

Greenway Mining Group Limited

信盛礦業集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2133

INTERIM REPORT
2020



* For identification purpose only

TABLE OF CONTENTS



2-3 Corporate Information

4-29 Management Discussion and Analysis

30-36 Other Information and Corporate Governance Highlights

37-46 Environmental, Social and Governance Report

Interim Condensed Financial Information:

47 Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

48 Interim Consolidated Statement of Financial Position

49 Interim Consolidated Statement of Changes in Equity

50-51 Interim Consolidated Statement of Cash Flows

52-69 Notes to Interim Condensed Financial Information

70-74 Glossary

CORPORATE INFORMATION

As at 20 July 2020

DIRECTORS

Executive Director

Mr. Lei Dejun

Non-Executive Directors

Mr. Yin Bo (*Chairman*)

Mr. Chan Suk Ching

Mr. Zhang Yonghua

Independent Non-Executive Directors

Mr. Ma Shirong

Mr. Chi Hongji

Mr. Dong Tao

AUDIT COMMITTEE

Mr. Ma Shirong (*Chairman*)

Mr. Chan Suk Ching

Mr. Dong Tao

NOMINATION AND REMUNERATION COMMITTEE

Mr. Chi Hongji (*Chairman*)

Mr. Ma Shirong

Mr. Yin Bo

Mr. Dong Tao

SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

Mr. Lei Dejun (*Chairman*)

Mr. Chi Hongji

Mr. Zhang Yonghua

STRATEGY COMMITTEE

Mr. Lei Dejun (*Chairman*)

Mr. Yin Bo

Mr. Chan Suk Ching

Mr. Zhang Yonghua

COMPANY SECRETARY

Ms. Chan Wai Ling

AUTHORISED REPRESENTATIVES

Mr. Lei Dejun

Ms. Chan Wai Ling

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Bank of Communications
China Merchants Bank
Citibank, N.A.
Ping An Bank

STOCK CODE

2133

WEBSITE ADDRESS

<http://www.greenwaymining.com>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Since the beginning of 2020, the continuous upgrade of the COVID-19 (the “**COVID-19 Epidemic**”) has had a significant impact on the economic development of countries around the world. All countries adopted strict control measures, thus the business activities have shrunk severely and the business prospects are extremely uncertain, which caused severe impact on the global supply chain. With the tensions in the Sino-US trade dispute continues to escalate, the international environment is more complicated.

In response to the impact of the COVID-19 Epidemic, both China and Myanmar have adopted strict public health measures and actions including the travel restrictions to restrain the spread of the COVID-19 Epidemic, which have seriously hindered the development and recovery of business activities in various industries. Since the operating mines of the Group are all located in China and Myanmar, the Group temporarily suspended the operation of the operating mines to protect the occupational health and production safety of the employees in the first half of 2020, which caused adverse effects on the Group’s operations and financial conditions.

Compared with the first half of 2019, the selling prices of lead and zinc remained at a low level in the first half of 2020. With the effective control of the COVID-19 Epidemic in China and the initial success in COVID-19 Epidemic prevention and control in overseas countries, the macro market sentiment gradually improved and the commodity prices generally rebounded. Despite the recovery of the lead and zinc industries, the overall performance was weaker than that of the same period last year due to the influence of the COVID-19 Epidemic, and the industrial operating pressure remained high. On the supply side, affected by the COVID-19 Epidemic, the production of lead-zinc mines was significantly challenged in the first quarter and has not returned to the level before the COVID-19 Epidemic, even though the production increased steadily in the second quarter. On the demand side, dragged down by the COVID-19 Epidemic, the downstream consumer market for lead and zinc continued to slump.

The COVID-19 Epidemic has caused a serious impact on China’s domestic consumer demand and investment demand, and China’s economic growth has slowed significantly. Although the Chinese government has issued a series of monetary and fiscal policies for corporate financing and tax relief since February of 2020, and the process of operation and production resumption was accelerated with the gradual control of the COVID-19 Epidemic, the consumer demand and export trade weakness caused by the COVID-19 Epidemic leading to the continuous downturn in the manufacturing industry. The consumer demand in the traditional lead consumer field (including household appliances, telecommunications power supplies, electric bicycles and the automotive industry, etc.) has also declined significantly. At the same time, the trend towards lighter batteries and the widespread promotion for cascade utilization of used electric vehicle batteries have led to a decline in lead-acid battery consumption. Although the emerging of new energy vehicle market drives the electric vehicle battery industry, the replacement of lead-acid batteries by new energy batteries such as lithium batteries has intensified, leading to the drop in the lead demand.

In conclusion, in the first half of 2020, the supply-side output of the lead and zinc industry declined and the demand side continued to slump with the influence of the COVID-19 Epidemic. Although the situation has improved with the gradual control of the COVID-19 Epidemic, the overall performance is weaker than the same period in previous years. With the continuous tightening of requirements in transformation and upgrading of the lead-zinc industry and environmental protection, the sustainable development of lead-zinc mines will face greater challenges.

BUSINESS OVERVIEW

With the continued downturn in the downstream consumer market and low selling price of the Group's main products, lead and zinc, the Group continued to adopt the basic strategy of expanding income sources while saving costs, and continued to maintain and consolidate the basic operations of major mines in China and Myanmar. As affected by the outbreak of the COVID-19 Epidemic in early 2020, the Group's operating mines temporarily suspended production after the Chinese New Year holiday. Although the Group actively promoted the resumption of production after the COVID-19 Epidemic was initially controlled, the COVID-19 Epidemic has adversely affected the overall operation and financial condition of the Group in the first half of 2020. Nevertheless, the Group is planning to further increase the capital investment in the production and exploration, and will continue its efforts to promote the restoration of production and accelerate the application process of related exploration and mining permits, strengthen the internal management and reallocate resources in a more effective manner, and cautiously investigate the appropriate potential business opportunities, so that the Group could maintain stable development under the COVID-19 Epidemic.

OPERATING MINE IN MYANMAR – AUNG JIUJIA MINE

Mineral resources and reserves of Aung Jiuja Mine

Aung Jiuja Mine is an open pit and underground lead mine located at Depanbing Village, Ruian County, Shan State, Myanmar, in a karst topography between 800 meters to 1,500 meters above sea level and is characterized by low mountains and flat valleys. The mining permit of the Aung Jiuja Mine covers an area of approximately 0.2 sq. km. and we are now applying the exploration permit in the surrounding areas adjacent to our mining permit.

According to the production exploration report issued by Yunnan Huapeng Aidi Resources Exploration Limited Company (雲南華鵬愛地資源勘查有限公司) in July 2018, a summary of the estimated resources of the Aung Jiuja Mine as at 31 December 2019 and 30 June 2020 in accordance with the Chinese Standard is as follows:

	30 June 2020		31 December 2019	
	Metal Resources Lead (kt)	Grade Lead (%)	Metal Resources Lead (kt)	Grade Lead (%)
Measured	336.7	7.88	336.7	7.88
Indicated	125.8	7.80	125.8	7.80
Inferred	288.1	7.87	288.1	7.87
Total	750.6	7.87	750.6	7.87

Note: Figures for metal resources are rounded to nearest one decimal place, figures for grade are rounded to nearest two decimal places and these figures may show apparent addition errors.

MANAGEMENT DISCUSSION AND ANALYSIS

Assumptions:

The figures of the lead resources of Aung Jiuja Mine are based on the following assumptions:

- (1) The lead resources and grade for Aung Jiuja Mine are based on the estimate as per the aforesaid independent technical report. The period end amounts have been confirmed by our internal experts.
- (2) All material assumptions and technical parameters underpinning the estimates as stated in the aforesaid independent technical report continue to apply and have not been materially changed.

Overview

During the Period, due to reasons of COVID-19 Epidemic as well as underground mining construction and environmental protection infrastructure and ancillary facilities construction, we underwent phased short term suspension in Aung Jiuja Mine.

To ensure Aung Jiuja Mine to provide consistent supply of lead concentrates in the ongoing future, a series of production expansion work programs to maintain this production profile into the future is continued to be prepared. We continued to implement a series of cost saving and efficiency enhancement initiatives at Aung Jiuja Mine during the Period which are expected to deliver economic benefits that will partly offset the impacts of escalating labour and energy costs.

Exploration, Development and Mining Activities of Aung Jiuja Mine

- (I) Exploration activities
During the Period, we have not entered into any contracts or commitments in respect of exploration work or conducted any other geological exploration work at Aung Jiuja Mine during the Period.
- (II) Development activities
During the Period, we have commenced the preliminary works for the expansion of the processing plant in Aung Jiuja Mine.

Save as aforesaid, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Aung Jiuja Mine during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) Mining and processing activities

The following table summarises the mining and processing results of Aung Jiuja Mine during the Period and the corresponding period of 2019:

			For the six months ended 30 June	
	Items	Unit	2020	2019
ROM Ore	Mined	kt	—	77.2
	Processed	kt	—	84.1
Feed Grade	Lead	%	—	2.8
	Silver	g/t	—	5.0
Recovery	Lead	%	—	82.6
	Silver in lead concentrate	%	—	73.0
Concentrate Grade	Lead	%	—	57.1
	Silver in lead concentrate	g/t	—	90.0
Concentrate Tonnes	Lead-silver concentrate	t	—	3,409

Note: Figures for ROM ore, feed grade, recovery and concentrate grade are rounded to nearest one decimal place, and figures for concentrate tonnes are rounded to whole number and these figures may show apparent addition errors.

Exploration, Development and Mining Cost of Aung Jiuja Mine

Expenses of exploration, development and mining activities of Aung Jiuja Mine during the Period and the corresponding period of 2019 are set out below:

			For the six months ended 30 June	
			2020 RMB million	2019 RMB million
Exploration activities			—	—
Development activities				
	Mining infrastructure		—	6.2
	Processing plant and equipment and its related expenses		2.6	—
	Subtotal		2.6	6.2
Mining activities (Note (1))				
	Subcontracting fee		—	1.7
	Administrative and related costs (including labour costs)		—	0.3
	Amortisation and others (Note (2))		—	—
	Subtotal		—	2.0
	Total		2.6	8.2

Note: (1) Processing not included.

(2) Please be noted that the production taxes and royalties recorded for the period ended 30 June 2019 are excluded from this item since all these expenses are relocated as expenses for concentrates production.

(3) Figures for expenses of exploration, development and mining activities are rounded to nearest one decimal place and these figures may show apparent addition errors.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING MINE IN MYANMAR – GPS JV MINE

Mineral resources and reserves of GPS JV Mine

GPS JV Mine is an underground lead-silver polymetallic mine located in Bawsaing Track, Kalaw Township, Southern Shan State, Myanmar, in a karst topography between 1,200 meters to 1,550 meters above sea level. It is one of the major lead-silver deposits in Myanmar and covers an area of approximately 2 sq. km.

According to the production exploration reports issued by Yunnan Sanyuan Geological Exploration Limited Company (雲南三源地質勘查有限公司) in October 2018, a summary of the estimated resources of the GPS JV Mine as at 31 December 2019 and 30 June 2020 in accordance with the Chinese Standard is as follows:

	30 June 2020		31 December 2019	
	Metal Resources Lead (kt)	Grade Lead (%)	Metal Resources Lead (kt)	Grade Lead (%)
Measured	61.0	4.1	61.2	4.1
Indicated	403.1	6.3	403.1	6.3
Inferred	1,487.0	7.8	1,487.0	7.8
Total	1,951.1	7.4	1,951.3	7.4

Note: Figures for metal resources and grade are rounded to nearest one decimal place and these figures may show apparent addition errors.

Assumptions:

The figures of the lead resources of GPS JV Mine are based on the following assumptions:

- (1) The lead resources and grade for GPS JV Mine are based on the estimate as per the aforesaid independent technical report. The decrease of lead resources was due to the mining operation during the Period. The period end amounts have been confirmed by our internal experts.
- (2) All material assumptions and technical parameters underpinning the estimates as stated in the aforesaid independent technical report continue to apply and have not been materially changed.

Overview

The production of GPS JV Mine was continuously affected by the inefficient supply of mining operations of the existing mining zones which are under development coupled with the complex underground mining operations and relatively low grade of lead ores. We will continue to enhance our exploration activities with a view to locate other mining zones with further quality mineral resources and higher grade and in a more cost effective manner for our mining and processing productions in the future.

With a view to combat the limitations brought by lower mining production and relatively low grade of lead ores during the Period, the GPS JV Mine continued to provide its processing service for the lead ores of the surrounding regions.

MANAGEMENT DISCUSSION AND ANALYSIS

Exploration, Development and Mining Activities of GPS JV Mine

(I) Exploration Activities

During the Period, we continued to conduct production exploration works within the areas of the mining rights of GPS JV Mine and committed to accelerating the production operation and increasing our resources reserves as well as the resources categories. In addition, we will continue to enhance the exploration activities in other mining zones of GPS JV Mine in order to provide a reliable guarantee for the subsequent continuous production of the project so as to supply our mining and processing.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of exploration work or conducted any other geological exploration work at GPS JV Mine during the Period.

(II) Development Activities

During the Period, we concentrated the mining operation at Jiabao mining zone in the GPS JV Mine. Meanwhile, in order to overcome the insufficient investment in production system, the Group is actively exploring other mining zones with resource potential and commercial viability.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at GPS JV Mine during the Period.

(III) Mining and processing activities

The following table summarises the mining and processing results of GPS JV Mine during the Period and the corresponding period of 2019:

			For the six months ended 30 June	
	Items	Unit	2020	2019
ROM Ore	Mined	kt	2.2	18.0
	Processed	kt	3.7	16.8
Feed Grade	Lead	%	5.3	5.3
	Silver	g/t	25.0	14.6
Recovery	Lead	%	80.6	83.5
	Silver in lead concentrate	%	72.0	70.0
Concentrate Grade	Lead	%	65.5	48.2
	Silver in lead concentrate	g/t	560.0	111.1
Concentrate Tonnes	Lead-silver concentrate	t	277	1,545

Note: Figures for ROM ore, feed grade, recovery and concentrate grade are rounded to nearest one decimal place, and figures for concentrate tonnes are rounded to whole number and these figures may show apparent addition errors.

MANAGEMENT DISCUSSION AND ANALYSIS

Exploration, Development and Mining Cost of GPS JV Mine

Expenses of exploration, development and mining activities of GPS JV Mine during the Period and the corresponding period of 2019 are set out below:

	For the six months ended 30 June	
	2020 RMB million	2019 RMB million
Exploration activities	—	—
Exploration Works	3.6	—
Administrative related expenses (including labour costs)	4.0	—
Transportation	1.4	—
Subtotal	9.0	—
Development activities		
Mining infrastructure	1.2	6.7
Subtotal	1.2	6.7
Mining activities (Note (1))		
Subcontracting fee	0.9	0.6
Administrative and related costs (including labour costs)	0.8	0.2
Amortisation and others (Note (2))	0.6	—
Subtotal	2.3	0.8
Total	12.5	7.1

Note: (1) Processing not included.

(2) Please be noted that the production taxes and royalties recorded for the six months ended 30 June 2019 are excluded from this item since all these expenses are relocated as expenses for concentrates production.

(3) Figures for expenses of exploration, development and mining activities are rounded to nearest one decimal place and these figures may show apparent addition errors.

OPERATING MINE IN CHINA — DAKUANGSHAN MINE

Mineral resources and reserves of Dakuangshan Mine

Dakuangshan Mine is an underground lead-zinc-silver polymetallic mine located at Yingjiang County of Yunnan Province, the PRC, and approximately 100 km. away from the Shizishan Mine. The mining permit of the Dakuangshan Mine covers an area of 1.56 sq. km. Based on the geologist report issued by the Sichuan Province Geological Group (四川省地質工程集團) dated 11 April 2012, a summary of the estimated resources of Dakuangshan Mine as at 31 December 2019 and 30 June 2020 in accordance with the Chinese Standard is as follows:

	30 June 2020						31 December 2019					
	Metal Resources			Grade			Metal Resources			Grade		
	Lead (kt)	Zinc (kt)	Silver (t)	Lead (%)	Zinc (%)	Silver (g/t)	Lead (kt)	Zinc (kt)	Silver (t)	Lead (%)	Zinc (%)	Silver (g/t)
Indicated+Inferred	113.2	218.6	209.6	2.7	5.2	54.2	113.3	218.7	209.6	2.7	5.2	54.2

Note: Figures for metal resources and grade are rounded to nearest one decimal place and these figures may show apparent addition errors.

Assumptions:

The figures of the lead, zinc and silver resources of Dakuangshan Mine are based on the following assumptions:

- (1) The lead and zinc resources and grades for Dakuangshan Mine are based on the estimate as per the aforesaid independent technical report. The decreases of the lead, zinc and silver resources were due to our mining operation during the Period. The period end amounts have been confirmed by our internal experts.
- (2) All material assumptions and technical parameters underpinning the estimates as stated in the aforesaid independent technical report continue to apply and have not been materially changed.

Overview

The production of Dakuangshan Mine decreased during the Period. Its production was impacted by the complexity of geological composition and low grade of the existing mining zones and new mining zones.

Further systematic and detailed exploration works and analysis of the geological composition and structure of the existing mining zone and the new mining zones are now in progress which is expected to provide a more efficient and effective production for Dakuangshan Mine.

Exploration, Development and Mining Activities of Dakuangshan Mine

(l) Exploration Activities

During the Period, we continued the exploration works through our mining operation in Dakuangshan Mine with mining level located at 1,420 and 1,470 metres in height.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of exploration work or conducted any formal geological exploration work at Dakuangshan Mine during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Development Activities

During the Period, we continued the underground production enhancement construction works in Dakuangshan Mine with mining level located at 1,420, 1470 and 1,520 metres in height.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Dakuangshan Mine during the Period.

(III) Mining and processing activities

The following table summarises the mining and processing results of Dakuangshan Mine during the Period and the corresponding period of 2019:

		For the six months ended 30 June		
	Items	Unit	2020	2019
ROM Ore	Mined	kt	5.8	20.5
	Processed	kt	9.8	21.4
Feed Grade	Lead	%	1.1	1.5
	Zinc	%	2.3	2.5
	Silver	g/t	20.0	15.0
Recovery	Lead	%	87.6	79.1
	Zinc	%	79.9	70.3
	Silver in lead concentrate	%	68.7	93.0
	Silver in zinc concentrate	%	18.7	—
Concentrate Grade	Lead	%	55.2	55.3
	Zinc	%	45.3	43.7
	Silver in lead concentrate	g/t	650.0	650.0
	Silver in zinc concentrate	g/t	70.0	—
Concentrate Tonnes	Lead-silver concentrate	t	113	460
	Zinc-silver concentrate	t	278	860

Note: Figures for ROM ore, feed grade, recovery and concentrate grade are rounded to nearest one decimal place, and figures for concentrate tonnes are rounded to whole number and these figures may show apparent addition errors.

MANAGEMENT DISCUSSION AND ANALYSIS

Exploration, Development and Mining Cost of Dakuangshan Mine

Expenses of exploration, development and mining activities of Dakuangshan Mine during the Period and the corresponding period of 2019 are set out below:

	For the six months ended 30 June	
	2020 RMB million	2019 RMB million
Exploration activities	0.2	—
Development activities		
Mining infrastructure	1.4	2.3
Processing plant and equipment	0.1	—
Subtotal	1.5	2.3
Mining activities (Note (1))		
Subcontracting fee	0.4	1.3
Materials cost, electricity and water	0.2	—
Administrative and related costs (including labour costs)	0.6	0.2
Production taxes and royalties, amortisation and others	0.6	1.7
Subtotal	1.8	3.2
Total	3.5	5.5

Note: (1) Processing not included.

(2) Figures for expenses of exploration, development and mining activities are rounded to nearest one decimal place and these figures may show apparent addition errors.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING MINE IN CHINA – SHIZISHAN MINE

Mineral resources and reserves of Shizishan Mine

Shizishan Mine is an underground lead-zinc-silver polymetallic mine located at Yingjiang County of Yunnan Province, the PRC. Shizishan Mine is located at the southern extension of the Hengduan Mountain Range and along the north-south stretching secondary ridge of the western part of Gaoligong Mountains in western Yunnan with the undulating terrain as well as in the vicinity of the Binlang River. According to the report of resources and reserves estimation on Shizishan Mine as disclosed in the “Competent Person’s Report” set out in Appendix V to the Prospectus, a summary of the estimated resources and reserves of Shizishan Mine in accordance with the JORC Code as at 31 December 2019 and 30 June 2020 is set out below:

JORC Mineral Resources as at 30 June 2020

Mineral Resource at 0.5% Pb Cut Off

Class	Quantity (t)	Pb (%)	Zn (%)	Ag (g/t)	Pb metal (t)	Zn metal (t)	Ag metal (t)
Measured	1,206,683	10.9	6.6	271.0	193,302	104,089	546
Indicated	6,398,000	9.0	5.9	250.0	575,200	378,500	1,600
Inferred	516,000	7.7	4.8	247.0	39,600	24,500	100
Total	8,120,683	9.4	6.0	276.0	808,102	507,089	2,246

JORC Ore Reserves Estimates as at 30 June 2020

Class	Quantity (t)	Pb (%)	Zn (%)	Ag (g/t)	Pb metal (t)	Zn metal (t)	Ag metal (t)
Proved	1,086,683	10.0	6.1	25.0	160,903	84,489	446
Probable	5,713,000	9.0	5.9	250.0	514,500	336,900	1,400
Total	6,799,683	9.3	5.9	250.0	675,403	421,389	1,846

JORC Mineral Resources as at 31 December 2019

Mineral Resource at 0.5% Pb Cut Off

Class	Quantity (t)	Pb (%)	Zn (%)	Ag (g/t)	Pb metal (t)	Zn metal (t)	Ag metal (t)
Measured	1,206,683	10.9	6.6	271.0	193,302	104,089	546
Indicated	6,398,000	9.0	5.9	250.0	575,200	378,500	1,600
Inferred	516,000	7.7	4.8	247.0	39,600	24,500	100
Total	8,120,683	9.4	6.0	276.0	808,102	507,089	2,246

JORC Ore Reserves Estimates as at 31 December 2019

Class	Quantity (t)	Pb (%)	Zn (%)	Ag (g/t)	Pb metal (t)	Zn metal (t)	Ag metal (t)
Proved	1,086,683	10.0	6.1	251.0	160,903	84,489	446
Probable	5,713,000	9.0	5.9	250.0	514,500	336,900	1,400
Total	6,799,683	9.3	5.9	250.0	675,403	421,389	1,846

Note: Figures for grade of Pb, Zn and Ag are rounded to nearest one decimal place, and the quantity, Pb metal, Zn metal and Ag metal contained in mineral resources and reserves are rounded to whole number and these figures may show apparent addition errors.

Assumptions:

The figures of the lead, zinc and silver resources of Shizishan Mine are based on the following assumptions:

- (1) The lead, zinc and silver resources and grades for Shizishan Mine are based on the estimate as per the aforesaid independent technical report. The period end amounts have been confirmed by our internal experts.
- (2) All material assumptions and technical parameters underpinning the estimates as stated in the aforesaid independent technical report continue to apply and have not been materially changed.

Overview

During the Period, we temporarily suspended the drainage tunnel works for Shizishan Mine mainly due to the COVID-19 Epidemic. Since the elevation of certain underground mining zones of the Shizishan Mine is lower than the groundwater level, therefore the intermittent inflow of rain and underground water into the underground mining zones added a lot of difficulties to the ongoing drainage tunnel construction project. It is expected that the drainage tunnel works, which were caused by earthquakes and further affected by torrential rains in these years, took sometime for completion, therefore Shizishan Mine shifted its operational strategy during the Period by concentrating on provision of processing services for the minerals ores of the surrounding mines, thereby achieving a better result as compared with the corresponding period of 2019.

With the establishment and enhancement of long term close cooperation relationship with surrounding mines, Shizishan Mine will continue to formulate and implement a suitable operation plan and accelerate the operational efficiency of its processing plant to counter the difficulties for our mining operation.

Exploration, Development and Mining Activities of Shizishan Mine

- (I) Exploration Activities
During the Period, we have not entered into any contracts or commitments in respect of exploration work or conducted any formal geological exploration work at Shizishan Mine.
- (II) Development Activities
Since the summer of 2015, in the area where Shizishan Mine is located, there were a number of intense, torrential rain storms in a short period of time, resulting in a dramatic increase in downhole water. Such continuous heavy rainfalls together with the previous earthquakes have affected its geological structure and geomorphology, and the tunnels were severely damaged.

MANAGEMENT DISCUSSION AND ANALYSIS

Since 2017, we continued to clear and reinforce the damaged tunnels of Shizishan Mine and resumed pumping water from the tunnels. In September 2017, we started to carry out the drainage tunnel works. As affected by the COVID-19 Epidemic, no drainage tunnel work was carried out during the Period. As at 30 June 2020, the tunnel construction works amounted to 1,115.9 meters in length and the construction works amounted to 6,675 m³.

We will systematically solve the water inflow issue in mine shafts and broken downholes and continue to actively and properly monitor and adjust the future operation and mining plan of Shizishan Mine.

Meanwhile, the processing plant of Shizishan Mine continued to provide the subcontracting processing services for the raw ores of the surrounding mines.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Shizishan Mine during the Period.

(III) Mining and processing activities

The following table summarises the mining and processing results of Shizishan Mine during the Period and the corresponding period of 2019:

			For the six months ended 30 June	
	Items	Unit	2020	2019
Processed		kt	11.2	4.6
Feed Grade	Lead	%	5.0	3.9
	Zinc	%	7.0	4.4
	Silver	g/t	125.0	100.0
Recovery	Lead	%	80.0	80.0
	Zinc	%	85.0	85.0
	Silver in lead concentrate	%	75.0	65.0
	Silver in zinc concentrate	%	8.0	5.0
Concentrate Grade	Lead	%	60.0	55.5
	Zinc	%	49.0	46.3
	Silver in lead concentrate	g/t	1,400.0	1,164.8
	Silver in zinc concentrate	g/t	80.0	61.2
Concentrate Tonnes	Lead-silver concentrate	t	750	255
	Zinc-silver concentrate	t	1,365	372

Note: Figures for ROM ore, feed grade, recovery and concentrate grade are rounded to nearest one decimal place and figures for concentrate tonnes are rounded to whole number, and these figures may show apparent addition errors.

MANAGEMENT DISCUSSION AND ANALYSIS

Exploration, Development and Mining Cost of Shizishan Mine

Expenses of exploration, development and mining activities of Shizishan Mine during the Period and the corresponding period of 2019 are set out below:

	For the six months ended 30 June	
	2020 RMB million	2019 RMB million
Exploration activities	—	—
Development activities		
Mining infrastructure	0.3	—
Tailing storage facilities	—	0.4
Subtotal	0.3	0.4
Mining activities (Note (1))	—	—
Total	0.3	0.4

Note: (1) Processing not included.

(2) Figures for expenses of exploration, development and mining activities are rounded to nearest one decimal place and these figures may show apparent addition errors.

OPERATING MINE IN CHINA — MENGHU MINE

Mineral resources and reserves of Menghu Mine

Menghu Mine is an underground lead-zinc polymetallic mine located at Mengla County of Yunnan Province, the PRC. It is a lead and zinc mine with potential in mineral resources. The mining permit of the Menghu Mine covers an area of approximately 0.38 sq. km.

Menghu Company has engaged the Regional Geologic Survey Team of the Sichuan Bureau of Geological Exploration of Mineral Resources (四川省地質礦產勘查開發局區域地質調查隊), an independent third party exploration entity, to conduct exploration at Menghu Mine in March 2012. A report on the geological exploration conducted at Menghu Mine was issued on 30 November 2012. A summary of the estimated resources of the Menghu Mine as at 31 December 2019 and 30 June 2020 in accordance with the Chinese Standard in the aforesaid report is set out as follows:

	30 June 2020				31 December 2019			
	Metal Resources		Grade		Metal Resources		Grade	
	Lead (kt)	Zinc (kt)	Lead (%)	Zinc (%)	Lead (kt)	Zinc (kt)	Lead (%)	Zinc (%)
Indicated + inferred	31.1	18.0	13.8	7.8	31.1	18.0	13.8	7.8

Note: Figures for metal resources and grade are rounded to nearest one decimal place and these figures may show apparent addition errors.

MANAGEMENT DISCUSSION AND ANALYSIS

Assumptions:

The figures of the lead and zinc resources of Menghu Mine are based on the following assumptions:

- (1) The lead and zinc resources and grades for Menghu Mine are based on the estimate as per the aforesaid independent technical report. The period end amounts have been confirmed by our internal experts.
- (2) All material assumptions and technical parameters underpinning the estimates as stated in the aforesaid independent technical report continue to apply and have not been materially changed.

Overview

During the Period, under the subcontracting arrangement, the Group continued to provide its continuous necessary supervision and guidance to the sub-contractor(s) for the operation of Menghu Mine periodically, providing a good foundation for us either to operate by ourselves or to increase our subcontracting income in the future.

By adopting the operational strategy of the subcontracting arrangement, our further capital investment and operation expenses in the construction of the Menghu Mine are reduced and the Group has achieved a stable and predictable economic return.

Exploration, Development and Mining Activities of Menghu Mine

(I) Exploration Activities

During the Period, we have not entered into any contracts or commitments in respect of exploration work or conducted any formal geological exploration work at Menghu Mine.

(II) Development Activities

During the Period, we continued to adopt sub-contract mining arrangement and carried out infrastructure construction work of roadway support, transport track, ventilation and drainage system at Menghu Mine in accordance with the requirements of transformation and upgrading of mines imposed by the local government.

Save as disclosed hereinabove, we have not entered into any contracts or commitments in respect of the infrastructure development (including infrastructure construction, subcontracting arrangements or purchases of equipment) or conducted any infrastructure or development work at Menghu Mine during the Period.

(III) Mining and processing activities

The following table summarises the mining results of Menghu Mine during the Period and the corresponding period of 2019:

		For the six months ended 30 June		
	Items	Unit	2020	2019
ROM Ore	Mined	kt	0.6	2.6
Grade	Lead	%	15.5	16.6
	Zinc	%	6.0	7.0

Note: Figures for ROM ore and grade are rounded to nearest one decimal place and these figures may show apparent addition errors.

MANAGEMENT DISCUSSION AND ANALYSIS

Exploration, Development and Mining Cost of Menghu Mine

No material expenses of exploration, development and mining activities of Menghu Mine were incurred during the Period (1H 2019: Nil).

OTHER MINES UNDER DEVELOPMENT IN CHINA

Liziping Mine

Liziping Mine is a lead-zinc-copper-silver polymetallic mine located at Lanping County of Yunnan Province, the PRC and approximately 700 km. away from Shizishan Mine. The exploration permit of Liziping Mine covers an area of 8.45 sq. km.

Liziping Company engaged the Northwest Sichuan Geological Survey Team of the Sichuan Bureau of Geological Exploration of Mineral Resources (四川省地質礦產勘查開發局川西北地質隊), an independent third party exploration entity, to conduct exploration at the Liziping Mine in July 2011. Prior to the acquisition, an area of approximately 4 sq. km. had been explored and a geologist report based on such exploration activities was issued on 12 May 2012. Based on the report, a summary of the estimated resources of the Liziping Mine as at 31 December 2019 and 30 June 2020 in accordance with the Chinese Standard in the aforesaid report is as follows:

30 June 2020								
	Metal Resources				Grade			
	Lead (kt)	Zinc (kt)	Copper (kt)	Silver (t)	Lead (%)	Zinc (%)	Copper (kt)	Silver (g/t)
Indicated	23.1	41.5	7.7	120.6	3.8	4.8	0.99	123.4
Inferred	73.5	99.8	18.5	276.7	12.5	2.9	0.78	278.8
Total	96.6	141.3	26.2	397.3	10.4	3.5	0.84	231.6

31 December 2019								
	Metal Resources				Grade			
	Lead (kt)	Zinc (kt)	Copper (kt)	Silver (t)	Lead (%)	Zinc (%)	Copper (kt)	Silver (g/t)
Indicated	23.1	41.5	7.7	120.6	3.8	4.8	0.99	123.4
Inferred	73.5	99.8	18.5	276.7	12.5	2.9	0.78	278.8
Total	96.6	141.3	26.2	397.3	10.4	3.5	0.84	231.6

Note: Save as the grade of copper which is rounded to two decimal places, all other figures for metal resources and grade are rounded to nearest one decimal place and these figures may show apparent addition errors.

MANAGEMENT DISCUSSION AND ANALYSIS

Assumptions:

The figures of the lead, zinc, copper and silver resources of Liziping Mine are based on the following assumptions:

- (1) The lead, zinc, copper and silver resources and grades for Liziping Mine are based on the estimate as per the aforesaid independent technical report.
- (2) All material assumptions and technical parameters underpinning the estimates as stated in the aforesaid independent technical report continue to apply and have not been materially changed.

During the Period, we have obtained the exploration permit for the Liziping Mine and are processing to apply for the mining permit.

Save as disclosed hereinabove, no other exploration, development or mining works had been conducted at Liziping Mine during the Period.

No material capital expenditures were incurred for Liziping Mine during the Period (1H 2019: Nil).

Dazhupeng Mine

Dazhupeng Mine is a lead-zinc-silver polymetallic mine located at Yingjiang County of Yunnan Province, the PRC. It is located at approximately 20 km. away from the Shizishan Mine and has certain potential in lead, zinc and silver resources. The exploration permit of the Dazhupeng Mine covers an area of approximately 4.5 sq. km.

During the Period, we are processing to apply for the mining permit of Dazhupeng Mine and the related preparation works.

Save as disclosed hereinabove, no other exploration, development or mining works had been conducted at Dazhupeng Mine during the Period.

No material capital expenditures were incurred for Dazhupeng Mine during the Period (1H 2019: Nil).

Lushan Mine

Lushan Mine is a tungsten-tin polymetallic mine which is located at Yingjiang County of Yunnan Province, the PRC.

During the Period, Xiangcaopo Mining continued to carry out maintenance works at Lushan Mine and is in the process of renewing the exploration permit.

Save as disclosed hereinabove, no other exploration, development or mining works had been conducted at Lushan Mine during the Period.

No material capital expenditures were incurred for Lushan Mine during the Period (1H 2019: Nil).

MINERAL ORES TRADING

During the Period, the Group continued to conduct the mineral ores trading business, with a view to increase the income of the Group and create new momentum for the Group's growth. The trading business is one of the strategic moves by the Group, which can enlarge the Group's market share and enhance its economy of scale as well as strengthen our sales bargaining power in negotiating commercial terms with the customers. Given the rapid growth of its business in Myanmar, the Group will continuously endeavor to cautiously select and develop trading partners, prudently and flexibly adjust production and marketing strategy to actively promote the further development of the trading business.

FINANCIAL REVIEW

Revenue

During the Period, the Group's revenue was RMB25.6 million (1H 2019: RMB81.4 million). As compared to 1H 2019, revenue decreased by RMB55.8 million, which was primarily due to the decrease in the overall mining operation of the operating mines due to the COVID-19 Epidemic and compliance of the regulatory requirements for environmental protection as well as energy conservation and emission reduction in the mining industry of Myanmar and the PRC, and the decrease in selling prices of lead and zinc products.

Sales of self-produced products segment

Sales of self-produced products segment revenue decreased by 91.8% to RMB3.5 million (1H 2019: RMB42.6 million) which is in line with the overall decrease in the scale of our mining operations.

The sales of self-produced products segment recorded a loss of RMB4.3 million (1H 2019: a profit of RMB12.8 million).

Processing service segment

Revenue of processing service segment increased by 175% to RMB2.2 million (1H 2019: RMB0.8 million), which was primarily due to the increase of ores supplied by the surrounding miners to Shizishan Mine.

Trading business segment

	Revenue (RMB'000)	Cost of Sales (RMB'000)	Gross Profit (RMB'000)	Gross Profit Margin (%)
For the six months ended 30 June 2020				
Trade	19,045	18,943	102	0.5
For the six months ended 30 June 2019				
Trade	37,205	36,834	371	1.0

Revenue of trading business segment decreased by 48.9% to RMB19.0 million (1H 2019: RMB37.2 million) which was primarily due to sluggish lead and zinc markets and the decrease in demand of lead and zinc products. The gross profit contribution and gross profit margin from trading business slightly decreased mainly due to the sluggish lead and zinc downstream markets.

MANAGEMENT DISCUSSION AND ANALYSIS

Subcontracting income segment

Revenue from subcontracting income increased by 12.5% to RMB0.9 million (1H 2019: RMB0.8 million), which was mainly due to the increase in the contract period of subcontracting of the Menghu Mine as compared with the corresponding period of 2019.

Cost of sales

During the Period, the cost of sales was RMB29.3 million (1H 2019: RMB67.3 million), decreased by RMB38.0 million or 56.5%, which was primarily due to the decrease in the scale of our mining and trading business operations.

Other income and gains

During the Period, the other income and gains were RMB0.9 million (1H 2019: RMB1.3 million), which was primarily comprising bank interest income, rental income, government grant related to expenses and gain on exchanges.

Administrative expenses

During the Period, the administrative expenses increased to RMB22.0 million (1H 2019: RMB12.6 million), primarily due to the increase of the depreciation of fixed assets as a result of temporary suspension of the mining operation of Aung Juijia Mine and Shizishan Mine and decreased production scale of GPS JV Mine as well as one off charges due to the industrial accident of the subcontractor in Liziping Mine during the Period.

Finance costs

During the Period, the finance costs decreased to RMB9.7 million (1H 2019: RMB12.4 million), primarily due to our efforts in restructuring the bank loans with Ping An Bank that resulted in decrease in overall interest expenses during the Period.

Income tax expense

During the Period, the income tax expense decreased by RMB1.1 million to RMB1.7 million (1H 2019: RMB2.8 million), primarily due to the decrease in the overall aggregated amount of (i) deferred tax assets arising from tax losses were written off as a result of expiry during the Period; and (ii) recognition of deferred tax liabilities as a result of temporary differences arising from depreciation allowance in excess of related depreciation.

Interim dividend

At a meeting of the Board held on 20 July 2020, the Board resolved not to declare any interim dividend during the Period to the Company's shareholders (1H 2019: Nil).

Net cash flow (used in)/ generated from operating activities

During the Period, the net cash flow generated in operating activities decreased to RMB16.4 million, primarily due to the decrease in scale of operation as a result of temporary suspension of the operating mines. The RMB35.8 million loss was adjusted by (i) the bank interest income and unrealised foreign exchange gains of RMB0.3 million; (ii) an increase in inventories of RMB0.7 million; (iii) an increase in prepayment, deposits and other receivables of RMB22.7 million; and (iv) a decrease in other payables and accruals of RMB0.5 million, which was offset by (i) finance costs of RMB9.7 million; (ii) non-cash expenses, including depreciation, amortization of RMB14.4 million; (iii) provision of impairment loss on trade receivables in the sum of RMB0.1 million; (iv) share of loss of an associate and decrease in due from associate in the sum of RMB9.1 million; (v) a decrease in trade receivables in the sum of RMB1.5 million; and (vi) an increase in trade payables and contract liabilities totaling RMB8.8 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Net cash flow used in investing activities

The net cash flow used in investing activities was approximately RMB18.6 million, which was primarily due to (i) an increase in pledged deposits of RMB0.3 million; and (ii) the payment for acquisition of non-controlling interests in a subsidiary of RMB18.3 million.

Net cash flow generated from financing activities

The net cash flow generated from financing activities was approximately RMB43.1 million, which was due to (i) the payment of interests of RMB0.2 million; and (ii) the payment of lease principals and interests of RMB0.3 million, which was offset by advance from a related party in the sum of RMB0.5 million.

Cash and bank balances

As at 30 June 2020, the cash and bank balances of the Group were denominated in the following currencies:

	30 June 2020 RMB'000	31 December 2019 RMB'000
RMB	5,108	3,025
HK\$	6,726	825
US\$	135	166
MMK	598	535
SG\$	207	208
	12,774	4,759

Borrowings

As at 30 June 2020, the Group's borrowing structure and maturity profile are as follows:

	30 June 2020			31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<i>Secured and guaranteed:</i>						
Current	4.81-5.30	2020	46,067	4.81-5.30	2020	35,549
Non-current	4.81-5.30	2021-2022	296,990	4.81-5.30	2021-2022	308,990
			343,057			344,539

All of the Group's bank loans are denominated in RMB.

The Group is committed to explore various means to improve its overall borrowing structure in terms of interest rate level and repayment terms on a continuing basis.

Charge on assets

As at 30 June 2020, the bank loans of the Group were secured by (i) the property, plant, equipment of RMB52.4 million; (ii) mining rights of RMB59.4 million; (iii) prepaid land lease payments of RMB10.3 million; (iv) 99% of equity interest in Kunrun; (v) 90% of equity interest in Dakuangshan Company; (vi) 90% of equity interest in Liziping Company; (vii) 90% of equity interest in Menghu Company; and guaranteed by (viii) Mr. Ran Xiaochuan, the Company's former executive director, and his spouse.

MANAGEMENT DISCUSSION AND ANALYSIS

Net gearing ratio

Consistent with industry norms, the Group uses the net gearing ratio to measure our debt level. Net gearing ratio is calculated by net debt divided by total equity. Net debt refers to the interest-bearing bank and other loans, net of cash and bank balances, excluding liabilities incurred for working capital purpose. Equity includes equity attributable to the owners of the Company and non-controlling interests. As at 31 December 2019 and 30 June 2020, the Group's net gearing ratio was as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Interest-bearing bank loans	343,057	344,539
Due to a related party	31,518	31,068
Less: cash and cash equivalents	(10,512)	(2,760)
Net debt	364,063	372,847
Total equity	1,737,025	1,750,271
Net gearing ratio	21.0%	21.3%

Net current liabilities

The Group's net current liabilities as at 30 June 2020 increased to RMB190.8 million as compared to the net current liabilities of RMB181.4 million as at 31 December 2019, primarily due to (i) an increase in inventory, prepayments, deposits and other receivables of RMB21.3 million; (ii) an increase in cash and cash equivalent of RMB7.8 million; (iii) a decrease in tax payables and lease liabilities of RMB1.8 million, which was offset by (i) a decrease in trade receivables of RMB1.7 million; (ii) a decrease in due from associate of RMB9.1 million; (iii) an increase in trade payables, contract liabilities and other payables of RMB18.5 million; (iv) an increase in due from a related party of RMB0.5 million and (v) an increase in interest-bearing bank loans of RMB10.5 million.

Going concern basis

During the six months ended 30 June 2020, the Group incurred a consolidated net loss of RMB37.5 million (six months ended 30 June 2019: RMB15.9 million). As at 30 June 2020, the Group had net current liabilities of RMB190.8 million (31 December 2019: RMB181.4 million).

In view of these circumstances, the Directors have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group has implemented or is in the process of implementing the following measures:

- (a) The Group is actively exploring the availability of alternative sources of financing.
- (b) The Group has budgeted and laid out its business plan for the next twelve months, and seeks to become profitable and generate positive cash flows from operation. The Group is actively monitoring the production activities of the mines so as to fulfill the forecast production volume and meet sales orders.
- (c) The Group is taking measures to tighten cost controls over administrative and other operating expenses aiming at improving the working capital and cash flow position of the Group including closely monitoring daily operating expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

- (d) The Group is actively monitoring the mining production so as not to incur any unexpected significant capital cash outflow.
- (e) The Group is actively following up with its debtors on outstanding receivables with the aim of agreeing a repayment schedule with each of them so as to expedite collection.

The Group estimates that the above measures would bring about sufficient cash from sales to ensure that the Group will continue as a going concern. The Group has taken into consideration of the existing COVID-19 Epidemic when preparing the cash flow forecast. In light of the COVID-19 Epidemic, the operation of the mines in Myanmar and China have been temporary suspended. Management expects the operation of these mines will gradually begin as the Group's employees (including the employees of the Group's contractors) have gradually returned to the mines. In addition, the Group expects that save and except for any extraordinary circumstances which are beyond the expectation of the management, following the gradual recovery of the COVID-19 Epidemic and the planned production expansion in the second half of 2020, any reasonable adverse price fluctuation of the Group's major products as a result of the COVID-19 Epidemic will not significantly cause severe negative impact to the Group's cash flow. Therefore, the management does not believe the COVID-19 Epidemic will materially affect the Group's operations and cash flows significantly during the forecasted period.

The Directors have reviewed the Group's cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the Period on a going concern basis.

Use of proceeds from the rights issue

Up to 30 June 2020, the Group utilized the net proceeds raised from rights issue in accordance with the designated uses set out in the Rights Issue Prospectus as follows:

Description	Amount designated in the Rights Issue Prospectus Total HK\$ Million	Up to 30 June 2020	
		Utilized HK\$ Million	Unutilized HK\$ Million
Proceeds from the rights issue			
— for the acquisition of the minority interests of Venture Million Enterprises Limited (“ Venture Million ”)	22.0	20.0	2.0 (Note (1))
— for the exploration of GPS JV Mine (including but not limited to geophysical, trenching, drilling and pit exploration and the surrounding ancillary facilities)	16.0	9.3	6.7 (Note (2))
— for the expansion of the processing plant in Aung Jiuja Mine to increase the lead ore processing capacity from 1,000 tonnes per day to 1,500 tonnes per day	5.2	2.6	2.6 (Note (3))
— for general working capital of the Group (including but not limited to covering the administrative and operating expenses of the Hong Kong office)	4.0	4.0	0
Total	47.2	35.9	11.3

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) Barring any extraordinary or unforeseen circumstances which are beyond contemplation and control of the Board, the unutilized net proceeds from the rights issue which is intended to be used for the acquisition of the minority interests of Venture Million is expected to be utilized by the end of 2023;
- (2) Barring any extraordinary or unforeseen circumstances which are beyond contemplation and control of the Board, it is expected that the unutilized net proceeds from the rights issue which is intended to be used for the exploration of GPS JV Mine is expected to be utilized before the end of 2023;
- (3) Due to the extraordinary event with regard to the impact of COVID-19 Epidemic, the unutilized net proceeds from the rights issue which is intended to be used for expansion of processing plant in Aung Jiuja Mine has been rescheduled to be utilized before the end of June 2021, unless the adverse conditions such as COVID-19 Epidemic continue.

As at 30 June 2020, the remaining balance of equivalent to approximately HK\$11.3 million was kept in the Company's bank account(s). It is expected that the unutilized net proceeds from the rights issue will be applied in accordance with the intended uses as disclosed in the Rights Issue Prospectus.

Share consolidation

According to the ordinary resolution passed on the EGM held on 8 May 2020, every ten (10) issued and unissued ordinary shares of par value of HK\$0.00001 each in the share capital of the Company have been consolidated into one (1) consolidated shares of par value of HK\$0.0001 each. Upon the share consolidation becoming effective on 12 May 2020, the authorized share capital of the Company has become HK\$380,000 divided into 3,800,000,000 consolidated shares with par value of HK\$0.0001 each. As at 30 June 2020, 447,472,125 consolidated shares have been in issue. Right after the share consolidation becoming effective, the board lot size for trading on the Stock Exchange has been changed from 1,000 shares to 10,000 shares of the Company.

Details of share consolidation have been stated on the Company's announcements dated 27 March 2020 and 8 May 2020, and the circular dated 9 April 2020.

Contingent liabilities

Save and except for the following, the Group did not have any material contingent liabilities or guarantees as at 30 June 2020:

In February 2020, a PRC company (the "**Lender**") alleged that investment properties of a subsidiary of the Group were pledged to secure a loan granted by the Lender to Mr. Ran Xiaochuan and Ms. Luo Chaohua (the "**Borrowers**"). A lawsuit was brought by the Lender claiming the outstanding principal loan sum of RMB12.5 million. On 15 May 2020, a judgment was made and the claim was valid. The directors, based on the advice from the Group's PRC legal counsel, believe that the amount of loss, if any, cannot be ascertained yet as there are other defendants in the lawsuit and the subsidiary has the right to recourse claim against the Borrowers.

Significant acquisitions and disposals

Save and except for the completion of the following transactions, the Group did not have any material acquisitions and disposals during the Period:

- (i) On 25 February 2020, the Company has completed the acquisition of 3% shareholding interest in Venture Million from an independent third party at the consideration of HK\$6.1 million pursuant to a framework agreement dated 22 February 2019.
- (ii) On 16 March 2020, the Company has completed the acquisition of 3.5% shareholding interest in Venture Million from an independent third party at the consideration of HK\$7.2 million pursuant to a framework agreement dated 27 February 2020.
- (iii) On 15 April 2020, the Company has completed the acquisition of 3.3 % shareholding interest in Venture Million from an independent third party at the consideration of HK\$6.7 million pursuant to a framework agreement dated 5 February 2018.

The aforesaid three independent third parties are not connected persons of the Company for the purpose of Listing Rules and they are independent of and not related to each other.

Capital expenditure

During the Period, the aggregated amount of the capital expenditure of the Group was approximately RMB6.7 million, which was primarily due to the expenditures on the mining infrastructures, construction in process works and the property, plant and equipment for the processing plant of Aung Jiuja Mine, GPS JV Mine and Dakuangshan Mine and Shizishan Mine.

Contract liabilities

As at 30 June 2020, the Group's contract liabilities amounted to approximately RMB19.4 million, which was primarily due to the increase in recovery efficiency in order to minimise the credit risk, therefore there was increase in short term advances from customers in relation to the delivery of concentrates at the end of the Period.

Financial and other risk management

Financial risk to which the Group exposed is mainly managed by the Group's accounting department. Each subsidiary within the Group is responsible for its own cash management and is closely monitored by the Company to achieve the efficient financial control and cash management target. In addition, the decision of the financing activities is made by the Company as the holding company.

The Group's activities expose it to a variety of financial risks, including commodity price risk, foreign exchange risk, interest rate risk, credit risk and sovereign risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has not entered into derivative contracts for speculative purposes during the Period.

(a) Commodity price risk

The prices of lead, zinc and silver affected by numerous factors and events that are beyond the control of the Group. These metal prices change on a daily basis and can vary significantly up and down over time. The factors impacting metal prices include both broader macro-economic developments and micro-economic considerations relating more specifically to the particular metal concerned. There were no commodity hedges in place as at 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

(b) Foreign exchange risk

The Group's operations are primarily in the PRC and Myanmar. We have not entered into any foreign exchange contract or derivative transactions to hedge against foreign exchange fluctuations for these operations for reasons set out below.

In respect of our operations in the PRC, our products are sold to local customers in RMB. All expenses of our PRC operations are also denominated in RMB. The functional currencies of our PRC subsidiaries are RMB.

In respect of our operations in Myanmar, most of our products are sold to customers in the PRC and their sales are also denominated in RMB. Some of the expenses incurred locally in Myanmar, which represents only a relatively small portion of our operation expenses, are denominated either in USD or Kyat. Myanmar operations are substantially financed by our funds in the PRC and Hong Kong which are mainly denominated in RMB or HK dollars.

We constantly monitor the fluctuation of the currency rate of RMB and the currency denomination of our bank deposits to ensure that the risk involved is within our expectation.

(c) Interest rate risk

We are exposed to interest rate risk resulting from fluctuations in interest rates on our floating rate debt. Floating interest rates are subject to published interest rate changes in the People's Bank of China. If the People's Bank of China increases interest rates, our finance costs will increase. In addition, to the extent that we may need to raise debt financing or roll over our short-term loans in the future, any upward fluctuations in interest rates will increase the costs of new debt obligations.

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to counterparty credit risk through sales of metal products on normal terms of trade. Counterparties are assessed on a continuing basis prior to, during and after the conclusion of transactions to ensure that exposure to credit risk is limited to acceptable levels. The limits are set to minimise the concentration of risks and therefore mitigate the potential for financial loss through counterparty failure.

The Group has a diverse group of clients mainly situated at Yunnan Province, the PRC. During the Period, all sales transactions with that company were duly paid in advance before goods were delivered and the Group did not have disagreement with it in all material aspects.

(e) Sovereign risk

The Group has operations in Myanmar that carry higher levels of sovereign risk. Political and administrative change and reforms in law, regulations or taxation may impact the Group's future performance.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2020, the Group had a total of 130 full-time employees (30 June 2019: 224 employees) in the PRC, Myanmar and Hong Kong, including 66 management and administrative staff, 32 production staff and 32 operations support staff. During the Period, staff costs (including Directors' remuneration in the form of salaries and other benefits) were approximately RMB4.4 million (1H 2019: RMB8.0 million), which represents a decrease of 45% compared to the corresponding period of 2019. Based on individual performance, a competitive remuneration package which includes salaries, medical insurance, discretionary bonuses, other benefits as well as state-managed retirement benefit schemes for employees in the PRC is offered to retain elite employees. Further details of our employee and remuneration policy, please see section headed "Operation System and Staff Training" of the Environmental, Social and Governance Report.

OCCUPATIONAL HEALTH AND SAFETY

During the Period, no accidents related to serious injuries or death were reported to our management. Furthermore, we were not subject to any claims arising from any material accidents involving personal injuries or property damage that had a material adverse effect on our business, financial condition or results of operation. We were in compliance with all relevant PRC, Hong Kong and Myanmar laws and regulations regarding occupational health and safety in all material respects during the Period. Further details of our occupational health and safety policy, please see section headed “Safety Production and Labour Protection” of the Environmental, Social and Governance Report.

ENVIRONMENTAL PROTECTION AND LAND REHABILITATION

No environmental claims, lawsuits, penalties or administrative sanctions were reported to management during the Period. We are of the view that we were in compliance with all relevant PRC and Myanmar laws and regulations, regarding environmental protection and land rehabilitation in all material respects during the Period and as at the date of this report. The Group has also adopted and implemented environmental policies on a standard which is not less stringent than the prevailing environmental laws and regulations of the PRC and Myanmar. As at 30 June 2020, the Group has accrued a provision of RMB1.9 million, RMB7.4 million, RMB1.0 million, RMB23.5 million and RMB1.3 million for the rehabilitation of the Aung Jiuja Mine, the GPS JV Mine, the Dakuangshan Mine, the Shizishan Mine and the Menghu Mine, respectively. Further details of our environmental protection policy, please see section headed “Energy Saving & Environment Protection” of the Environmental, Social and Governance Report.

STRATEGY AND OUTLOOK

1. With the increasingly stringent laws and regulations regarding environmental protection and emission reduction standard in Myanmar and China, we will continue to accelerate the transformation and upgrading progress of our businesses, striving to be an international professional miner;
2. We will continue to strengthen the resource exploration for existing mines in Myanmar and China, in order to explore and develop mines with abundant resources and high quality;
3. We will grasp the historical opportunities brought by the Belt and Road Initiative and continue to actively explore the markets in Myanmar or other emerging regions, and prudently grasp the mergers and acquisitions opportunities in overseas;
4. We will enhance the operational efficiency and effectiveness of the Group by further enhancing the cost-cutting measures, and further enhance our management and control level and efficiency; and
5. We will continue to strengthen and enhance the management and control on the health, safety and environmental systems of the mines of the Group.

By Order of the Board

Greenway Mining Group Limited

Yin Bo

Chairman

Hong Kong, 20 July 2020



OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

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

As at 30 June 2020, so far as is known to any Directors, none of the Directors or chief executives of the Company had any interests or short positions in shares, underlying shares and debentures of the Company or 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”), which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 24 November 2011 which came into operation unconditionally on the Listing Date.

The purpose of the Share Option Scheme is to provide an incentive for eligible participants, including executives or officers (including executive, non-executive and independent non-executive directors) or employees (whether full time or part time) of any member of the Group and any persons whom the Directors consider at their sole discretion, to work with commitment towards enhancing the value of the Company and the shares for the benefit of shareholders of the Company and to retain and attract working partners whose contributions are beneficial to the growth and development of the Company.

During the Period and up to the date of this interim report, no share options were granted, exercised, lapsed or cancelled under the Share Option Scheme and there were no outstanding share options under the Share Option Scheme as at 30 June 2020 and up to the date of this interim report.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the following persons (other than the Directors and chief executives of the Company) had or were deemed to have an interest and/or short position in shares or underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued Shares of the Company.

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
CITIC Dameng Investments Limited (note 2)	Beneficial owner	107,353,113(L)	23.99
CITIC Dameng Holdings Limited (note 2)	Interest of corporation controlled by the substantial shareholder	107,353,113(L)	23.99
Apexhill Investments Limited (note 2)	Interest of corporation controlled by the substantial shareholder	107,353,113(L)	23.99
CITIC Metal Group Limited (note 2)	Interest of corporation controlled by the substantial shareholder	107,353,113(L)	23.99
Metal and Mining Link Limited (note 2)	Interest of corporation controlled by the substantial shareholder	107,353,113(L)	23.99
Highkeen Resources Limited (note 2)	Interest of corporation controlled by the substantial shareholder	107,353,113(L)	23.99
Group Smart Resources Limited (note 2)	Interest of corporation controlled by the substantial shareholder	107,353,113(L)	23.99
Starbest Venture Limited (note 2)	Interest of corporation controlled by the substantial shareholder	107,353,113(L)	23.99
CITIC Resources Holdings Limited (note 2)	Interest of corporation controlled by the substantial shareholder	107,353,113(L)	23.99

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Keentech Group Limited (note 2)	Interest of corporation controlled by the substantial shareholder	107,353,113(L)	23.99
CITIC Projects Management (HK) Limited (note 2)	Interest of corporation controlled by the substantial shareholder	107,353,113(L)	23.99
CITIC Corporation Limited (note 2)	Interest of corporation controlled by the substantial shareholder	107,353,113(L)	23.99
CITIC Limited (note 2)	Interest of corporation controlled by the substantial shareholder	107,353,113(L)	23.99
CITIC Glory Limited (note 2)	Interest of corporation controlled by the substantial shareholder	107,353,113(L)	23.99
CITIC Polaris Limited (note 2)	Interest of corporation controlled by the substantial shareholder	107,353,113(L)	23.99
CITIC Group Corporation (note 2)	Interest of corporation controlled by the substantial shareholder	107,353,113(L)	23.99
Shi Xiaozhou	Beneficial owner	89,371,126(L)	19.97
Jia Bowei (note 3)	Beneficial owner	31,809,013(L)	7.10

Notes:

- The letter "L" denotes the person's long position in such shares.
- The entire issued share capital of CITIC Dameng Investments Limited is owned by CITIC Dameng Holdings Limited (HKSE Stock Code: 1091), which is in turn owned as to 9.07% by Apexhill Investments Limited ("**Apexhill**") and 34.39% by Highkeen Resources Limited ("**Highkeen**"). Apexhill is wholly owned by CITIC Metal Group Limited ("**CITIC Metal**"), which is in turn wholly owned by Metal and Mining Link Limited ("**MML**"). MML is wholly owned by CITIC Limited (HKSE Stock Code: 267). Highkeen is wholly owned by Group Smart Resources Limited ("**Group Smart**"), which is in turn wholly owned by Starbest Venture Limited ("**Starbest Venture**"). Starbest Venture is wholly owned by CITIC Resources Holdings Limited (HKSE Stock Code: 1205), which is in turn owned as to 49.57% by Keentech Group Limited ("**Keentech**"). Keentech is wholly owned by CITIC Projects Management (HK) Limited ("**CITIC Projects**"). CITIC Projects is wholly owned by CITIC Corporation Limited. CITIC Corporation Limited is wholly owned by CITIC Limited, which is owned as to 32.53% by CITIC Polaris Limited and as to 25.60% by CITIC Glory Limited. CITIC Glory Limited and CITIC Polaris Limited are wholly owned by CITIC Group Corporation. CITIC Group Corporation is a company established in the PRC.
- Mr. Jia Bowei beneficially owned 10,417,500 Shares (approximately 2.33%) and was taken to be interested in 21,391,513 Shares (approximately 4.77%) held by Roundhill Asia Limited, which is wholly owned by him.

Save as disclosed above, as at 30 June 2020, the Directors have not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

As at 30 June 2020, save as the followings, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities:

On 13 December 2019, the Company proposed a rights issue on the basis of one (1) rights share for every four (4) existing shares at the subscription price of HK\$0.055 per rights share. On 25 February 2020, the Company issued 894,944,250 rights shares to qualifying shareholders by way of the rights issue, and the net proceeds after deducting professional fees and all other relevant expenses are estimated to be approximately HK\$48,000,000, with the gross proceeds of approximately HK\$49,200,000. The subscription price represents a premium of approximately 1.85% over the closing price of HK\$0.054 per share as quoted on the Stock Exchange on 20 January 2020. The net subscription price per rights share is approximately HK\$0.053.

Details of the rights issue are set out in the announcements of the Company dated 13 December 2019, 18 December 2019, 19 December 2019, 24 December 2019 and 24 February 2020, and the Rights Issue Prospectus.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed, with no disagreement, the unaudited interim results for the six months ended 30 June 2020 with the management of the Company.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge, information and belief of the Directors, the Directors confirm that the Company had maintained a sufficient public float as required under the Listing Rules throughout the Period.

CORPORATE GOVERNANCE PRACTICE

The Board believes that good corporate governance is fundamental to ensure that the Company is well managed in the interests of all of its shareholders.

The Board has committed to maintaining high corporate governance practices and procedures to safeguard the interests of shareholders and to enhance corporate value and accountability of the Group. The Board reviews and improves the corporate governance practices from time to time to ensure that the Group is under the leadership of an effective board to optimize return for the shareholders.

The Board is of the view that during the Period, the Company has complied with all of the applicable code provisions as set out in the CG Code.

The Board and Chief Executive Officer

The Board is currently composed of one executive Director, three non-executive Directors and three independent non-executive Directors. The Board is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

The position of Chief Executive Officer of the Company remains vacant since the resignation of Dr. Li Chang Zhen on 18 September 2015. The day-to-day operations of the Company are currently overseen by Mr. Lei Dejun, the executive Director, since 12 June 2017. The main duties of Mr. Lei Dejun are to ensure the smooth running of the day-to-day operation of the Company and oversee the implementation of the Company's long and short term plans in accordance with its strategy while ensuring that all major decisions were made in consultation with the Board members, relevant Board committees or senior management of the Group. The Company will continue to use its best endeavours to identify a suitable and qualified candidate to fill the vacancy of the Chief Executive Officer as soon as practicable.

Change in information of the Board pursuant to Rule 13.51B (1) of the Listing Rules

Since the date of the 2019 annual report and up to the date of this interim report, there was no change to the Directors' information as required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

Board Committees

The Board has established the following committees with defined terms of reference, which are on terms no less exacting than those set out in the CG Code, if any:

- Audit Committee
- Safety, Health and Environment Committee
- Strategy Committee
- Nomination and Remuneration Committee

Audit Committee

The Audit Committee has endeavored to ensure a balanced, clear and understandable assessment of the Company's position and prospects in the annual reports, interim reports, announcements and other disclosures required under the Listing Rules and other statutory requirements.

During the Period and up to the date of this interim report, the Audit Committee has held two meetings and performed the following activities:

- reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019;
- reviewed the major internal audit issues, financial reporting system, internal control procedures and risk management system of the Company;
- reviewed the major audit findings in respect of the financial year ended 31 December 2019 from the external auditors;
- reviewed the 2020 audit fee proposal; and
- reviewed the unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2020 and discussed matters relating to auditing, internal controls and financial reporting.

As at the date of this interim report, the Audit Committee comprises Mr. Ma Shirong as its Chairman, and Mr. Chan Suk Ching and Mr. Dong Tao as its members.

Safety, Health and Environment Committee

During the Period and up to the date of this interim report, the Safety, Health and Environment Committee has held one meeting to review the occupational safety, health and environmental matters of the employees of the Company. The Safety, Health and Environment Committee considers that the Company has complied with all applicable occupational health and safety statutory and regulatory requirements in all material respects throughout the Period and up to the date of this interim report.

As at the date of this interim report, the Safety, Health and Environment Committee comprises Mr. Lei Dejun as its Chairman, and Mr. Chi Hongji and Mr. Zhang Yonghua as its members.

Strategy Committee

During the Period and up to the date of this interim report, the Strategy Committee has held one meeting to review and approve the strategic objectives of the Company, review the short term and long term strategies of the Group and discuss prospective acquisition of assets.

As at the date of this interim report, the Strategy Committee comprises Mr. Lei Dejun as its Chairman, and Mr. Yin Bo, Mr. Chan Suk Ching and Mr. Zhang Yonghua as its members.

Nomination and Remuneration Committee

During the Period and up to the date of this interim report, the Nomination and Remuneration Committee has held two meetings to review the remuneration of the senior management, review the performance of individual executive Director and review the independence of independent non-executive Directors.

The Board has adopted a board diversity policy (the “**Policy**”) which recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In determining an optimum composition of the Board, the Company takes into account various aspects set out in the Policy, including but not limited to gender, age, race, cultural and educational background, communication styles, interpersonal skills, functional expertise, problem solving skills, professional qualifications, knowledge and industry and regional experience, other qualities of the members of the Board as well as potential contributions to the Board. The Nomination and Remuneration Committee is also responsible for reviewing the Policy, measurable objectives and progress achieved thereof to ensure the Policy’s continued effectiveness from time to time.

As at the date of this interim report, the Nomination and Remuneration Committee comprises Mr. Chi Hongji as its Chairman, and Mr. Ma Shirong, Mr. Yin Bo and Mr. Dong Tao as its members.

Risk Management and Internal Control

The Board is responsible for maintaining a sound and effective system of risk management and internal controls and reviewing its effectiveness. Such system is designed to manage the risk of failure to achieve corporate objectives and to provide reasonable but not absolute assurance against material misstatement, loss or fraud.

During the Period, the Group’s internal audit team has reviewed the internal controls of the Group.



OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all members of the Board complied with the Model Code throughout the Period.

The Company has also established the “Employees Written Guidelines” on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of inside information of the Company. No incident of non-compliance of the “Employees Written Guidelines” by the employees was noted by the Company during the Period.

On behalf of the Board

Lei Dejun

Executive Director

Hong Kong, 20 July 2020

ABOUT THIS REPORT

This report, which has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules, is mainly about the Company's performance during the Period in terms of environmental, social and governance ("ESG") responsibilities. This report, which has been approved by the Board, comprises all the lead, zinc and silver mining and processing businesses engaged by the Company and its subsidiaries.

ABOUT THE COMPANY

We devote ourselves to pursuing highest international standards in terms of environmental protection and social responsibilities and attach great importance to employment, occupational health and safety of our staff, since we regard this as the core of our success. We actively focus on interests of various parties in the region where our Group operates. We base our routine operations on strict compliance with the laws, moral standards and best international norm in order to alleviate adverse effects of mining operations on the residential areas and the surrounding environment.

Materiality

As part of the preparation for compiling this report, we undertake a preliminary review of the material topics that have affected and continue to affect our businesses, and our actions to address them. This process focuses our reporting on the sustainability topics which we consider of interest to our key stakeholders, which include national and regional government, community members, our workforce and business partners.

The Group attaches great importance to ESG management and incorporates it into the Company's management process. The Board assumes full responsibility for the Group's ESG strategy and reporting and is responsible for assessing and determining the Group's ESG related risks and ensuring appropriate and effective ESG risk management and proper implementation of the internal monitoring system.

The Group attaches great importance to the communication with stakeholders, by disseminating the Company's ESG concepts and practices through various channels, understanding the concerns of stakeholders and taking action to meet their reasonable expectations and demands.

Basis of preparation

Unless otherwise stated, the basis for preparation of this report is same as the past years. The data in this report covers companies, assets and projects in which we have operational control (where we have full authority to implement our operating policies), but does not cover our associated companies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key performance indicators statistics

Main Focus	Major Index for Performance	For the six months ended 30 June		
		2020	2019	2018
Safe Production & Labour Protection	Fatalities	0	0	0
	Injured	0	0	0
	Safety Management Expenses (ten thousand yuan)	8	128	110
Energy Saving and Environmental Protection	Electricity Consumption (MWh)	1,976	5,924	6,014
	Electricity Intensity (kWh/t) (Note (1))			
	Mining	61	13	N/A
	Concentrating	47	48	N/A
	Water Consumption (t)	63,729	227,106	294,020
	Water Intensity (m ³ /t) (Note (2))			
	Mining	0.29	0.20	N/A
	Concentrating	1.98	1.70	N/A
	Greenhouse Gas Emission (t)	4	14	14
	Waste Water Emission(t)	21,560	28,408	23,634
	Volume of Mining Waste (t)	13,000	265,300	266,760
Operation System and Staff Training	Volume of Packaging Materials (t)	5.6	6.8	6.7
	Number of Suppliers	14	13	12
	Cases involving Corruption and Litigation	0	0	0
	Number of products related complaints received and/or recalled	0	0	0
	Number of Employees (Note(3))	130	224	214
	Ratio of Females (%)	17.69	18.75	21.96
	Average Hours of Employees Receiving Training (Hour)	20	20	24
	Donation (RMB)	33,600	110,753	210,000

Note:

- (1) The figures include the consolidated average electricity usage (kWh per tonne) for our mining and processing by Aung Jiuja Mine, Shizishan Mine, Dakuangshan Mine and GPS JV Mine during the Period and the six months ended 30 June 2019. But no such figures were collected for the six months ended 30 June 2018.
- (2) The figures include the consolidated average water usage (m³ per tonne) for our mining and processing by Aung Jiuja Mine, Shizishan Mine, Dakuangshan Mine and GPS JV Mine during the Period and the six months ended 30 June 2019. But no such figures were collected for the six months ended 30 June 2018.
- (3) Only our employees are counted and the employees recruited by the sub-contractors are not included in our calculation.
- (4) Save and except for water intensity and ratios for female are rounded to two decimal places and volume of packing materials is rounded to one decimal place, all other figures are rounded to the nearest whole number and these figures may show apparent addition errors.

(1) Safety Production and Labour Protection

We continue to strictly adhere to the PRC and Myanmar laws and regulations regarding mining production and environmental protection in order to improve our production safety and environmental protection management in a comprehensive manner, and eliminate any production safety accidents from happening.

(i) Our Work Mechanism

During the Period, we continuously strengthened the leadership's awareness of safety production management, improved the production safety accident hazard investigation and management system, adopted advanced technology and management measures, timely discovered and eliminated hidden dangers, and improved employees' ability in undertaking safety measures and accident emergency measures to deal with the risk factors in the workplace so as to achieve safe and orderly production. During the Period, no fatalities or material injuries were recorded within the Group. Our measures adopted include but are not limited to the followings:

- (a) We have established various safety management systems (including but not limited to safety production responsibility system, safety production regular meeting system, safety and environmental protection examination system, safety production rewards and punishment system, accident reporting and disposition system, etc.) according to the laws and regulations of the PRC and Myanmar and industry standards;
- (b) We have established the production safety committee and the occupational health committee respectively, and set up safety management organization systems and emergency rescue teams;
- (c) We conducted regular comprehensive safety inspection with risk investigation as the main focus, and recorded all types of hidden dangers, so as to effectively implement rectification measures;
- (d) We held weekly safety meetings to inspect, review and summarize the safety production works. The security managers tracked, inspected, rectified and implemented the safety production requirements at anytime and at anywhere. We carried out safety trainings and technical operation procedures training from time to time;
- (e) Under the supervision and guidance of the safety supervision and environmental protection departments, we carried out the three-level standardization construction of mines and the construction of "six major systems" to standardize the safety production management of mines.

(ii) Our Subcontracting Management

We kept reinforcing our management for mining operation by engaging professional and qualified mining companies to conduct mining works, and signing the safety management agreement thereof so as to ensure our sub-contractors to carry out their works in a safe manner. At the same time, we strengthened the safety inspection, supervision and safety rectification and implementation of the contractors, and strictly regulated on-site safety management.

(iii) Our Workplace Management Measures

- (a) Since the outbreak of the COVID-19 Epidemic, we have established a staff health monitoring system and ensure the safety of working environments by strictly cleaning and disinfecting workplaces in accordance with national and regional public health authorities' hygiene management requirements for periods of major infectious diseases.
- (b) We installed ventilation system, oxygen supply system, power supply system and drainage system, etc. in the downhole working surface so as to provide safety for underground workers;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- (c) We posted and hoisted the safety operation procedures, safety reminders, safety notice cards, etc. at major workplaces, and reminded the employees to pay attention to the safety, environmental protection and occupational disease prevention. We checked the safety equipments for the employees at the site on a regular basis, and employees who without safety protection measures were prohibited to enter into the workplace; and
- (d) If the implementation of safety management measures was not in place, the rectification notice would be issued and the rectification measures would be carried out immediately. We also prepared security management and inspection logs for recorded purpose.

(iv) Our Emergency Management

We divided emergency management into four phases, including prevention, preparation, response and resumption of production. At the same time, we also formulated standardized emergency plans and drills system, and minimized casualties, property damage and environmental pollution through pre-planned and purposeful emergency drills.

(v) Our Operation and Management with Information Technologies

We continued to carry out information technology work management so as to facilitate our management to resolve the hidden safety problems (if cannot be avoided). Our measures adopted include, but are not limited to the followings:

- (a) We installed fully monitored information technology system for explosives warehouses, tailings ponds and material warehouses to eliminate potential safety hazards and to prevent major safety incidents; and
- (b) We installed communication and personnel positioning systems for the operations to keep track of the safety information and location of them and to effectively implement emergency rescue measures.

As a result of our continuous stringent control in respect of the production safety, we continued to keep zero fatalities and injuries in respect of our employees. Set out below is a summary of the number of fatalities, number of injuries, and fatality rate during the Period:

	For the six months ended 30 June		
	2020	2019	2018
Number of Fatalities	0	0	0
Number of Injures	0	0	0
Fatality Rate (%)	0	0	0

Compliance with Safety Production Rules and Regulations

During the Period, we continued to strictly follow all the prevailing laws and regulations regarding safety production in the PRC and Myanmar. To the best of our information and knowledge, there was no material non-compliance with the prevailing laws and regulations regarding safety production by the Group during the Period.

(2) Energy Saving & Environment Protection

Strict Supervision of Resource Consumption

Our electricity is provided by the local electricity companies or generated by our electricity generators. Our water is either extracted from the rivers or provided by the water supplies authority of the local regions where we operate. The supply of electricity and water, which are fit for our operation or production purposes, are provided to us in a stable and effective manner.

We continued to strictly monitor our resources consumption on an ongoing basis and electricity consumption and water consumption are our top priorities. Set out below is a summary of electricity consumption and water consumption and our electricity intensity and water intensity of mining and processing by Aung Jiuja Mine, Shizishan Mine, Dakuangshan Mine and GPS JV Mine during the Period:

	For the six months ended 30 June		
	2020	2019	2018
Electricity Consumption (MWh)	1,976	5,924	6,014
Electricity Intensity (kWh per tonne)			
Mining	61	13	N/A
Concentrating	47	48	N/A
Water Consumption (tonne)	63,729	227,106	294,020
Water Intensity (m ³ per tonne)			
Mining	0.29	0.20	N/A
Concentrating	1.98	1.70	N/A

Reduction of Waste Production

Waste is a by-product during the process of our production operation. Due to the different nature of our businesses, different types of waste are generated. Throughout the whole production process from our upstream mining up to downstream operations, the biggest volume of hazardous wastes generated are greenhouse gas and waste water while the biggest volume of non-hazardous wastes generated are mining waste. Beyond that, the volume of solid and liquid waste we generate is small and the risk of significant environmental spills or leakages is low. We are committed to reducing our various kinds of waste production through technical innovation, so as to reduce their impact on the natural environment

(i) Greenhouse Gas Emissions

Our greenhouse gas emissions are produced during our upstream mining operation and downstream floating process production. During the Period, our greenhouse gas emissions were relatively decreased, which was due to the decrease in overall scale of mining operations of the Group during the Period. We are scheduled to improve the production technology, reduce energy consumption and continuously and regularly detect greenhouse gas emissions in our mines, so as to reduce the total amount of greenhouse gas emissions and its impact on the natural environment, and meet the environmental impact assessment implementation standards. Set out below is a summary of our greenhouse gas emissions during the Period:

	For the six months ended 30 June		
	2020	2019	2018
Greenhouse Gas Emissions (tonne)	4	14	14

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(ii) Waste Water

Water is mainly used for our processing operation and floating process production. However, the majority of the waste water are recycled for usage to ensure no adverse impact to the environment and the remaining will only be discharged after appropriate treatment. Set out below is a summary of our waste water emissions during the Period:

	For the six months ended 30 June		
	2020	2019	2018
Waste Water Emission (tonne)	21,560	28,408	23,634

(iii) Non-hazardous Waste — Mining Waste

All these mining waste are non-hazardous and are discharged into our designated places and when full, replantation will be carried out thereof in order to restore their original ecological structure. Details of our mining waste produced during the Period are set out as follows:

	For the six months ended 30 June		
	2020	2019	2018
Mining Waste (tonne)	13,000	265,300	266,760

(iv) Packaging Materials

Packaging bags are used to contain our finished products in accordance with the need of our customers. Details of our packaging materials used in our finished products during the Period are set out as follows:

	For the six months ended 30 June		
	2020	2019	2018
Packaging Materials (tonne)	5.6	6.8	6.7

We will continue to monitor the environmental effect in respect of our production, and continue to reduce the waste emissions during production, so as to minimise the impact on the surrounding ecosystem.

Environmental Regulation: Compliance and Beyond

In China, the implementation of rules and regulations such as National Mineral Resources Plan (2008-2015), National Land Remediation Plan (2016-2020) and Yunnan Province Green Mines Construction Management Rules have enhanced the green mine constructions regulations and requirements regarding the legal operation, comprehensive utilization, environmental protection, land reclamation, etc. for the mining companies including our Group.

In Myanmar, the local government also enhanced its rules and requirements regarding the environmental protection matters.

Notwithstanding that, during the Period, we continued our investment in environmental protection measures in compliance with environmental rules and regulations. We have not breached any environmental rules or regulations which resulted in fines or prosecutions. We believe that rule compliance is only the basic standard for our environmental protection. We are committed to the responsible supervision of both the short and long-term impacts of our business on the environment. This commitment goes beyond compliance and applies to all stages of our business — from planning, building, operation, maintenance to the decommissioning of our facilities and equipment.

Energy Savings and Reduction: Continuous Research and Implementation

By strengthening our management method, improving our production facilities and streamlining our production process, we continued our research on and implemented various energy savings and reduction measures.

(3) Operation System and Staff Training

(i) Operation System

(a) Supply Chain Management

Our suppliers and contractors provide us with a wide range of products and services, including equipment, fuels, electricity and other raw materials for our mining operations; packaging bags and other related accessories for the sales of our final products as well as underground technology innovation construction service and subcontracting processing services, etc. Before entering into the Group's supply chain, all of our suppliers are required to be assessed strictly in accordance with the Company's suppliers approval system, and such comprehensive review and evaluation are based on a combination of different and various factors such as their background information, reputation, production capacity, etc. When selecting suppliers, we will encourage them to use as many environmentally friendly products and services as possible, and we have made relevant green procurement policies. During the Period, the number of our suppliers remained stable. Details of the number of our suppliers are set out as follows:

	For the six months ended 30 June		
	2020	2019	2018
Number of our suppliers	14	13	12

(b) Product Quality Supervision and Customer Privacy Protection

The whole production process, commencing from procurement, production, packaging, labelling, production safety checking up to after sales services, are strictly complied with our quality management requirements. All our products strictly meet the national or industry standards and our client's requirements.

We monitor and periodically record any complaints related to breaches of customer privacy and loss of customer data. No customer privacy and data loss cases have been reported or noted during the Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We continued to provide our clients with high-quality after sales service and comply with our stringent products quality control system. During the Period, as a result of our continuous stringent control in respect of the quality of our products, we did not receive any complaints and/or recalls in respect of our products. During the Period, the complaints and/or recalls we received in respect of our products are as follows:

	For the six months ended 30 June		
	2020	2019	2018
Number of products related complaints and/or recalls received	0	0	0

(c) Monitoring of anti-corruption

We have established the anti-corruption management system according to the anti-corruption and bribery laws in the PRC, Hong Kong and Myanmar in order to intensify the detailed management, enhanced the responsibility assessment of the department's "chief principals" and established rational and effective management mechanism to prevent our employees from being engaged in illegal activities such as bribery, extortion, fraud and money laundering, etc. During the Period, we have not received any complaints and/or any legal cases regarding corruption, details are set out as follows:

	For the six months ended 30 June		
	2020	2019	2018
Number of complaints and/or legal cases regarding corruption	0	0	0

(d) Employment and Labour Standards

Our employment policies strictly followed the prevailing laws and regulations regarding compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, including but not limited to the followings:

1. Subscription of five national insurances (endowment insurance, employment injury insurance, medical insurance, maternity insurance, unemployment insurance and/or other insurance) so as to safeguard the employees' legitimate rights and interests in the safety production. High commercial accident insurances were provided to those employees engaged in high-risk works (such as the underground mining workers); and
2. We prohibited the employment of child, forced or compulsory labour in any of our operations. During the Period, we did not identify any operation or supplier as having significant risk of child labour and young workers exposed to hazardous work, or forced or compulsory labour.

Compliance with Labour Standards

During the Period, we continued to strictly follow all the prevailing laws and regulations regarding labour standards in the PRC, Hong Kong and Myanmar. To the best of our information and knowledge, there was no material non-compliance with the prevailing laws and regulations regarding labour standards by the Group during the Period.

(ii) Staff Training

During the Period, the main contents of our staff training provided including but not limited to the followings:

- (a) Three-levels safety training for newly recruited employees;
- (b) Training and education on safety and environmental protection for employees, particularly:
 - 1. Four categories of key personnel, including the main director of mines, deputy director of mines in charge of safety production, head of safety production management department and person in charge of outsourcing projects, as well as safety manager in strict accordance with relevant regulations, received professional training; and
 - 2. Personnel doing special type of work (e.g. powderman, safety personnel and custodian, custodian for tailing pond, electric welder and installation driver, etc.) would receive professional training required by relevant national departments and could work after obtaining the certification and passing three-month internship;
- (c) Training about safety for those returned to work and shifted to other posts: Those employees who have left the Company for more than 6 months and returned to work, and those employees who shifted their posts should receive training on safety by attending workshops and coaching by teams of their own units;
- (d) Safety training for “Four News”: When new craft, new technology, new equipment and new materials were adopted, the responsible departments would conduct targeted training on safety production for all relevant employees; and
- (e) Other trainings: In addition to occupational safety, our training covers areas such as technical knowledge, communication and management skills. The training programs were reviewed at the end of the year so as to assess whether the program is well designed and adequate for employees to continuously improve future training programs.

We cherish every employee and believe that our employees will continue to grow with our business expansion. Our employees have been provided with customized, systematic and forward-looking trainings and promotion opportunities so as to reveal their potentials for our sustainable development.

In light of our continuing development and in order to ensure the continuing enhancement of the team quality, the Company will provide more trainings to our employees in a progressive manner and review and improve the training courses on an ongoing basis so as to meet the need of our business operation and our employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(4) Establishing Friendly and Harmonious Relationship with Local Communities

With the goal to create an eco-friendly environment, we treasure the communication with the local governmental departments. We consistently and proactively join the local villagers in discussion and participation of environmental construction, reconstructing infrastructure facilities for local villagers and safeguarding the development of local agricultural production so as to build a harmonious society. Details are set out as follows:

- (1) We continued to enhance, improve and upgrade the surrounding living facilities for our mines and processing plants:
 - (a) We provided drinking water pipes for surrounding villagers to ensure their safety of drinking water;
 - (b) We constructed sand and gravel pavement for the surrounding villagers to enhance their travel convenience.
- (2) We cared the surrounding education environment:
 - (a) We organized reading activities to encourage active reading and learning;
 - (b) We gave our subsidies for teachers work in the surroundings.
- (3) We participated in regional ethnic cultural activities and buddhist propaganda activities:
 - (a) We donated several times for regional culture and village cultural associations to promote cultural development;
 - (b) We donated cultural and educational materials such as books and stationery.
- (4) During the period when COVID-19 Epidemic outbreaked in Myanmar, we twice donated masks and other epidemic prevention materials to the Myanmar government.

We treasure serving our community and therefore we spent money into the community where our businesses are situated. During the Period, our cash donations to local communities reached RMB33,600. Details are as follows:

	For the six months ended 30 June		
	2020	2019	2018
Donation (RMB)	33,600	110,753	210,000

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
REVENUE	3	25,638	81,434
Cost of sales		(29,278)	(67,349)
Gross (loss)/profit		(3,640)	14,085
Other income and gains	4	879	1,341
Selling and distribution expenses		(275)	(2,724)
Administrative expenses		(22,003)	(12,591)
Other expenses		(1,074)	(760)
Share of losses of an associate		(35)	—
Finance costs	5	(9,655)	(12,416)
LOSS BEFORE TAX	5	(35,803)	(13,065)
Income tax expense	6	(1,652)	(2,839)
LOSS FOR THE PERIOD		(37,455)	(15,904)
OTHER COMPREHENSIVE (LOSS)/INCOME:			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(667)	2,622
Total comprehensive loss for the period		(38,122)	(13,282)
Loss attributable to:			
Owners of the Company		(34,174)	(13,789)
Non-controlling interests		(3,281)	(2,115)
		(37,455)	(15,904)
Total comprehensive loss attributable to:			
Owners of the Company		(34,841)	(11,328)
Non-controlling interests		(3,281)	(1,954)
		(38,122)	(13,282)
Loss per share attributable to ordinary equity holders of the Company:			(restated)
— Basic and diluted	7	RMB(0.08)	RMB(0.03)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	792,455	805,747
Right-of-use assets	8	10,938	11,198
Investment properties	9	6,416	6,658
Intangible assets	8	984,707	985,541
Investment in an associate		19,091	19,126
Payments in advance	10	213,815	213,815
Prepayments and deposits	10	216,082	215,126
Pledged deposits		2,262	1,999
Deferred tax assets		47,926	49,649
Total non-current assets		2,293,692	2,308,859
CURRENT ASSETS			
Inventories		12,211	11,484
Trade receivables	11	1,206	2,889
Prepayments, deposits and other receivables	10	34,004	13,417
Due from an associate		—	9,086
Cash and cash equivalents		10,512	2,760
Total current assets		57,933	39,636
CURRENT LIABILITIES			
Trade payables	12	18,188	17,884
Contract liabilities		19,431	10,904
Other payables		129,446	119,741
Tax payable		3,682	5,347
Lease liabilities	14	414	532
Due to a related party		31,518	31,068
Interest-bearing bank loans	13	46,067	35,549
Total current liabilities		248,746	221,025
NET CURRENT LIABILITIES		(190,813)	(181,389)
Total assets less current liabilities		2,102,879	2,127,470
NON-CURRENT LIABILITIES			
Other payables		3,734	3,734
Lease liabilities	14	45	221
Interest-bearing bank loans	13	296,990	308,990
Provision for rehabilitation		35,141	34,239
Deferred tax liabilities		29,944	30,015
Total non-current liabilities		365,854	377,199
Net assets		1,737,025	1,750,271
EQUITY			
Equity attributable to owners of the Company			
Issued capital	15	38	30
Reserves		1,551,169	1,547,067
Non-controlling interests		185,818	203,174
Total equity		1,737,025	1,750,271

Lei Dejun
Director

Chan Suk Ching
Director

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company										
	Issued capital RMB'000 (note 15)	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Reserve funds RMB'000	Safety fund surplus reserve RMB'000	Capital contribution reserve RMB'000	Difference arising from changes in non-controlling interests RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	30	1,504,337*	2,455*	29,115*	8,774 *	234,109*	4,149*	(235,872)*	1,547,097	203,174	1,750,271
Loss for the period	-	-	-	-	-	-	-	(34,174)	(34,174)	(3,281)	(37,455)
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	-	-	(667)	-	-	-	-	-	(667)	-	(667)
Total comprehensive loss for the period	-	-	(667)	-	-	-	-	(34,174)	(34,841)	(3,281)	(38,122)
Acquisition of non-controlling interests (note 20)	-	-	-	-	-	-	(4,209)	-	(4,209)	(14,075)	(18,284)
Issue of shares by way of rights issue	8	43,152	-	-	-	-	-	-	43,160	-	43,160
Establishment for safety fund surplus reserve	-	-	-	-	58	-	-	(58)	-	-	-
Utilisation of safety fund surplus reserve	-	-	-	-	(798)	-	-	798	-	-	-
At 30 June 2020 (unaudited)	38	1,547,489*	1,788*	29,115*	8,034*	234,109*	(60)*	(269,306)*	1,551,207	185,818	1,737,025

	Attributable to owners of the Company										
	Issued capital RMB'000 (note 15)	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Reserve funds RMB'000	Safety fund surplus reserve RMB'000	Capital contribution reserve RMB'000	Difference arising from changes in non-controlling interests RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	30	1,504,337*	(3,028)*	29,115*	8,974*	234,109*	1,145*	(165,283)*	1,609,399	236,567	1,845,966
Loss for the period	-	-	-	-	-	-	-	(13,789)	(13,789)	(2,115)	(15,904)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	2,461	-	-	-	-	-	2,461	161	2,622
Total comprehensive loss for the period	-	-	2,461	-	-	-	-	(13,789)	(11,328)	(1,954)	(13,282)
Acquisition of non-controlling interests	-	-	-	-	-	-	(1,436)	-	(1,436)	(15,564)	(17,000)
Establishment for safety fund surplus reserve	-	-	-	-	205	-	-	(205)	-	-	-
Utilisation of safety fund surplus reserve	-	-	-	-	(250)	-	-	250	-	-	-
At 30 June 2019 (unaudited)	30	1,504,337*	(567)*	29,115*	8,929*	234,109*	(291)*	(179,027)*	1,596,635	219,049	1,815,684*

* These reserve accounts comprise the consolidated reserves of RMB1,551,169,000 (31 December 2019: RMB1,547,067,000) in the consolidated statement of financial position.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
OPERATING ACTIVITIES			
Loss before tax		(35,803)	(13,065)
Adjustments for:			
Finance costs	5	9,655	12,416
Unrealised foreign exchange gains	5	(287)	(215)
Bank interest income	4	(16)	(11)
Depreciation of property, plant and equipment	8	13,076	15,452
Depreciation of investment properties	9	242	291
Provision for impairment loss on trade receivables	5	141	—
Reversal of provision for impairment loss on other receivables	5	—	(665)
Depreciation of right-of-use assets	8	260	460
Amortisation of intangible assets	8	793	4,574
Share of losses of an associate		35	—
Operating cash flows before movements in working capital		(11,904)	19,237
Decrease/(increase) in trade receivables		1,542	(2,909)
Increase in inventories		(727)	(1,272)
(Increase)/decrease in prepayments, deposits and other receivables		(22,738)	4,332
Decrease in due from associate		9,086	—
Increase/(decrease) in trade payables		304	(4,386)
Increase in contract liabilities		8,527	1,732
(Decrease)/increase in other payables and accruals		(468)	5,594
Cash (used in)/generated from operations		(16,378)	22,328
Interest received		16	11
Net cash (used in)/generated from operating activities		(16,362)	22,339
INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(14)	(21,889)
Repayment of loans from third parties		—	13,300
Increase in pledged deposits		(263)	—
Payment for acquisition of non-controlling interests in a subsidiary		(18,284)	—
Expenditures on exploration and evaluation assets		—	(133)
Net cash used in investing activities		(18,561)	(8,722)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
FINANCING ACTIVITIES			
Proceeds from issue of new shares by way of right issue		43,160	—
Advance from a related party		450	—
Principal portion of lease payment		(294)	(373)
Interest portion of lease payment		(15)	(32)
Interest paid		(230)	(8,926)
Net cash generated from/(used in) in financing activities		43,071	(9,331)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of reporting period		2,760	4,502
Effect of foreign exchange rate changes		(396)	215
CASH AND CASH EQUIVALENTS AT THE END OF REPORTING PERIOD		10,512	9,003

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2020

1. CORPORATE INFORMATION

Greenway Mining Group Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company’s principal place of business in Hong Kong is Room 2510, 25/F, Harcourt House, No. 39 Gloucester Road, Wanchai, Hong Kong.

During the six months ended 30 June 2020 (the “**Period**”), the Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in mining, ore processing, sale of lead-silver concentrates and zinc-silver concentrates and trading of commodities. There were no significant changes in the nature of the Group’s principal activities during the Period.

In the opinion of the directors of the Company (the “**Directors**”), the Company does not have an immediate holding company or ultimate holding company. CITIC Dameng Investments Limited (“**Dameng**”), a company incorporated in the British Virgin Islands, is in a position to exercise significant influence over the Company.

2.1 BASIS OF PREPARATION

The unaudited interim condensed financial information for the Period has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019.

Going concern basis

During the Period, the Group incurred a consolidated net loss of RMB37,455,000 (six months ended 30 June 2019: RMB15,904,000) and net operating cash outflows of RMB16,362,000. As at 30 June 2020, the Group had net current liabilities of RMB190,813,000.

In view of these circumstances, the Directors have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group’s liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

- (a) The Group is actively exploring the availability of alternative sources of financing.
- (b) The Group has budgeted and laid out its business plan for the next twelve months, and seeks to become profitable and generate positive cash flows from operation. The Group is actively monitoring the production activities of the mines so as to fulfill the forecast production volume and meet sales orders.
- (c) The Group is taking measures to tighten cost controls over administrative and other operating expenses aiming at improving the working capital and cash flow position of the Group including closely monitoring daily operating expenses.

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2020

2.1 BASIS OF PREPARATION (CONTINUED)

Going concern basis (continued)

- (d) The Group is actively monitoring the mining production so as not to incur any unexpected significant capital cash outflow.
- (e) The Group is actively following up with its debtors on outstanding receivables with the aim of agreeing a repayment schedule with each of them so as to expedite collection.

The Group estimates that the above measures would bring about sufficient cash from sales to ensure that the Group will continue as a going concern. The Group has taken into consideration of the existing epidemic outbreak of COVID-19 (the “**Outbreak**”) when preparing the cash flow forecast. In light of the Outbreak, the operation of the mines in Myanmar and China have been temporary suspended. Management expects the operation of these mines will gradually begin as the Group’s employees (including the employees of the Group’s contractors) have gradually returned to the mines. In addition, the Group expects that save and except for any extraordinary circumstances which are beyond the expectation of the management, following the gradual recovery of the Outbreak and the planned production expansion in the second half of 2020, any reasonable adverse price fluctuation of the Group’s major products as a result of the Outbreak will not significantly cause severe negative impact to the Group’s cash flow. Therefore, the management does not believe the Outbreak will materially affect the Group’s operations and cash flows significantly during the forecasted period.

The Directors have reviewed the Group’s cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the Period on a going concern basis.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

The Audit Committee of the board of Directors (the “**Board**”) has confirmed that it has objectively and critically reviewed the measures mentioned above. The Audit Committee of the Board and the Board concurred with management’s view that the Group’s business plan for the next twelve months is feasible and achievable.

The Group has actively implemented, or is actively implementing, all the improvement targets outlined above for the purposes of increasing profits and improving the cash flow position of the Group, in order to remove material uncertainties relating to the going concern of the Group for the next twelve months.

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2020

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following new standards, interpretations and amendments to a number of International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board for the first time for the financial year beginning 1 January 2020.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The adoption of these amendments to IFRSs has had no significant financial effect on the financial position or performance of the Group.

3. REVENUE AND OPERATING SEGMENT INFORMATION

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue from contracts with customers	24,789	80,623
Gross rental income	849	811
	25,638	81,434

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2020

3. REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Type of goods or services		
Sales of lead-silver concentrates	3,389	36,222
Sales of zinc-silver concentrates	130	5,258
Sales of raw ores	—	1,121
Trading activities	19,045	37,205
Rendering of processing services	2,225	817
Total revenue from contracts with customers	24,789	80,623
Geographical markets		
Domestic* – Mainland China	24,789	80,623
Total revenue from contracts with customers	24,789	80,623

* The place of domicile of the Group's principal operating subsidiaries is Mainland China.

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Timing of revenue recognition		
Goods transferred at a point in time	22,564	79,806
Services transferred over time	2,225	817
Total revenue from contracts with customers	24,789	80,623

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2020

3. REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segment information

The Group's revenue and contribution to profit were mainly derived from its sale of self-produced lead-silver concentrates and zinc-silver concentrates and trading business.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resource to segments and to assess their performance. The information reported to the Group's senior management, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the Group's senior management reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is present, other than the entity-wide disclosures.

Entity-wide disclosures:

Geographical information

Non-current assets

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Mainland China	1,498,557	1,402,030
Myanmar*	744,947	857,180
	2,243,504	2,259,210

* The amount includes the payments in advance in respect of acquisition of subsidiaries amounting to RMB201,500,000 (note 10) (31 December 2019: RMB201,500,000).

Information about major customers

Revenue from major customers, which individually amounted to 10% or more of the total revenue, is set out below:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Customer A	*	32,312
Customer B	7,072	10,731
Customer C	*	9,445
Customer D	4,378	*
Customer E	2,967	*
Customer F	2,795	*

* Less than 10%.

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2020

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended	
	30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Bank interest income	16	11
Reversal of provision for impairment loss of other receivables	—	665
Gain on exchanges	287	215
Rental income from investment properties	384	211
Government grants related to expenses	187	176
Others	5	63
	879	1,341

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2020

5. LOSS BEFORE TAX

The Group's loss before tax was arrived at after charging/(crediting):

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cost of inventories sold		27,491	66,681
Cost of services rendered		1,787	668
Interest on bank loans		8,738	11,031
Interest on Third Parties Advances (as defined in note 9)		—	357
Interest expense on lease liabilities		15	32
Unwinding of discount		902	996
Finance costs		9,655	12,416
Staff costs (including directors' and chief executive's remuneration):			
Wages and salaries and relevant benefits		5,388	7,812
Pension scheme contributions			
— Defined contribution fund		249	241
		5,637	8,053
Depreciation of items of property, plant and equipment [^]	8	13,076	15,452
Depreciation of investment properties	9	242	291
Depreciation of right-of-use assets [^]	8	260	460
Amortisation of intangible assets [^]	8	793	4,574
Depreciation and amortisation		14,371	20,777
Provision for impairment loss on trade receivable		141	—
Reversal of provision for impairment loss on other receivables		—	(665)
Auditors' remuneration		150	—
Foreign exchange losses/(gains)		(287)	(215)
Expense relating to short-term leases		—	34

[^] The depreciation of property, plant and equipment, partial depreciation of right-of-use assets and amortisation of intangible assets for the Period and the prior period is included in "Cost of sales" in profit or loss or "Inventories" in the consolidated statement of financial position.

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2020

6. INCOME TAX

The major components of income tax expense were as follows:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Deferred tax	1,652	2,839

Notes:

- (a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (b) No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Period.
- (c) Pursuant to the income tax rules and regulations in the PRC, the Group's subsidiaries located in Mainland China are liable to PRC corporate income tax at a rate of 25% on the assessable profits generated for the Period.
- (d) Pursuant to the income tax rules and regulations in Myanmar, the Group's subsidiaries located in Myanmar are liable to Myanmar corporate income tax at a rate of 25% on the assessable profits generated for the Period.
- (e) Pursuant to the income tax rules and regulations in Singapore, the Group's subsidiary located in Singapore is liable to Singapore corporate income tax at a rate of 8.5% on the assessable profits generated for the Period.

7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of loss per share is based on the loss attributable to owners of the Company for the Period of RMB34,174,000 (six months ended 30 June 2019: RMB13,789,000), and the weighted average number of ordinary shares of 444,248,000 (six months ended 30 June 2019: the weighted average number of ordinary shares of 435,496,000) in issue during the Period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019.

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2020

8. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

Movements in right-of-use assets, property, plant and equipment and intangible assets, during the Period are as follows:

	Right-of-use assets RMB'000 (Unaudited) (note (a))	Property, plant and equipment RMB'000 (Unaudited) (note (b))	Intangible assets RMB'000 (Unaudited) (note (c))
Carrying amounts at 1 January 2020	11,198	805,747	985,541
Additions	—	14	—
Depreciation/amortisation charged for the Period (note 5)	(260)	(13,076)	(793)
Exchange realignment	—	(230)	(41)
Carrying amounts at 30 June 2020	10,938	792,455	984,707

Notes:

- (a) During the Period, the Group entered into certain long-term lease contracts for office premises. There is no restrictions or covenants imposed and no sale and leaseback transactions.

As at 30 June 2020, the Group's prepaid land lease payments included in right-of-use assets with a net carrying amount of approximately RMB10,268,000 (31 December 2019: RMB10,403,000) were pledged to secure certain bank loans granted to the Group (note 13(a)).

- (b) As at 30 June 2020, the Group was in the customary process of obtaining the relevant building ownership certificates ("BOCs") for the Group's plant, which was erected on the land where the Group was still in the process of applying for the land use rights certificate, with a net carrying amount of approximately RMB3,515,000 (31 December 2019: RMB3,878,000). The Group's plant can only be sold, transferred or mortgaged when the relevant BOCs have been obtained.

As at 30 June 2020, the Group's property, plant and equipment with a total net carrying amount of RMB52,375,000 (31 December 2019: RMB57,888,000) were pledged to secure certain bank loans granted to the Group (note 13(a)).

- (c) As at 30 June 2020, the Group's intangible assets with a net carrying amount of approximately RMB59,381,000 (31 December 2019: RMB61,794,000) were pledged to secure certain bank loans granted to the Group (note 13(a)).

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2020

9. INVESTMENT PROPERTIES

	30 June 2020 RMB'000 (Unaudited)
Cost	11,933
Accumulated depreciation	(5,517)
Net carrying amount	6,416
Opening net carrying amount	6,658
Depreciation provided during the Period (note 5)	(242)
Closing net carrying amount	6,416

As at 30 June 2020, the fair value of the investment properties was estimated to be approximately RMB12,748,000 (31 December 2019: RMB12,748,000). The valuation was performed by Sichuan Gongchengxin Real Estate and Land Appraisal Company Limited independent professionally qualified valuer at 31 December 2019. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The valuation was determined using the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is the price per square metre. The fair value measurement hierarchy of the investment property requires certain significant unobservable inputs (Level 3).

The investment properties are leased to a third party under an operating lease.

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2020

10. PAYMENTS IN ADVANCE, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<i>Current portion:</i>			
Prepayments		30,391	12,441
Other receivables in respect of:			
– Transfer from trade receivables	(a)	43,991	43,991
– Other receivables		1,275	375
– Staff advances		2,858	1,121
		78,515	57,928
Impairment allowance	(b)	(44,511)	(44,511)
		34,004	13,417
<i>Non-current portion:</i>			
Payments in advance		214,112	214,112
Impairment		(297)	(297)
		213,815	213,815
Prepayments in respect of purchase of inventories	(c)	214,165	214,165
Deposits		1,917	961
		216,082	215,126
		463,901	442,358

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2020

10. PAYMENTS IN ADVANCE, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes:

- (a) Pursuant to a restructuring arrangement executed by the owner of the Group's customer, namely Ruili Yuxiang Industrial Co., Ltd. ("**Yuxiang**"), in January 2016, the Group entered into a debtor transfer agreement with Yuxiang and another entity controlled by the owner of Yuxiang on 20 January 2016. As a result, the trade receivable balance with Yuxiang of RMB46,932,000, and the corresponding impairment provision of RMB10,883,000 recognised in 2015, were transferred to other receivables.

However, the transferred balance has not been collected according to the agreed repayment terms in 2016 as a result of the weak market condition. As such, the Group had made an additional impairment provision of RMB36,049,000 in 2016. Despite such provision and longer-than-expected repayment period, the Group had continued to initiate necessary actions to recover the receivable in part or in full. The Group collected RMB2,941,000 and the related impairment allowance was reversed accordingly in 2018.

- (b) The movements in the loss allowance for impairment of financial assets in prepayments, deposits and other receivables are as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
At the beginning of reporting period	44,511	44,656
Reversal of a provision for loss allowance	—	(145)
At the end of reporting period	44,511	44,511

Where applicable, an impairment analysis is performed at each reporting date by considering expected credit losses, which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 30 June 2020 ranged from 0.5% to 10% (31 December 2019: from 0.5% to 10%).

- (c) The balances represent prepayments made to Xiangcaopo Mining Co., Ltd. ("**Xiangcaopo Mining**"), an independent third-party supplier of tungsten and tin ores. Mr. Li Jincheng, the sole owner of Xiangcaopo Mining, entered into an equity pledge agreement with the Group in June 2011, pursuant to which Mr. Li Jincheng pledged his entire equity interests in Xiangcaopo Mining to the Group as security for the future delivery of the ores.

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2020

11. TRADE RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables	37,041	38,583
Impairment	(35,835)	(35,694)
	1,206	2,889

It is the Group's trading term that payment in advance is normally required with its customers, except for major customers, where the Group grants a credit term of one month. In view of the fact that the Group sells all of its products to a small number of customers, there is a high level of concentration of credit risk. The Group seeks to maintain strict control over the settlement of its outstanding receivables and has a credit control department to minimise credit risk. The Group does not hold any collateral or other credit enhancements over trade receivables. Trade receivables are non-interest-bearing and unsecured.

An ageing analysis of the trade receivables as at 30 June 2020 and 31 December 2019, based on the invoice date and net of allowance, is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 3 months	1,206	2,889

The movements in the loss allowance for impairment of trade receivables are as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
At the beginning of reporting period	35,694	35,345
Impairment losses provided, net	141	349
At the end of reporting period	35,835	35,694

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2020

11. TRADE RECEIVABLES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 30 June 2020

	Current	Past due		Total
		Less than 1 year	Over 1 year	
Expected credit loss rate	10.5%	40%	100%	
Gross carrying amount (RMB'000)	1,347	—	35,694	37,041
Expected credit losses (RMB'000)	141	—	35,694	35,835

As at 31 December 2019

	Current	Past due		Total
		Less than 1 year	Over 1 year	
Expected credit loss rate	10.5%	40%	100%	
Gross carrying amount (RMB'000)	2,878	520	35,185	38,583
Expected credit losses (RMB'000)	302	207	35,185	35,694

12. TRADE PAYABLES

An aged analysis of the trade payables as at 30 June 2020 and 31 December 2019, based on the invoice date, is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 month	5,938	2,100
1 to 2 months	958	1,117
2 to 3 months	247	1,881
Over 3 months	11,045	12,786
	18,188	17,884

Trade payables are non-interest-bearing and are normally settled on terms of 4 months.

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2020

13. INTEREST-BEARING BANK LOANS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<i>Secured and guaranteed:</i>		
Current	46,067	35,549
Non-current	296,990	308,990
	343,057	344,539
Effective interest rate	4.81%-5.30%	4.81%-5.30%

All of the Group's bank loans are denominated in RMB.

As at 30 June 2020, the Group's bank loans are secured by:

(a) Mortgages over the following assets:

	Net book amount as at 30 June 2020 RMB'000
Right-of-use assets (note 8(a))	10,268
Property, plant and equipment (note 8(b))	52,375
Intangible assets (note 8(c))	59,381

(b) Pledges of equity interests in the following subsidiaries of the Group:

- (i) 99% of equity interest in Kunrun;
- (ii) 90% of equity interest in Dakuangshan Company;
- (iii) 90% of equity interest in Liziping Company; and
- (iv) 90% of equity interest in Menghu Company.

In addition, the bank loans are guaranteed by Mr. Ran Xiaochuan and his spouse, Ms. Luo Chaochua for nil consideration. Mr. Ran Xiaochuan is the Company's former executive director. At the same time, the Company has given corporate guarantee to Ms. Luo Chaochua to counter guarantee her personal guarantee over the Group's bank loans. The corporate guarantee given by the Company will expire when Ms. Luo Chaochua ceases to be the guarantor.

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2020

14. LEASE LIABILITIES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Current	414	532
Non-current	45	221
	459	753

15. ISSUED CAPITAL

	Number of shares		Amount	
	30 June 2020 '000 (Unaudited)	31 December 2019 '000 (Audited)	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Ordinary shares of HK\$0.0001 each (31 December 2019: HK\$0.00001 each)				
Authorised:				
At the beginning of the reporting period	38,000,000	38,000,000	342	342
Share consolidation (note (b))	(34,200,000)	—	—	—
At the end of the reporting period	3,800,000	38,000,000	342	342
Issued and fully paid:				
At the beginning of the reporting period	3,579,777	3,579,777	30	30
Issue of new shares by way of rights issue (note (a))	894,944	—	8	—
Share consolidation (note (b))	(4,027,249)	—	—	—
At the end of the reporting period	447,472	3,579,777	38	30

Notes:

- (a) The Company allotted and issued 894,944,250 new ordinary shares at a subscription price of HK\$0.055 per share by way of rights issue to the qualifying shareholders of the Company on the basis of one right shares for every four existing ordinary shares held on 22 January 2020 through the underwriter up to 24 February 2020. The net proceeds from the rights issue are used to finance acquisition of the minority interest of a non-wholly subsidiary, exploration of mine and expansion of ore processing business and general working capital.
- (b) On 12 May 2020, the Company completed the share consolidation whereby every ten issued and unissued existing shares of HK\$0.00001 each was consolidated into one share of HK\$0.0001 each.

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2020

16. DIVIDENDS

At a meeting of the Board of Directors held on 20 July 2020, the Directors resolved not to pay interim dividends for the Period to shareholders (six months ended 30 June 2019: Nil).

17. CONTINGENT LIABILITIES

In February 2020, a PRC company (the “**Lender**”) alleged that investment properties of a subsidiary of the Group were pledged to secure a loan granted by the Lender to Mr. Ran Xiaochuan and Ms. Luo Chao-hua (the “**Borrowers**”). A lawsuit was brought by the Lender claiming the outstanding principal loan sum of RMB12,500,000. On 15 May 2020, a judgment was made and the claim was valid. The directors, based on the advice from the Group’s PRC legal counsel, believe that the amount of loss, if any, cannot be ascertained yet as there are other defendants in the lawsuit and the subsidiary has the right to recourse claim against the Borrowers.

18. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2020 RMB’000 (Unaudited)	31 December 2019 RMB’000 (Audited)
Contracted, but not provided for:		
— Property, plant and equipment	—	125
— Acquisition of subsidiaries	2,000	2,000
	2,000	2,125

19. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2020 RMB’000 (Unaudited)	2019 RMB’000 (Unaudited)
Fees	1,050	1,050
Basic salaries and other benefits	555	555
Pension scheme contributions	5	5
	1,610	1,610

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

30 June 2020

20. SIGNIFICANT TRANSACTIONS WITH NON-CONTROLLING INTERESTS

- (i) On 25 February 2020, the Company has completed the acquisition of 3% shareholding interest in Venture Million Enterprises Limited (“**Venture Million**”) from an independent third party at the consideration of HK\$6.1 million pursuant to a framework agreement dated 22 February 2019.
- (ii) On 16 March 2020, the Company has completed the acquisition of 3.5% shareholding interest in Venture Million from an independent third party at the consideration of HK\$7.2 million pursuant to a framework agreement dated 27 February 2020.
- (iii) On 15 April 2020, the Company has completed the acquisition of 3.3% shareholding interest in Venture Million from an independent third party at the consideration of HK\$6.7 million pursuant to a framework agreement dated 5 February 2018.

The aforesaid three independent third parties are not connected persons of the Company for the purpose of Listing Rules and they are independent of and not related to each other.

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the Group’s financial instruments approximate to their fair values due to the short term to maturity at the end of the Period.

22. EVENT AFTER REPORTING PERIOD

The Outbreak continues to cause disruptions to the Group’s businesses and economic activities and the management of the Group has closely monitored its impact on the operations. Up to the date of this report, the Group has taken several measures to resume work and ensure safety of the Group’s employees, and the operation in operating mines are gradually resuming. The Group expects that save and except for any extraordinary circumstance which are beyond the expectation of the management, following the gradual recovery of the Outbreak and the planned production expansion in second half of 2020, any reasonable adverse price fluctuation of the Group’s major products as a result of the Outbreak will not significantly cause severe negative impact to the Group’s cash flow. The management will continue to monitor and assess the ongoing development and respond accordingly.

23. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information was approved and authorised for issue by the Board on 20 July 2020.

GLOSSARY

“2020 AGM”	the annual general meeting of the Company held on 8 May 2020 at 10:30 a.m. at The Function Room 3, 2/F, The Harbourview, 4 Harbour Road, Wanchai, Hong Kong
“Audit Committee”	the audit committee of the Board
“Aung Jiuja Mine”	an open pit and underground lead mine located at Depanbing Village, Ruian County, Shan State, Myanmar which is owned by Harbor Star
“Ag”	the chemical symbol for silver
“Articles of Association”	the articles of association of the Company, conditionally adopted on 24 November 2011 and as amended from time to time
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules, as amended from time to time
“China” or “PRC” or “Mainland China”	the People’s Republic of China which, for the purpose of this interim report and unless the context suggests otherwise, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company”	Greenway Mining Group Limited (信盛礦業集團有限公司) is a limited liability company incorporated under the laws of the Cayman Islands on 30 November 2009
“Chinese Standard”	the PRC classification of solid mineral resources and reserves (中國固體礦產資源／儲備分類標準)
“Competent Person’s Report”	the Competent Person’s Report, dated 25 November 2011, prepared by Runge Asia Limited, trading as Minarco-MineConsult (“ Minarco ”) with respect to the independent technical review and assessment of the Shizishan Mine; under such report, Minarco reviewed the geological and exploration information, completed a mineral resource and ore reserve estimation in compliance with the recommendations of the JORC Code, and reviewed and commented on the appropriateness of the planned mining methods and mine design, potential production profiles, forecast operating and capital expenditure, short and long term development plans, and environmental and social setting, for the Shizishan Mine, which was disclosed as appendix V to the Prospectus
“Dakuangshan Company”	Mang City Xindi Mining Company Limited (芒市鑫地礦業有限責任公司), an indirect non-wholly owned subsidiary of the Company

“Dakuangshan Mine”	an underground lead-zinc-silver polymetallic mine located at Yunnan Province, China which is owned by Dakuangshan Company
“Dazhupeng Mine”	an underground lead-zinc-silver polymetallic mine located at Yingjiang County of Yunnan Province, China which is owned by Kunrun
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company held on 8 May 2020 at 11:00 a.m. (or at such time immediately following the conclusion (or adjournment) of the 2020 AGM, whichever is later) for the Shareholders to consider and, if thought fit, approve the share consolidation, as detailed in the circular of the Company dated 9 April 2020
“g/t”	grams per tonne
“GPS JV Mine”	an underground lead-silver polymetallic mine located at Bawsaing Track, Kalaw Township, Southern Shan State, Myanmar which is owned by GPS Joint Venture Company Limited
“Harbor Star”	Harbor Star Mining Company Limited, an indirect wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange” or “HKSE”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board (the “IASB”) and the International Accounting Standards (the “IAS”) and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect
“JORC”	the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 edition), as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy and used to determine resources and reserves, as amended from time to time

GLOSSARY

“kg”	kilogram(s)
“km”	kilometre(s), a metric unit measure of distance
“kt”	thousand tonnes
“Kunrun”	Yingjiang County Kunrun Industry Company Limited (盈江縣昆潤實業有限公司), an indirect wholly owned subsidiary of the Company
“Listing”	the listing of our shares on the Hong Kong Stock Exchange
“Listing Date”	14 December 2011
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Liziping Company”	Nujiang Shengjia Chengxin Industrial Company Ltd. (怒江州聖佳誠信實業有限公司), an indirect non-wholly owned subsidiary of the Company
“Liziping Mine”	a lead-zinc-copper-silver polymetallic mine located at Lanping County of Yunnan Province, China which is owned by Liziping Company
“Lushan Mine”	a tungsten-tin polymetallic ore mine located in Yingjiang County, Yunnan Province, the PRC, owned by Xiangcaopo Mining, an independent third party
“Menghu Company”	Meng La Chen Feng Mining Development Company Limited (勐臘縣宸豐礦業開發有限公司), an indirect non-wholly owned subsidiary of the Company
“Menghu Mine”	an underground lead-zinc polymetallic mine located at Mengla County of Yunnan Province, China which is owned by Menghu Company
“mineral resource(s)” or “resource(s)”	a concentration or occurrence of material of intrinsic economic interest in or on the earth’s crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction, as defined in the JORC Code. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into “inferred,” “indicated,” and “measured” categories
“MMK”	Kyats, the lawful currency of Myanmar
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nomination and Remuneration Committee”	the nomination and remuneration committee of the Board

“ore reserve(s)” or “reserve(s)”	the economically mineable part of a measured and/or indicated mineral resource, as defined by the JORC Code. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are subdivided, in order of increasing geological confidence, into probable reserves and proved reserves
“Pb”	the chemical symbol for lead
“Period”	six months ended 30 June 2020
“Prospectus”	the prospectus of the Company dated 2 December 2011 and issued in connection with the initial public offering and listing of shares of the Company on the main board of Hong Kong Stock Exchange on 14 December 2011
“Rights Issue Prospectus”	the prospectus of the Company dated 3 February 2020 for rights issue on the basis of one rights share for every four existing shares held on 22 January 2020 at the subscription price of HK\$ 0.055 per rights share
“RMB”	the lawful currency of the PRC
“Safety, Health and Environment Committee”	the safety, health and environment committee of the Board
“SG\$”	the lawful currency of Singapore
“Shareholder(s)”	shareholder(s) of the Company
“Shizishan Mine”	an underground lead-zinc-silver polymetallic mine located at Yingjiang County of Yunnan Province, China which is owned by Kunrun
“sq. km.”	square kilometre
“Strategy Committee”	the strategy committee of the Board
“t”	tonne
“the Group”	the Company and its subsidiaries



GLOSSARY

“tpd”	tonnes per day
“US\$” or “USD”	United States dollar(s), the lawful currency of the United States
“Xiangcaopo Mining”	Yunnan Xiangcaopo Mining Co., Ltd, a limited liability company in the PRC, currently wholly owned by Li Jincheng, an independent third party
“Zn”	the chemical symbol for Zinc
“%”	per cent.

Note: The English names of the PRC entities mentioned hereabove are translated from their Chinese names for identification purpose. If there are any inconsistencies, the Chinese names shall prevail.