of approximately RMB2.4 million during the Period, against the deferred tax credit of approximately RMB0.2 million during the Prior Period. No provision for profits tax in Hong Kong was made during the Period.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2024, the Group had investments in debt securities of approximately RMB9.4 million (31 December 2023: RMB8.9 million) and none of the debt securities, both individually and in aggregate, held by the Group equaled to or exceeded 5% 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.

Management Discussion and Analysis (Continued)

MATERIAL ACQUISITIONS AND DISPOSALS

(i) Acquisition of CC Bong Logistics Limited (“CC Bong Logistics”)

On 29 December 2023, Surplus Plan, as purchaser and a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “CC Bong SPA”) in relation to the acquisition of the entire issued share capital of the CC Bong Logistics (the “CC Bong Logistics Sale Share”), a company incorporated in Hong Kong with limited liability, with Mr. Bong Chin Chung (“Mr. Bong”) as vendor (the “CC Bong Logistics Acquisition”). CC Bong Logistics indirectly holds Changzhishi Desheng Coal Storage and Distribution Company Limited* (長治市德勝煤炭儲配有限公司) (“Changzhishi Desheng”), a company established in the PRC with limited liability, through Shenzhen Yiyilan Supply Chain Management Company Limited* (深圳奕逸蘭供應鏈管理有限公司), a company established in the PRC with limited liability, (collectively the “CC Bong Logistics Group”), and Changzhishi Desheng is principally engaged in (i) supply chain management services; and (ii) general cargo storage services.

Pursuant to the terms and conditions of the CC Bong SPA, Surplus Plan had agreed to acquire, and Mr. Bong had agreed to sell the CC Bong Logistics Sale Share, representing the entire issued share capital of CC Bong Logistics, at a consideration of HK\$100,000,000. The consideration was satisfied by the Company (i) as to HK\$62,640,000 by the allotment and issue of 156,600,000 new shares of the Company (the “CC Bong Logistics Consideration Share(s)”) to Mr. Bong at the issue price of HK\$0.40 per CC Bong Logistics Consideration Share; and (ii) the balance of HK\$37,360,000 by the issue of an unsecured promissory note (the “Promissory Note”) in the principal amount of HK\$37,360,000 to Mr. Bong on completion of the CC Bong Logistics Acquisition on 24 January 2024. The Promissory Note shall mature on the date falling 5 years from the date of issuance of the Promissory Note (i.e. 23 January 2029) whereby any outstanding principal amount of the Promissory Note and accrued but unpaid interest shall be redeemed and repaid in full, and shall carry interest at the interest rate of 5% per annum from the date of the issue of the Promissory Note and calculated on the basis of the actual number of days elapsed and a 365-day year.

* For identification purpose only

Management Discussion and Analysis (Continued)

The core assets of the CC Bong Logistics Group are two coal sheds and the associated machineries of such coal sheds. The expected total storage capacity of the two coal sheds is 1 million tonnes of coal. The coal sheds are located in a logistics park in Shanxi province, the PRC, which has storage and logistics supporting facilities such as cylindrical silos, train dumpers, and coal storage yards. The logistics park is located approximately 1.5 km from a railway station, which is connected to Changzhi South Station of the Central-South Railway, and is also adjunct to the National Highway 228, Erguang Expressway, county and township roads, which the Company considers is a prime location from an operational perspective and would provide a stable source of demand for the CC Bong Logistics Group's businesses and may potentially provide an additional source of supply to the Group's trading businesses. The coal sheds and the specialised equipment allow the Company to fulfill the storage, loading and coal mixing demands of its customers in Shanxi province, the PRC and the CC Bong Logistics Acquisition will allow the Group to enhance the value chain of the coal business through providing additional storage and coal mixing services to the Group's customers, and in turn strengthen the competitiveness of the Group.

The CC Bong Logistics Acquisition was then completed in January 2024 with the final consideration of approximately RMB77.6 million. Further details of the CC Bong Logistics Acquisition are set out in the Company's announcement dated 29 December 2023 and 24 January 2024, respectively.

(ii) Acquisition of Mouton Investments Limited ("Mouton HK")

On 25 June 2024, the Group, through Surplus Plan, as purchaser and a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Mouton HK SPA") with Mr. Chu in respect of the Mouton Acquisition, being the sale and purchase of the entire issued share capital of Mouton HK, a company incorporated in Hong Kong with limited liability (the "Mouton HK Sale Share"). Pursuant to the Mouton HK SPA, Surplus Plan had agreed to acquire, and Mr. Chu had agreed to sell the Mouton HK Sale Share, representing the entire issued share capital of Mouton HK, at a consideration of HK\$35,200,000. The consideration was satisfied by the Company by the allotment and issue of 73,333,333 shares of the Company (the "Mouton Consideration Share(s)") to Mr. Chu at an issue price of approximately HK\$0.48 per Mouton Consideration Share at completion on 24 July 2024. Mouton HK owns 100% of the equity interest of Zhuhai Mutong, which is a company established in the PRC and in turn owns 100% of the equity interest of Luyuan Xinneng, a company established in the PRC (collectively the "Mouton Group"). Luyuan Xinneng is principally engaged in (i) supply chain management services; and (ii) general cargo storage services.

Management Discussion and Analysis (Continued)

The core assets of the Mouton Group are two coal sheds and the associated machineries of such coal sheds. The expected total storage capacity of the two coal sheds is 120,000 tonnes of coal. The coal sheds are located in Shanxi province, the PRC, which is close to the Group's existing coal washery plant and is about 16.7 km southeast of Changzhi county, the PRC, connected by a county-level asphalt road and a provincial highway from Changzhi to Gaoping. It is 5 km east of National Highway 207 and 5.8 km from Jinchang Expressway. It is 2.5 km from Tailuo Highway, 2.5 km from Taijiao Railway Line and Dongtianliang Coal Transportation Station, and has very convenient road and rail transportation. From an operational perspective, this location is a prime location and can provide an additional source of supply for the Group's trading business.

The Mouton Acquisition was completed on 24 July 2024 with final consideration of approximately HK\$40.3 million. Further details of the Mouton Acquisition are set out in the Company's announcements dated 25 June 2024 and 24 July 2024, respectively.

The Board believes that both the CC Bong Logistics Acquisition and the Mouton Acquisition would allow the Group to have immediate access to existing coal sheds and the specialised equipment, thereby facilitating the integration of the operation of the CC Bong Logistics Acquisition and the Mouton Acquisition with the Group's existing businesses to expand its scale of operation and create a new growth driver. Both acquisitions are in line with the development strategy of the Group to strengthen its existing trading of coal business and coal supply chain management services capabilities and its presence and provision of services in the coal industries in the PRC, and will allow the Group to utilise the synergies created by both the CC Bong Logistics Acquisition and the Mouton Acquisition and create long-term and strategic growth opportunities for the Group.

Lastly, through the CC Bong Logistics Acquisition and the Mouton Acquisition, the Group will be able to leverage on the management expertise of the CC Bong Logistics Acquisition and the Mouton Acquisition, in particular, the sharing of business knowledge regarding the storage, loading and coal mixing service line, to the Group's existing operational team which will in turn deliver better services to the Group's customers with additional value-added services on top of processing and trading services.

Management Discussion and Analysis (Continued)

(iii) Disposal of Hami Jinhua Mineral Resource Exploiture Limited (“Hami Jinhua”)

On 19 July 2024, the Realty Investment (Group) Limited (“RIGL”), a wholly-owned subsidiary of the Company and Changzhi City Rongtong Logistics Company Limited* (長治市融通物流有限公司) (“Changzhi Rongtong”), a company established in the PRC with limited liability, entered into a sale and purchase agreement (the “Hami Jinhua SPA”) to dispose (the “Disposal”) of 95% of the equity interest of Hami Jinhua (the “Sale Equity Interest”). Pursuant to the Hami Jinhua SPA, RIGL agreed to sell, and Changzhi Rongtong agreed to purchase, the Sale Equity Interest, representing 95% of the total equity interest of Hami Jinhua, for a consideration of RMB94,000,000 (equivalent to approximately HK\$103,400,000) subject to the terms of the Hami Jinhua SPA.

Hami Jinhua, owned a mining permit of non-ferrous metals in Xinjiang, the PRC, namely Baiganhu Mine, which produces lead and zinc ores, and a lead-zinc ore processing plant, which was set up to process the ore extracted from its deposits. The Disposal will allow the Group’s to monetarise its valuable resources and reallocate its scarce resources to its strategic business segment. The Group believes that this move will increase the return of the Group’s capital employed and in turn enhance the value of the Company and the shareholders of the Company as a whole.

As the date of this report, the Disposal has not been completed yet. Further details of the Disposal are set out in the Company’s announcements dated 19 July 2024.

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

CAPITAL EXPENDITURE

For the Period, the Group incurred approximately RMB23.2 million (the Prior Period: RMB4.4 million) of capital expenditure on property, plant and equipment, and RMB4.5 million (the Prior Period: RMB11.9 million) on right-of-use assets. There were no disposals of property, plant and equipment and right-of-use assets during both the Period and the Prior Period.

* For identification purpose only

Management Discussion and Analysis (Continued)

LIQUIDITY AND FINANCIAL RESOURCES

The equity attributable to owners of the Company as at 30 June 2024 increased to approximately RMB948.1 million, an increase of approximately 20.3% over that as at 31 December 2023 of approximately RMB788.0 million, whilst the Group's total assets employed increased to approximately RMB2.31 billion as at 30 June 2024 as compared to approximately RMB1.58 billion as at 31 December 2023.

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 (the "Shareholders") of the Company.

During the Period, the Group did not redeem (the Prior Period: nil) any debt securities. As at 30 June 2024, the debt securities were predominantly denominated in USD with weighted average tenor of less than one year. 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 2024, none of the debt securities, both individually and in aggregate, held by the Group equaled or exceeded 5% of the Group's total assets. As at 30 June 2024, the Group had the debt securities of approximately RMB9.4 million (31 December 2023: RMB8.9 million).

During the Period, the Group's listed debt securities recorded a gain in fair value of approximately RMB0.2 million (the Prior Period: RMB0.4 million), which were presented as "Fair value changes of financial assets (debt instruments) at fair value through other comprehensive income" in the consolidated statement of comprehensive income.

During the Period, the Group also received interest income of approximately RMB0.2 million (the Prior Period: RMB0.4 million) from the debt securities that the Group held. The interest income from debt securities was included in "Other gains – net" in the interim condensed 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.

Management Discussion and Analysis (Continued)

As at 30 June 2024 and 31 December 2023, the Group did not have any outstanding interest-bearing bank loan.

As at 30 June 2024, the Group had an unsecured promissory note (the "Promissory Note") in the principal amount of HK\$37,360,000. The Promissory Note shall mature on the date falling 5 years from the date of issuance of the Promissory Note (i.e. 23 January 2029) whereby any outstanding principal amount of the Promissory Note and accrued but unpaid interest shall be redeemed and repaid in full, and shall carry interest at the interest rate of 5% per annum from the date of the issue of the Promissory Note and calculated on the basis of the actual number of days elapsed and a 365-day year.

The Group also had a loan (the "Loan") from an ex-shareholder of a subsidiary of CC Bong Logistics for a term of 8 years from 1 December 2023 to 30 November 2031. The Loan is unsecured, interest-free for the first year and carries interests at 4.2% per annum for the rest of the loan period. The principal of the Loan will be repaid by 10 semi-annual installments from the fourth to eighth years, while the accrued loan interests will be repaid by 14 semi-annual installments from the second to eighth years.

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 2024, the Group maintained bank and cash balances of approximately RMB274.8 million (31 December 2023: RMB508.6 million), including pledged bank deposits of approximately RMB33.0 million (31 December 2023: RMB34.0 million).

Treasury policy

The Group continues to adopt a conservative treasury policy in liquidity and financial management. The Group conducted its continuing operational business transactions mainly in RMB and HK\$. Surplus cash is generally placed in fixed deposits, high-quality debt securities mostly denominated in USD. The Company, during the Period, has strategically chosen to expand into the international supply chain trading business, a move that underscores the Company's commitment to exploring new avenues of growth and diversification. As part of the Group's proactive risk management strategy, the Group has taken measures to reduce foreign currency risk exposure associated with international operations. To effectively manage this risk, a dedicated team has been assigned to monitor foreign exchange fluctuations and implement appropriate hedging strategies. The Group has leveraged foreign currency forward contracts to hedge against foreign exchange risk exposure. As of 30 June 2024, the Group had outstanding foreign currency forward contracts worth approximately RMB368,000. These contracts play a crucial role in managing currency risk exposure associated with the Group's international supply chain trading activities, demonstrating the Company's proactive approach to risk management and financial stewardship.

Management Discussion and Analysis (Continued)

Gearing ratio

The Company entered into a credit facility with Nanyang Commercial Bank consisting of letters of credit and line of credit in November 2023, under which the Company may borrow up to US\$90 million. The letter of credit and line of credit are charged against 100% bank deposits from time to time up to the amount of amount utilised. As at 30 June 2024, the Company had utilised approximately RMB33.0 million (31 December 2023: RMB34.0 million) letters of credit and there are no outstanding borrowings (31 December 2023: RMB nil) on the line of credit.

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 2024, the Company had net cash position of RMB147.3 million. As at 30 June 2024, the gearing ratio was 0% (31 December 2023: 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 Company, during the Period, has expanded into the international supply chain trading business. Given that the international supply chain trading business primarily involves transactions in USD, the Company recognizes the potential foreign currency risk exposure between these currencies and RMB. Fluctuations in exchange rates can impact the Company's financial performance, underscoring the importance of proactive risk management measures. In line with the Group's commitment to proactive risk management, the Company has implemented measures to mitigate foreign currency risk exposure associated with the Group's international operations. A dedicated team has been tasked with monitoring foreign exchange fluctuations, assessing risks, and devising appropriate hedging strategies to safeguard the Company's financial interests. To effectively manage foreign exchange risk exposure, the Company has opted to leverage foreign currency forward contracts. These financial instruments provide a mechanism for hedging against currency fluctuations. The management will continue to monitor the relevant circumstances and may take further measures if it deems prudent.

Management Discussion and Analysis (Continued)

Credit risk exposure

The Group is exposed to credit risks in its coal business and is primarily attributable to its trade and bills receivables in this business segment. The Group's trading terms with its customers are mainly on credit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. The carrying amounts of its trade and bills receivables represent the Group's maximum exposure to credit risk in this business segment. The Group applies the simplified approach to provide for ECLs as prescribed by HKFRS 9, which permits the use of the lifetime ECLs provision for all trade and bills receivables. As at 30 June 2024, loss allowance of approximately RMB6.2 million (31 December 2023: RMB5.6 million) were made against the gross amount of trade and bills receivables.

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

CHARGES ON COMPANY'S ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 21 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 2024 and 31 December 2023.

Approximately RMB33.0 million (31 December 2023: RMB34.0 million) of cash and cash equivalents was pledged to the bank for its letter of credits of approximately RMB33.0 million (31 December 2023: RMB34.0 million) as at 30 June 2024.

Save as disclosed above and in note 22 to the interim condensed consolidated financial statements of the Company, the Group had no other material contingent liabilities as at 30 June 2024 and 31 December 2023.

Management Discussion and Analysis (Continued)

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 2024, the Group employed 895 employees (31 December 2023: 820). The total staff costs expensed off (including Directors' emoluments) for the Period was approximately RMB41.8 million (the Prior Period: RMB25.7 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 each 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 Period and as at 30 June 2024.

FUTURE OUTLOOK AND PROSPECTS

During the Period, the domestic coal market encountered significant challenges driven by a combination of high domestic coal production levels, surging coal imports, limited demand growth, elevated power plant inventories, and subdued non-power industry purchases. These market dynamics underscored the complexities and uncertainties within China's coal market, impacting pricing trends and industry dynamics.

Despite the challenging market conditions, we have remained steadfast in our commitment to strategic adaptation and operational efficiency. By focusing on sustainable practices, operational excellence, and strategic initiatives, we have positioned ourselves to navigate the evolving landscape effectively. Our resilience in the face of market challenges reflects our dedication to enhancing our competitive position and driving long-term sustainability. During the Period, our company achieved significant milestones despite the market headwinds. Total revenue for the Period amounted to RMB1.36 billion, marking a 1.9% increase compared to the Prior Period. This growth is a testament to our strategic investments in key areas and the successful execution of our business plans, highlighting our ability to capitalize on opportunities amidst market uncertainties.

Management Discussion and Analysis (Continued)

Our commitment to operational efficiency and prudent cost management is reflected in our stable profit margins. Earnings per share stood at RMB6.08 per share, showcasing a 19.7% year-on-year increase from the Prior Period. This growth underscores our ability to generate sustainable value for our shareholders even in a competitive and challenging market environment.

While the coal market may face challenges in the short term, we acknowledge the cyclical nature of this industry and remain confident in its resilience and potential for growth over the long run. As a forward-thinking company, the Group understands the importance of adapting to changing market dynamics. While the Group navigate the current challenges, the management is actively exploring opportunities to diversify the Group's business portfolio and embrace sustainable energy solutions, and has continued to allocate more resources to its coal supply chain business.

In July 2024, the Group made an important move to monetarise the Project Baiganhu, through disposing Hami Jinhua at a consideration of RMB94,000,000 (the "Disposal"). The disposal of the final mine signifies the conclusion of our mining operations, reflecting a strategic decision to realign our business portfolio and concentrate our efforts on our core competency – the coal supply chain business. As a result, the Company now operates exclusively in the coal supply chain business. This singular focus enables us to leverage our expertise, resources, and market insights to enhance our competitiveness, deliver value-added services to our clients, and capitalize on emerging opportunities in the coal supply chain sector.

The Group continued to increase the competitive advantages and operating efficiencies of its coal supply chain platform. The Group, through a direct wholly-owned subsidiary of the Company, Surplus Plan, acquired CC Bong Logistics, which owns two coal sheds with expected total storage capacity of 1 million tonnes of coal and the associated machineries in Shanxi province, the PRC, and Mouton HK, which owns two coal sheds and the associated machineries of such coal sheds. The expected total storage capacity of the two coal sheds owned by the Mouton Group is 120,000 tonnes of coal. Both acquisitions are expected to create synergies that will enable the Group to leverage its resources more effectively, resulting in long-term and strategic growth opportunities for the Group. By expanding its capabilities in supply chain management, the Group can enhance its vertical integration capabilities and improve its operational efficiency, which should enable it to capitalise on the opportunities presented by the booming coal industry. Overall, both acquisitions are expected to be a positive development for the Group, and should help to position it for long-term success in the coal industry.

Management Discussion and Analysis (Continued)

Throughout the Period, we focused on diversifying its operations and expanding its market reach. We extended our reach into international markets, and position ourselves to capitalize on emerging opportunities in the coal supply chain industry, while also effectively responding to changing market conditions and regulatory requirements. Our entry into international supply chain trading has yielded promising results, with a notable contribution of approximately RMB82.6 million to our revenue. This strategic move aligns with our long-term vision to unlock new growth avenues and create sustainable value for our stakeholders.

Our foray into international supply chain trading has been a strategic move to broaden our operational footprint and capitalize on evolving market dynamics. Yet, while recognizing the enduring role of coal in ensuring energy security in the near term, we remain steadfast in our commitment to environmental stewardship. Embracing the imperative of low carbonization and promoting clean, efficient production practices in the coal industry, we have embarked on a pioneering journey towards sustainability. To align with our environmental objectives and drive sustainable practices, we have initiated the development and construction of a photovoltaic project. This innovative initiative underscores our dedication to integrating coal-based energy production with green energy solutions. By diversifying our energy portfolio and promoting green transformation within our coal business, we are actively contributing to a more sustainable future.

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 supply chain business. This strategy is expected to improve the Group's operating conditions and optimise business structure, enabling it to capitalise on new earnings and growth points and drive sustainable and quality development of the Group's business. Looking forward to the remainder of 2024, it will be transformative for the Company as the Company decides to embark on a strategic expansion into the international supply chain trading business, marking a significant milestone in our growth journey. By expanding its coal supply chain business and capabilities, the Group can diversify its revenue streams and reduce its reliance on any single market or product, which is likely to enhance its long-term stability and resilience.

As we look ahead to the second half of 2024, the coal industry in China is poised for a period of transition and transformation. While supply levels remain robust due to strong coal imports and recovering domestic production, positive indicators suggest a potential uplift in demand. Increased coal consumption in the power industry during peak seasons and supportive policies driving growth in non-electricity sectors are key drivers expected to impact market dynamics positively. The delicate balance in the market is evident through the volatility of the China coal index 5500K ("CCI 5500K"). While there are positive signals indicating a rise in demand, challenges such as high inventories across supply chains may constrain significant upward movements in coal prices. However, the industry is expected to maintain profitability, underpinned by favorable conditions during peak demand periods and overall market stability.

Management Discussion and Analysis (Continued)

Looking beyond 2024, the industry faces challenges as it transitions towards carbon neutrality. Despite potential long-term pressure on coal consumption, the gradual evolution of the sector, coupled with the relevance of coal in critical industries like steel production and modern coal chemical processes, presents ongoing growth opportunities in the Chinese coal sector.

The Board maintains a prudent yet optimistic outlook regarding our core coal supply chain business. Our focus in 2024 is on ensuring corporate sustainability through a cautious approach while exploring quality projects and opportunities with promising prospects to diversify our business segments and locations. We are committed to active operations, exploring potential acquisitions, and capturing market opportunities in the PRC to broaden our revenue base and create value for all stakeholders.

As we navigate the evolving dynamics of the coal industry and the broader energy landscape, we are well-prepared to adapt to these changes. We remain focused on innovation, operational excellence, and environmental responsibility as we address the challenges and opportunities within our industry. Our commitment to sustainability and responsible business practices will drive our decision-making processes as we pursue long-term success.

Despite the uncertainties in the global marketplace, we are confident in our ability to capitalize on emerging opportunities and overcome challenges. Through leveraging our strengths, exploring new markets, enhancing product offerings, and adhering to evolving regulatory standards, we are well-positioned to create value for our Shareholders and stakeholders.

Management Discussion and Analysis (Continued)

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 of the Company, as at 30 June 2024, the following Directors or the chief executive of the Company had or were deemed to have interests or short positions in the shares (the "Shares") of the Company, 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 Listing Rules.

Name	Nature of interests	Total interests in shares	Approximate percentage of the Company's issued share capital
Sky Circle International Limited ("Sky Circle")	Beneficial owner (Note 1)	521,000,000 (L)	26.80%
Mr. Cui Yazhou ("Mr. Cui")	Interest in a controlled corporation (Note 1)	521,000,000 (L)	26.80%
Prosper Union Holdings Limited	Beneficial owner (Note 2)	137,792,017 (L)	7.09%
Mr. Ye Xin ("Mr. Ye")	Interest in a controlled corporation (Note 2)	137,792,017 (L)	7.09%

Remarks: (L): Long position

Notes:

- Mr. Cui, the chairman of the Board and an executive Director, is the legal and beneficial owner of the entire issued share capital of Sky Circle which holds 521,000,000 Shares, and thus Mr. Cui is deemed to be interested in such shares of the Company under the SFO.
- Mr. Ye, an executive Director is the legal and beneficial owner of the entire issued share capital of Prosper Union Holdings Limited which holds 137,792,017 Shares, and thus Mr. Ye is deemed to be interested in such shares of the Company under the SFO.

Management Discussion and Analysis (Continued)

Save as disclosed above, as at 30 June 2024, the Directors of the Company were not aware of any other Directors and chief executive of the Company who had, or is deemed to have, interests or short positions in the Shares, and underlying Shares which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

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

So far as was known to the Directors of the Company, as at 30 June 2024, 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 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
Mr. Feng Yuantao	Beneficial owner	306,522,040 (L)	15.77%
China Clean Energy Technology Limited	Beneficial owner (Note 1)	170,000,000 (L)	8.74%
Mr. Lai Long Wai	Interest in a controlled corporation (Note 1)	170,000,000 (L)	8.74%
Mr. Bong Chin Chung	Beneficial owner	156,600,000 (L)	8.06%
Pine Success International Holdings Limited	Beneficial owner (Note 2)	147,000,000 (L)	7.56%
Ms. Gao Miaomiao	Interest in a controlled corporation (Note 2)	147,000,000 (L)	7.56%
Mr. Cao Jiawei	Interest in a controlled corporation (Note 2)	147,000,000 (L)	7.56%

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

Management Discussion and Analysis (Continued)

Notes:

1. Mr. Lai Long Wai is the legal and beneficial owner of the entire issued share capital of China Clean Energy Technology Limited which holds 170,000,000 Shares and thus Mr. Lai Long Wai is deemed to be interested in such shares of the Company under the SFO.
2. Ms. Gao Miaomiao and Mr. Cao Jiawei hold 85% and 15% of the issued share capital of Pine Success International Holdings Limited, respectively. As such, Ms. Gao Miaomiao and Mr. Cao Jiawei are deemed to be interested in such shares of the Company under the SFO.

Save as disclosed above, as at 30 June 2024, the Directors of the Company were not aware of any other person (other than the Directors and chief executives 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.

CONTRACT OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

Management Discussion and Analysis (Continued)

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 (the "Options") to select Eligible Participants (as defined below) as incentives or rewards for their contributions to and continuing efforts to promote the interests of the Group and to enable the Group to recruit and retain high-calibre persons and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest (the "Invested Entity").

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

Management Discussion and Analysis (Continued)

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

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

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

The total number of Shares available for issue under the Share Option Scheme is 162,000,000 Shares, representing approximately 10% of the total number of Shares in issue as at the date of passing of an ordinary resolution by the Shareholders at the AGM to approve the adoption of the Share Option Scheme. As at 1 January 2024 and 30 June 2024, 162,000,000 Shares were available for issue under the Share Option Scheme, representing 10% of the Shares in issue as at 1 January 2024, 30 June 2024 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.

As at 30 June 2024, there were no outstanding Options and no 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.

Management Discussion and Analysis (Continued)

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, including the sale of treasury shares (as defined under the Listing Rules), during the Period. As at 30 June 2024, the Company did not hold any treasury shares.

ISSUE OF EQUITY SECURITIES

During the Period, the Company had not issued any equity securities (including securities convertible into equity securities) or sale of treasury shares for cash.

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") as set out in Appendix C1 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, 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as its own code for dealing in securities of the Company by the directors of the Company (the "Directors"). Having made specific enquiry of all of the Directors, the Directors confirm that they have complied with the required standard as set out in the Model Code during 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 and the Listing Rules 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 of three independent non-executive Directors and at least one of whom is an independent non-executive Director with appropriate qualifications or accounting or related financial management expertise. The interim report for the Period is unaudited but has 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 and the Company at www.huili.hk.

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

Hong Kong, 29 August 2024