滙力集團
HUILI GROUP

Huili Resources (Group) Limited
滙 力 資 源 (集 團) 有 限 公 司

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

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

The board of directors (the ''Board'') of Huili Resources (Group) Limited (the ''Company'') announces the consolidated results of the Company and its subsidiaries (together the ''Group'') for the year ended 31 December 2011, together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Revenue	4	**19,611**	37,566
Cost of sales		**(19,503)**	(33,036)
Gross profit		**108**	4,530
Distribution costs		**(938)**	(1,821)
Administrative expenses		**(23,399)**	(15,737)
Other gains/(losses) — net	5	**591**	(345)
Operating loss	7	**(23,638)**	(13,373)
Finance income		**6,091**	13,134
Finance costs		**(6,906)**	(4,002)
Finance (costs)/income — net	6	**(815)**	9,132

		Year ended 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Loss before income tax		**(24,453)**	(4,241)
Income tax credit	8	**615**	1,501
Loss for the year		**(23,838)**	(2,740)
Other comprehensive income		**—**	—
Total comprehensive loss		**(23,838)**	(2,740)
Loss/total comprehensive loss attributable to:			
Equity holders of the Company		**(23,542)**	(3,374)
Non-controlling interests		**(296)**	634
		(23,838)	(2,740)
Loss per share attributable to the equity holders of the Company (expressed in RMB per share)			
— Basic and diluted	9	**(0.031)**	(0.005)
Dividend		**—**	—

CONSOLIDATED BALANCE SHEETS

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**64,154**	70,238
Mining rights	**129,711**	129,711
Land use rights	**10,314**	9,830
Deferred tax assets	**6,473**	6,415
Prepayment for investments	**30,000**	18,000
Total non-current assets	**240,652**	234,194
Current assets		
Inventories	**11,017**	23,020
Other receivables and prepayments	**8,145**	2,730
Cash and cash equivalents	**40,973**	63,598
Restricted cash at banks	**1,949**	—
Total current assets	**62,084**	89,348
Total assets	**302,736**	323,542
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**65,972**	65,972
Share premium	**109,303**	109,303
Other reserves	**(15,524)**	(15,524)
Accumulated losses/retained earnings	**(11,393)**	12,149
	148,358	171,900
Non-controlling interests	**12,272**	12,568
Total equity	**160,630**	184,468

	Note	As at 31 December 2011 *RMB'000*	2010 *RMB'000*
LIABILITIES			
Non-current liabilities			
Pre-acquisition dividend payable — non-current portion		**63,990**	50,949
Provision for close down, restoration and environmental costs		**2,260**	2,019
Deferred tax liabilities		**34,794**	35,351
Total non-current liabilities		**101,044**	88,319
Current liabilities			
Pre-acquisition dividend payable — current portion		**15,000**	30,000
Trade payables	10	**1,070**	5,982
Other payables and accruals		**24,726**	13,093
Income tax payable		**266**	1,680
Total current liabilities		**41,062**	50,755
Total liabilities		**142,106**	139,074
Total equity and liabilities		**302,736**	323,542
Net current assets		**21,022**	38,593
Total assets less current liabilities		**261,674**	272,787

Notes:

1 GENERAL INFORMATION AND REORGANIZATION

1.1 General information

Huili Resources (Group) Limited ("the Company") was incorporated in the Cayman Islands on 19 February 2010 as an exempted company with limited liability under Companies Law (Cap 22, as amended and revised) of the Cayman Islands in preparation for a listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing") under the name of Realty Resources (Group) Limited. On 13 May 2010, the Company changed its name to Huili Resources (Group) Limited. The Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited on 12 January 2012.

The Company is an investment holding company and its subsidiaries (collectively the "Group") are principally engaged in the mining, ore processing and sales of nickel, copper, lead and zinc metal products in the People's Republic of China (the "PRC"). The address of its registered office is Cricket Square, Hutching Drive, P.O.Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

These financial statements have been approved for issue by the Board of Directors on 26 March 2012.

1.2 The Reorganization

Prior to the incorporation of the Company and the completion of the Reorganization (as defined below), the operating companies, incorporated in the PRC, namely 哈密市錦華礦產資源開發有限責任公司 (Hami Jinhua Mineral Resource Exploiture Limited) ("Hami Jinhua") and 哈密市佳泰礦業資源開發有限責任公司 (Hami Jiatai Mineral Resource Exploiture Limited) ("Hami Jiatai") were held by Realty Investment (Group) Limited ("Realty Investment"). Realty Investment was held by Right Source International Limited ("Right Source") and Fortune In Investments Limited ("Fortune In"), both incorporated in the BVI, with effective equity interests of 55% and 45% respectively. Right Source was 100% owned by Mr. Lu Qi, and Fortune In was held by Sky Circle and First Arrival Investments Limited ("First Arrival"), a company incorporated in the BVI, with effective equity interests of 65% and 35% respectively. Sky Circle and First Arrival were 100% owned by Mr. Wang Dayong.

In preparation for the Listing, the Company underwent a group reorganization (the "Reorganization"), pursuant to which the companies comprising the Group were transferred to the Company. The Reorganization mainly involved the following:

(i) On 4 January 2010, King Award was established in the BVI and one share of US$1.00 in the share capital of King Award was allotted and issued to Mr. Lu Qi on 3 February 2010;

(ii) On 19 February 2010, the Company was incorporated in the Cayman Islands with one subscriber share of HK$0.10 in the share capital of the Company, which was transferred to Sky Circle on the same date;

(iii) On 23 March 2010, First Arrival transferred its 35% shareholding in Fortune In to Sky Circle at nil consideration;

(iv) On 24 March 2010, Mr. Lu Qi transferred the entire issued share capital of Right Source to the Company and released Sky Circle from its obligation to repay a RMB45 million loan, and against Sky Circle assigning the benefit of the loan (due to it from Fortune In) in the amount of RMB45 million (as outlined in paragraph (v) below), the Company issued 5,500 shares of HK$0.10 to King Award for the amount of HK$50,329,753 (being the amount of HK$50.35 million (representing the HK$ equivalent of RMB45 million) plus the unaudited shareholder 's deficit of Right Source of HK$(20,247)) and King Award issued one new share at an amount equal to HK$50,329,753 to Mr. Lu Qi;

(v) On 24 March 2010, Sky Circle transferred the entire issued share capital of Fortune In and assigned a RMB90 million loan (a part of it is the RMB45 million loan referred to in paragraph (iv) above and the remaining of it was lent by Mr. Wang Dayong through Sky Circle to Fortune In) to the Company and, in consideration therefore (i) the Company issued 4,499 shares of HK$0.10 for the amount of HK$50,333,118 (being the amount of HK$50.35 million (representing the HK$ equivalent of RMB45 million) plus the unaudited shareholder 's deficit of Fortune In of HK$(16,882)) to Sky Circle (and such 4,499 shares, together with the one share that Sky Circle already held (as referred to in paragraph (ii) above), represented 45% of the then enlarged share capital); and (ii) the Company (at the direction of Sky Circle) issued 5,500 shares to King Award as referred to in paragraph (iv) above.

Upon completion of the Reorganization, the Company became the holding company of the Group.

(vi) On 18 May 2010, the Company increased its authorized share capital to HK$500,000,000 divided into 5,000,000,000 ordinary shares of HK$0.10 each. The Company capitalized an amount of HK$71,249,000 (equivalent to RMB62,692,000) of its share premium and issued, on a pro rata basis, 391,869,500 shares to King Award and 320,620,500 Shares to Sky Circle on the same day.

2 BASIS OF PRESENTATION

In light of the fact that the Company obtained control of the companies comprising the Group by issuing its own shares in exchange for shares of Right Source and Fortune In; the assets and liabilities of the companies comprising the Group are the same immediately before and after the Reorganization; and the ultimate shareholders before the Reorganization have the same absolute and relative interests in the net assets of the companies comprising the Group immediately before and after the Reorganization, the financial statements are presented using predecessor value accounting in a manner similar to the uniting of interests method. Under predecessor value accounting, the financial statements consolidate the results and the carrying amounts of assets and liabilities of the companies comprising the Group as if the Group had always been existed.

A single uniform set of accounting policies is adopted by all group companies. The carrying amounts of the companies comprising the Group are included as if the consolidated financial statements had been prepared for all the years ended 31 December 2010 and 2011, including adjustments required for conforming these group companies' accounting policies and applying those policies to all the years ended 31 December 2010 and 2011.

In the Company's balance sheet, the deemed cost of investment in subsidiaries recognized upon the Reorganization is the existing book values of net assets of the group companies comprising the Group as at the date of Reorganization.

Inter-company transactions, balances and unrealised gains or losses on transactions between group companies have been eliminated upon consolidation.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICY

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention.

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to both years presented, unless otherwise stated.

New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted.

- HKFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

- HKFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

4 SEGMENT INFORMATION

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

The CODM reviews the operating performance from a mine perspective (ie nickel/copper mine and lead/zinc mine). The reportable operating segments derive their revenue primarily from mining, ore processing and sales of nickel, copper, lead and zinc products.

For each of the years ended 31 December 2010 and 2011, the Group had two reportable segments:

(a) Hami Jiatai which held two nickel/copper mines and was mainly engaged in the mining, ore processing and sales of nickel and copper products; and

(b) Hami Jinhua which held a lead/zinc mine and was mainly engaged in the mining, ore processing and sales of lead and zinc products.

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

The CODM assesses the performance of the operating segments based on operating profit. This measurement basis excludes the operating results of other insignificant activities of the Group.

The segment information provided to the CODM for the reportable segments for each of the years ended 31 December 2010 and 2011 as follows:

	Year ended 31 December					
	2011			2010		
	Hami Jiatai	**Hami Jinhua**	**Total**	Hami Jiatai	Hami Jinhua	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue						
— Nickel concentrate	**16,084**	**—**	**16,084**	24,022	—	24,022
— Copper concentrate	**3,329**	**—**	**3,329**	9,262	—	9,262
— Zinc concentrate	**—**	**—**	**—**	—	631	631
— Lead concentrate	**—**	**—**	**—**	—	3,202	3,202
— Others	**198**	**—**	**198**	449	—	449
	19,611	**—**	**19,611**	33,733	3,833	37,566
Segment operating loss	**(3,292)**	**(2,053)**	**(5,345)**	(4,892)	(1,206)	(6,098)
Unallocated operating loss (note (a))	**—**	**—**	**(18,293)**	—	—	(7,275)
Operating loss	**(3,292)**	**(2,053)**	**(23,638)**	(4,892)	(1,206)	(13,373)
Segment finance income/(costs) — net	**1,789**	**—**	**1,789**	10,981	(56)	10,925
Unallocated	**—**	**—**	**(2,604)**	—	—	(1,793)
Finance income/(costs) — net	**1,789**	**—**	**(815)**	10,981	(56)	9,132
Income tax credit	**325**	**290**	**615**	1,186	315	1,501
Amortisation	**77**	**152**	**229**	786	149	935
Depreciation	**3,898**	**1,938**	**5,836**	6,498	1,943	8,441

	As at 31 December					
	2011			2010		
	Hami Jiatai	**Hami Jinhua**	**Total**	Hami Jiatai	Hami Jinhua	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	**132,253**	**124,067**	**256,320**	137,153	126,211	263,364
Unallocated assets (note (b))	**—**	**—**	**46,416**	—	—	60,178
Total	**132,253**	**124,067**	**302,736**	137,153	126,211	323,542
Segment liabilities	**106,730**	**26,871**	**133,601**	109,694	29,286	138,980
Unallocated liabilities	**—**	**—**	**8,505**	—	—	94
Total	**106,730**	**26,871**	**142,106**	109,694	29,286	139,074

Notes:

(a) Unallocated operating loss for each of the years ended 31 December 2010 and 2011 mainly arose from expenses for preparation of initial public offering of the Company's shares.

(b) Unallocated assets as at 31 December 2010 and 31 December 2011 mainly represented the bank deposits held by the Company and prepaid expenditures for the Company's preparation of initial public offering of the Company's shares.

5 OTHER GAINS/(LOSSES) — NET

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Rental income	**400**	—
Gains on disposal of property, plant and equipment	**113**	45
Subsidy income	**17**	36
Penalty	**—**	(417)
Others	**61**	(9)
	591	(345)

6 FINANCE (COSTS)/INCOME — NET

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Finance income		
— Interest income from bank deposits	**101**	64
— Fair value adjustment of pre-acquisition dividend payable	**5,990**	13,070
	6,091	13,134
Finance costs		
— Exchange losses	**(2,634)**	(1,827)
— Unwinding of discount — provision for close down, restoration and environmental costs	**(241)**	(156)
— Unwinding of discount — pre-acquisition dividend payable	**(4,031)**	(2,019)
	(6,906)	(4,002)
Finance (costs)/income — net	**(815)**	9,132

7 EXPENSES BY NATURE

The following items have been charged to the operating loss for the years ended 31 December 2010 and 2011:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Depreciation	**5,836**	8,441
Amortisation	**229**	935
Employee benefit expenses	**2,281**	2,140
Subcontracting expenses	**703**	1,685
Raw materials and consumables used	**410**	2,300
Consumption of semi-finished goods and finished goods acquired from business combinations	**—**	5,038
Changes in inventories of semi-finished goods and finished goods	**11,852**	11,170
Electricity consumed	**324**	1,354
Transportation expenses	**1,073**	1,936
Resource compensation fees	**409**	751

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Resource tax	**—**	299
Sales tax levies	**403**	419
Office expenses and operating lease payments	**296**	497
Consulting fees	**300**	2,173
Exploration expenses	**431**	4,395
Industrial accident compensation	**—**	196
Auditor's remuneration	**780**	8
Expenses for preparation works of initial public offering	**17,505**	5,366
Others	**1,008**	1,491
	43,840	50,594

8 INCOME TAX CREDIT

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Current tax	**—**	1,413
Deferred tax	**(615)**	(2,914)
Income tax credit	**(615)**	(1,501)

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

Realty Investment was subject to Hong Kong profits tax at the tax rate of 16.5% for each of the years ended 31 December 2010 and 2011. Realty Investment did not have any assessable profit for each of the years ended 31 December 2010 and 2011.

Effective from 1 January 2008, the group companies in Mainland China determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the PRC (the "new CIT Law") as approved by the National Congress on 16 March 2007. Under the new CIT Law the corporate income tax rate applicable to such group companies is 25% since 2008.

The applicable tax rate of Hami Jiatai and Hami Jinhua for each of the years ended 31 December 2010 and 2011 was 25%.

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

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Loss before income tax	**(24,453)**	(4,241)
Tax calculated at domestic tax rates applicable to results in the respective countries	**(891)**	1,205
Tax effects of:		
— Income not subject to tax	**(1,498)**	(3,268)
— Expenses not deductible for tax purposes	**1,772**	559
— Tax losses for which no deferred income tax asset was recognised	**2**	3
Income tax credit	**(615)**	(1,501)

9 LOSS PER SHARE

The basic loss per share is calculated by dividing the loss attributable to the equity holders of the Company by weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Loss attributable to equity holders of the Company	**(23,542)**	(3,374)
Adjusted weighted average number of shares in issue (in thousands)	**750,000**	726,164
Basic and diluted loss per share (RMB)	**(0.031)**	(0.005)

Diluted loss per share is equal to basic loss per share as there was no dilutive potential share outstanding for the each of the years ended 31 December 2010 and 2011.

10 TRADE PAYABLES

Trade payables are analysed as follows:

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
— Third parties	**1,070**	5,982

The ageing analysis of trade payables is as follows:

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
0 - 90 days	**43**	3,767
91 - 180 days	**6**	169
181 - 365 days	**9**	172
Over 365 days	**1,012**	1,874
	1,070	5,982

The carrying amounts of trade payables approximated their fair values.

11 EVENTS AFTER BALANCE SHEET DATE

The Company issued 250,000,000 ordinary new shares of HK$0.1 each at a subscription price of HK$1.7 per share pursuant to a public offering. The Company's shares including these new shares were listed on the main board of Hong Kong Stock Exchange Limited on 12 January 2012. Total gross proceeds received by the company amounted to approximately HK$425,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Company is principally engaged in mining and ore processing of diversified non-ferrous metal including nickel, copper, zinc and lead in Hami, Xinjiang. The Hami mining and exploration projects are located within close proximity to the regional city of Hami, Xinjiang, which is approximately 400 km south east of Urumqi, the capital of Xinjiang Uygur Autonomous Region. Urumqi and Hami are connected via a national highway, a railway and also by air services.

Mining projects

Currently, the Company has three mining projects with valid mining and safety production permits, namely Project No.2, Project No.20 and Project Baiganhu. Project No.20, who produces nickel and copper ore, is under development to extract ores at a lower part of the ore bodies and Project Baiganhu, who produces lead and zinc ore, is under mine construction currently. Both of them are expected to recommence/ commence commercial operation in the third quarter of 2012. On the other hand, production of Project No.2 has been suspended as a result of the implementation of the consolidation program in Hami. The Company is now pending for the formulation of a compensation plan, including the pricing terms and timetable of the consolidation program, with the main integration entity and the respective government authority.

Exploration projects

The Company realizes the importance of adequate mineral resources and ore reserves for long-term sustainable expansion of business. Currently the Company holds seven exploration permits in Hami namely Project Baiganhu Gold, Project H-989, Project Heishan, Project Hongshanpo, Project Huangshan, Project Xidagou and Project Yinoxia, covering more than 44km^2 exploration area with ore types covering gold, nickel, copper, lead and zinc. The Company has applied for a mining permit for Project H-989 in September 2011 after six years exploration effort and will continue to carry out more in-depth exploration in these areas to further expand its resources.

Metal Concentrators

The Company operates two metal concentrators in Hami namely Hami Jiatai Concentrator and Hami Jinhua Concentrator, which produces nickel/ copper concentrates and lead/ zinc concentrates respectively. Each of them has a designed production capacity of 450,000 tonnes annually. It is planned that Hami Jiatai Concentrator will process copper-nickel ores supplied by Project No.20, Project

H-989 as well as independent suppliers, and Hami Jinhua Concentrator will process lead-zinc ores exploited from Project Baiganhu. The two metal concentrators are expected to resume/ commence production in the third quarter and second quarter of 2012 respectively.

Shaanxi acquisition

The Company has conditionally agreed to acquire the entire equity interest of Shaanxi Jiarun and Shaanxi Jiahe, which hold the exploration permits for Project Huaba and Project Huangjinmei, respectively. The predominant resources in Project Huaba and Project Huangjinmei are vanadium/ copper and gold respectively. At the moment, both projects are in the course of applying mining permits. Details of the acquisitions were set out in the prospectus dated 29 December 2011.

Results Review

Revenue

Revenue is derived primarily from the sale of metal concentrates to customers, which are mainly smelters and trading companies around the region. During the year, the Group recorded revenue of RMB19.6 million, representing 48% decrease as compared to 2010. Such decrease was mainly due to drop in total sales volume as Project No.20 and Project Baiganhu were under development and production in Project No.2 was suspended as a result of the implementation of the consolidation program. In the first half of 2011, the Group mainly sold the inventories produced in the previous years. During the second half of 2011, the Group mainly focused its managerial and financial resource to implement the development programs on its mining projects as scheduled and therefore no sales have been recorded.

Cost of sales

Cost of sales represents mainly subcontracting costs, cost of auxiliary materials used in the production process, staff costs, depreciation, electricity and water costs and production safety fee. Cost of sales decreased by RMB13.5 million or 41% from RMB33.0 million in 2010 to RMB19.5 million in 2011. The decrease in cost of sales was in line with the decrease in sales as mentioned above.

Gross profit

As a result of the foregoing, the Group derived a gross profit of RMB0.1 million in 2011, representing an decrease of RMB4.4 million or 98%, from that of RMB4.5 million in 2010.

Administrative expenses

The Group successfully listed its shares on the Hong Kong Stock Exchange on 12 January 2012 (the "Listing"). Administrative expenses during the year primarily consist of professional fees associated with the preparation of the Listing, depreciation on property, plant and equipment and amortization expenses of land use rights, staff costs, resources compensation fees, office expenses and rental fees, exploration and evaluation expenses and other miscellaneous. Administrative expenses increased by RMB7.7 million or 49% from RMB15.7 million in 2010 to RMB23.4 million in 2011 due to the recognition of RMB17.5 million as expenses for preparation of the Listing during the year.

Other (losses)/gains - net

The Group recorded RMB0.6 million as other gains-net in 2011 reversing from a loss of RMB0.3 million last year, as the Group recognised a penalty of RMB0.4 million related to late tax payment of VAT. No such penalty was incurred this year.

Finance (costs) / income - net

The Group recorded net finance costs of RMB0.8 million as compared to net finance income of RMB9.1 million in 2010, when the Group recorded a net fair value gain of RMB 11.1 million on re-measurement of the non-current portion of the pre-acquisition dividend payable after unwinding of discount pursuant to an agreement entered with the previous equity holders on 28 April 2010. Two supplementary agreements were entered on 9 March 2011 and 11 July 2011 and further revised the terms of the dividend payable resulting a net fair value gain after unwinding of discount of RMB2.0 million this year. Besides, an exchange loss of RMB2.6 million was incurred during the year.

Income tax credit

Income tax credit decreased from approximately RMB1.5 million in 2010 to RMB0.6 million in 2011. Income tax credit represented the deferred tax which were mainly for depreciation and carry-forward tax loss.

Loss and total comprehensive loss attributable to the equity holders

Due to decrease in gross profit and increase in Listing expenses being allocated and charged to the profit and loss account during the year, loss attributable to the equity holders increased to RMB23.5 million in 2011 from RMB3.4 million last year.

Liquidity and Capital Resources

The Group mainly financed its day to day operations by internally generated cash flow, banking facilities and equity financing. Primary uses of funds during the year included Listing expenses, operation expenses, and purchase of property, plant and equipment.

As at 31 December 2011, current assets of RMB62.1 million was comprised of inventories of RMB11.0 million, other receivables and prepayments of RMB8.1 million, cash and cash equivalents of RMB41.0 million and restricted cash at banks of RMB1.9 million. Current liabilities of RMB41.1 million was mainly comprised of the current portion of pre-acquisition dividend payable of RMB15.0 million, trade payables of RMB1.1 million, other payables and accruals of RMB24.7 million and income tax payable of RMB0.3 million.

The Group conducted its continuing operational business transactions mainly in Renminbi and Hong Kong dollars. The Group did not arrange any forward currency contracts for hedging purposes.

Indebtedness

As at 31 December 2011, the Group did not have any short-term or long-term bank loans. The Group did not have any loan capital or debt securities issued or agreed to be issued, outstanding bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits, finance leases or hire purchase commitments or guarantees or material contingent liabilities.

Banking Facilities

On 15 December 2011, the Company obtained a two year non-revolving banking facility of US$13.5 million which will be available to draw down within six months from the date of granting of such banking facility.

Up to 31 December 2011, the Company has not yet drawn down the available banking facility.

Financial Ratios

The current ratios of the Group, being total current assets to total current liabilities, were 1.8 and 1.5 as at 31 December 2010 and 2011 respectively. Current ratio as at 31 December 2011 decreased mainly due to decrease in cash and cash equivalents after payment of various Listing expenses during the year.

The gearing ratio of the Group is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is calculated as equity attributable to equity holders of the Company plus net debt. As at 31 December 2010 and 2011, there were no borrowings for the Group.

Commitments and Contingent Liabilities

As at 31 December 2011, the Group had capital commitments for property, plant and equipments of approximately RMB183.4 million (2010: RMB183.4 million).

As at 31 December 2011, the future aggregate minimum lease payments under non-cancellable operating leases of various offices was approximately RMB0.3 million (2010: RMB0.3 million).

As at 31 December 2011, the Group had investment commitments with amounts of RMB180 million for the acquisitions of Shaanxi Jiarun and Shaanxi Jiahe (2010: RMB192 million).

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

Human Resources and Share Option Scheme

As at 31 December 2011, the Group employed 66 employees. The total staff costs for the year ended 31 December 2011 were approximately RMB 2.3 million (2010: RMB 2.1 million). The salaries of employees largely depend on their job nature, performance and length of service with the Group. The directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of the Group. Discretionary bonuses are also available to the Group's employees depending on the overall performance of the Group.

In addition to the basic remuneration, the Group also provides employees with employees benefits, including pension, medical scheme and other applicable social insurance as required by the applicable laws and regulations. Apart from regular on-job training, the Group provides training to new employees including an introduction to relevant regulations and general safety awareness and a workshop specific training to the work area and the role of individual within the workshop.

Directors and employees, among others, are entitled to participate in the share option scheme at the discretion of the board. No share option was outstanding as at 31 December 2011.

Future Outlook

Following the successful listing of its shares on the Hong Kong Stock Exchange in January 2012, the Company has entered into a new era. Moving forward, the overall strategic objective of the Company is to exploit its competitive advantages to become one of the leading diversified metal mining companies in the PRC.

The Company will pursue to ramp up the existing mining and ore processing capacities. Hami Jiatai Concentrator has not been running at its full capacity because of limited supply of copper-nickel ores extracted from Project No. 2 and Project No. 20. In order to restore and further expand its production scale and improve its efficiency, the Company will further invest in Project No.20 to increase its mining capacity as well as Project H-989 which is expected to commence commercial production in the first half of 2013. The Company also plans to procure copper-nickel ores from independent suppliers in Hami to further enhance the production scale of Hami Jiatai Concentrator. Following the commencement of commercial production of Project Baiganhu and Hami Jinhua Concentrator at around the third quarter of 2012, the Company's mining and ore processing capacities will be further improved.

On the other hand, control of sizable mineral resources and ore reserves is fundamental to long-term sustainable expansion of business of the Company, which plans to expand its portfolios of mineral resources and ore reserves through focused exploration efforts. More in-depth exploration will be carried out in those areas in Hami, where the Company holds seven exploration permits. Upon completion of the acquisition of Shaanxi Jiarun and Shaanxi Jiahe, the Company will commence exploration, mining and ore processing activities on Project Huaba and Project Huangjinmei respectively. In order to further expand and achieve long-term sustainable growth, the Company will continue to look for potential consolidation or acquisition targets with high quality nickel, copper and other mineral resources which satisfy the acquisition criteria of the Company.

Furthermore, the Company will strive to strengthen its customer relationship and broaden the customer base. As the production of Hami Jiatai Concentrator and Hami Jinhua Concentrator is expected to ramp up gradually since the second quarter of 2012, the Company intends to develop and/or further strengthen the long-term supplier relationship with Jinchuan Group, who is one of the leading integrated non-ferrous metallurgical and chemical engineering enterprises engaged in mining, concentrating, metallurgy and chemical engineering in the PRC, and other non-ferrous metallurgical enterprises in order to stabilize and grow the revenue base. The Company also intends to minimize sales risks by increasing the geographical reach with a view to broadening its customer base.

DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year under review.

PURCHASE, REDEMPTION OR SALE OF SECURITIES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance and has taken appropriate steps to adopt and comply with the provisions of its Code on Corporate Governance Practices (the ''Code'') which adopted practices that meet the requirements set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited (the ''Listing Rules'') during the year.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The audit committee has reviewed the annual results for the year ended 31 December 2011.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2011 will be published on the websites of the Company (http://www.huili.hk) and The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) and despatched to the shareholders in due course.

By order of the Board
Huili Resources (Group) Limited
Wang Dayong
Chairman

Hong Kong, 26 March 2012

As at the date of this announcement, the executive Directors are Mr. Wang Dayong, Mr. Lu Qi, Mr. Zhao Guangsheng, Mr. Wu Guangsheng and Mr.Zhao Bochen, the non-executive Directors are Mr. Xue Di'an and Mr. Liu Tongyou and the independent non-executive Directors are Mr. Cao Shiping, Mr. Cao Kuangyu and Mr. Sin Lik Man.