

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

The board of directors (the “Board”) of Huili Resources (Group) Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 30 June 2012, together with comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
	<i>Note</i>	2012	2011
		RMB'000	RMB'000
		(unaudited)	(audited)
Revenue		–	19,611
Cost of sales	7	<u>(5,120)</u>	<u>(15,049)</u>
Gross (loss)/profit		(5,120)	4,562
Distribution costs	7	–	(938)
Administrative expenses	7	(6,074)	(5,288)
Other gains – net	8	<u>17,658</u>	<u>156</u>
Operating profit/(loss)		6,464	(1,508)
Finance income		944	4,670
Finance costs		<u>(1,593)</u>	<u>(3,306)</u>
Finance (costs)/income – net	9	<u>(649)</u>	<u>1,364</u>

		For the six months ended 30 June	
		2012	2011
	Note	RMB'000	RMB'000
		(unaudited)	(audited)
Profit/(loss) before income tax		5,815	(144)
Income tax credit	10	<u>654</u>	<u>154</u>
Profit for the period		<u>6,469</u>	<u>10</u>
Other comprehensive income		<u>–</u>	<u>–</u>
Total comprehensive income		<u>6,469</u>	<u>10</u>
Profit/(loss)/Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		7,730	(220)
Non-controlling interests		<u>(1,261)</u>	<u>230</u>
		<u>6,469</u>	<u>10</u>
Earnings/(loss) per share attributable to the equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	11	<u>0.008</u>	<u>(0.0003)</u>
Dividend		<u>–</u>	<u>–</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2012 <i>RMB'000</i> (unaudited)	As at 31 December 2011 <i>RMB'000</i> (audited)
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	12	73,048	64,154
Mining rights		129,711	129,711
Land use rights		10,199	10,314
Deferred tax assets		7,100	6,473
Prepayment for investments	13	33,000	30,000
Total non-current assets		253,058	240,652
Current assets			
Inventories		12,054	11,017
Other receivables and prepayments		11,911	8,145
Cash and cash equivalents	14	264,954	40,973
Restricted cash at banks	14	33,424	1,949
Total current assets		322,343	62,084
Total assets		575,401	302,736
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	15	86,322	65,972
Share premium	15	416,979	109,303
Other reserves		(12,168)	(15,524)
Accumulated losses		(3,663)	(11,393)
		487,470	148,358
Non-controlling interests		7,655	12,272
Total equity		495,125	160,630

		As at 30 June 2012 <i>RMB'000</i> (unaudited)	As at 31 December 2011 <i>RMB'000</i> (audited)
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Pre-acquisition dividend payable			
– non-current portion	16	–	63,990
Provision for close down, restoration and environmental costs		2,338	2,260
Deferred tax liabilities		34,767	34,794
Total non-current liabilities		37,105	101,044
Current liabilities			
Short-term borrowings	18	31,475	–
Pre-acquisition dividend payable			
– current portion	16	–	15,000
Trade payables	17	870	1,070
Other payables and accruals		10,559	24,726
Income tax payable		267	266
Total current liabilities		43,171	41,062
Total liabilities		80,276	142,106
Total equity and liabilities		575,401	302,736
Net current assets		279,174	21,022
Total assets less current liabilities		532,230	261,674

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended 30 June	
		2012	2011
	Note	RMB'000 (unaudited)	RMB'000 (audited)
Cash flows from operating activities			
Cash (used in)/generated from operations		(27,853)	9,603
Interest paid		(38)	–
Income tax paid		–	(1,414)
Net cash (used in)/generated from operating activities		(27,891)	8,189
Cash flows from investing activities			
Prepayment of investments	13	(3,000)	(10,000)
Purchase of property, plant and equipment and land use rights	12	(11,602)	(717)
Interest received		944	14
Increase in restricted cash at bank	14	(31,475)	–
Net cash used in investing activities		(45,133)	(10,703)
Cash flows from financing activities			
Issue of new shares	15	328,026	–
Receipt of bank borrowing	18	31,475	–
Payment of pre-acquisition dividend	16	(63,000)	–
Net cash generated from financing activities		296,501	–
Net increase/(decrease) in cash and cash equivalents			
		223,477	(2,514)
Cash and cash equivalents at beginning of period		40,973	63,598
Exchange differences on cash and cash equivalents		504	(1,296)
Cash and cash equivalents at end of period		264,954	59,788

1 GENERAL INFORMATION

Huili Resources (Group) Limited (“the Company”) was incorporated in the Cayman Islands on 19 February 2010 as an exempted company with limited liability under Companies Law (Cap 22, as amended and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutching Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 12 January 2012 (*note 15*).

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 condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 24 August 2012.

These condensed consolidated interim financial statements have not been audited.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with HKFRSs.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

The following amendment is mandatory for accounting periods beginning on or after 1 January 2012 but is not relevant to the Group's operations:

- HKAS 12 (Amendment) 'Income taxes' introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. The directors are of the view that this new standard does not have significant impact on the Group's financial statements as the Group does not have any investment property.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2012 and have not been early adopted:

- HKFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. The directors are of the view that this new standard does not have significant impact on the Group's financial statements as the Group does not have any available-for-sale financial assets.
- 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 directors are of the view that this new standard does not have significant impact on the Group's financial statements.
- 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 directors are of the view that this new standard does not have significant impact on the Group's financial statements as the Group does not have any interests in other entities.
- 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 not later than the accounting period beginning on or after 1 January 2013.

- HKAS 19 (Amendment) 'Employee benefits' eliminate the corridor approach and calculate finance costs on a net funding basis. The directors are of view that this new standard does not have significant impact on the Group's financial statements as the Group does not have any defined benefit retirement plans.

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 ESTIMATES

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, commodity price risk, interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

There have been no changes in the risk management department since 31 December 2011 or in any risk management policies.

5.2 Liquidity risk

Compared to 31 December 2011, there was no other material change in the contractual undiscounted cash out flows for financial liabilities with the exception of early settlement of the pre-acquisition dividend (*note 16*) and a new bank loan obtained (*note 18*).

5.3 Fair value estimation

As at 30 June 2012 and 30 June 2011, the carrying amounts of receivables and payables are a reasonable approximation of their fair values due to their short-term maturities.

6 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 (i.e. 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 the six months ended 30 June 2012 and 2011, the Group had two reportable segments:

- (a) Hami Jiatai Mineral Resources Exploiture Limited ("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 Mineral Resources Exploiture Limited ("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 the six months ended 30 June 2012 and 2011 is as follows:

	For the six months ended 30 June					
	2012			2011		
	Hami Jiatai RMB'000	Hami Jinhua RMB'000 (unaudited)	Total RMB'000	Hami Jiatai RMB'000	Hami Jinhua RMB'000 (audited)	Total RMB'000
Segment turnover						
– Nickel concentrate	–	–	–	16,084	–	16,084
– Copper concentrate	–	–	–	3,329	–	3,329
– Others	–	–	–	198	–	198
	–	–	–	19,611	–	19,611
Segment operating profit/(loss)	(15,392)	(3,934)	(19,326)	582	(1,217)	(635)
Unallocated operating gain/(loss) (note (a))	–	–	25,790	–	–	(873)
Operating profit/(loss)	<u>(15,392)</u>	<u>(3,934)</u>	<u>6,464</u>	<u>582</u>	<u>(1,217)</u>	<u>(1,508)</u>
Segment finance (costs)/ income – net	(1,820)	21	(1,799)	2,779	15	2,794
Unallocated	–	–	1,150	–	–	(1,430)
Finance (costs)/income – net	<u>(1,820)</u>	<u>21</u>	<u>(649)</u>	<u>2,779</u>	<u>15</u>	<u>1,364</u>
Income tax expense/(credit)	<u>9</u>	<u>645</u>	<u>654</u>	<u>(146)</u>	<u>300</u>	<u>154</u>
Amortisation	<u>39</u>	<u>76</u>	<u>115</u>	<u>37</u>	<u>74</u>	<u>111</u>
Depreciation	<u>1,728</u>	<u>980</u>	<u>2,708</u>	<u>2,097</u>	<u>969</u>	<u>3,066</u>

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follow:

	As at 30 June 2012			As at 31 December 2011		
	Hami Jiatai RMB'000	Hami Jinhua RMB'000 (unaudited)	Total RMB'000	Hami Jiatai RMB'000	Hami Jinhua RMB'000 (audited)	Total RMB'000
Segment assets	75,145	132,780	207,925	132,253	124,067	256,320
Unallocated assets (note (b))	–	–	367,476	–	–	46,416
Total	<u>74,173</u>	<u>132,780</u>	<u>575,401</u>	<u>132,253</u>	<u>124,067</u>	<u>302,736</u>
Segment liabilities	24,894	23,480	48,374	106,730	26,871	133,601
Unallocated liabilities	–	–	31,902	–	–	8,505
Total	<u>24,894</u>	<u>23,480</u>	<u>80,276</u>	<u>106,730</u>	<u>26,871</u>	<u>142,106</u>

- Notes:*
- (a) Unallocated operating gain/(loss) for the six months ended 2012 and 2011 mainly arose from gains on early settlement of dividend payable to previous equity holders of Hami Jiatai (*note 16*), staff cost and office expenses.
 - (b) Unallocated assets as at 30 June 2012 and 31 December 2011 mainly represented the bank deposits held by the Company.

7 EXPENSES BY NATURE

The following items have been charged to the operating profit/(loss) for the six months ended 30 June 2012 and 2011:

	For the six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Depreciation	2,708	3,066
Amortisation	115	111
Employee benefit expenses	4,388	917
Raw materials and consumables used	132	993
Changes in inventories of semi-finished goods and finished goods	–	11,852
Electricity consumed	88	134
Transportation expenses	65	938
Resource compensation fees	45	375
Sales tax levies	32	372
Office expenses and operating lease payments	1,803	199
Consulting fees	1,405	200
Exploration expenses	–	697
Expenses for preparation works of initial public offering	–	864
Others	413	557
Total of cost of sales, distribution costs and administrative expenses	11,194	21,275

8 OTHER GAINS – NET

	For the six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Gains on the early settlement of dividend payable to previous equity holders of Hami Jiatai (<i>note 16</i>)	17,680	–
Others	(22)	156
	<u>17,658</u>	<u>156</u>

9 FINANCE (COSTS)/INCOME – NET

	For the six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Finance income		
– Interest income from bank deposits	944	85
– Fair value adjustment of pre-acquisition dividend payable	–	4,585
	<u>944</u>	<u>4,670</u>
Finance costs		
– Foreign exchange gains/(losses)	293	(1,505)
– Interest cost	(38)	–
– Unwinding of discount – provision for close down, restoration and environmental costs	(78)	(30)
– Unwinding of discount – pre-acquisition dividend payable	(1,770)	(1,771)
	<u>(1,593)</u>	<u>(3,306)</u>
Finance (costs)/income – net	<u>(649)</u>	<u>1,364</u>

10 INCOME TAX CREDIT

	For the six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Current tax	–	423
Deferred tax	<u>(654)</u>	<u>(577)</u>
Income tax credit	<u><u>(654)</u></u>	<u><u>(154)</u></u>

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 (Group) Limited was subject to Hong Kong profits tax at the tax rate of 16.5% but did not have any assessable profit for the six months ended 30 June 2012 and 2011.

The applicable tax rate of Hami Jiatai and Hami Jinhua for the six months ended 30 June 2012 and 2011 was 25%.

11 EARNINGS/(LOSS) PER SHARE

The basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to the equity holders of the Company by weighted average number of ordinary shares in issue during the period.

	For the six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Profit/(loss) attributable to equity holders of the Company	<u><u>7,730</u></u>	<u><u>(220)</u></u>
Adjusted weighted average number of shares in issue (in thousands)	<u><u>984,890</u></u>	<u><u>750,000</u></u>
Basic and diluted earnings/(loss) per share (<i>RMB</i>)	<u><u>0.008</u></u>	<u><u>(0.0003)</u></u>

Diluted earnings/(loss) per share equals to basic earnings/(loss) per share as there was no dilutive potential share outstanding for the six months ended 30 June 2012 and 2011.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Office equipment and others <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Mining structures <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
For the six months ended 30 June 2012 (unaudited)							
Opening net book amount	27,465	14,869	25	431	13,441	7,923	64,154
Additions	62	8,785	39	–	–	2,716	11,602
Depreciation (<i>Note 7</i>)	(881)	(1,562)	(27)	(185)	(53)	–	(2,708)
Closing net book amount	26,646	22,092	37	246	13,388	10,639	73,048
At 30 June 2012							
Cost	34,055	35,715	451	7,199	14,393	10,639	102,452
Accumulated depreciation	(7,409)	(13,623)	(414)	(6,953)	(1,005)	–	(29,404)
Net book amount	26,646	22,092	37	246	13,388	10,639	73,048
For the six months ended 30 June 2011 (audited)							
Opening net book amount	29,536	18,158	99	1,081	13,441	7,923	70,238
Additions	–	–	1	–	–	–	1
Depreciation (<i>Note 7</i>)	(874)	(1,687)	(49)	(391)	(65)	–	(3,066)
Closing net book amount	28,662	16,471	51	690	13,376	7,923	67,173
At 30 June 2011							
Cost	34,293	26,880	411	7,522	14,393	7,923	91,422
Accumulated depreciation	(5,631)	(10,409)	(360)	(6,832)	(1,017)	–	(24,249)
Net book amount	28,662	16,471	51	690	13,376	7,923	67,173

Depreciation of property, plant and equipment has been charged to cost of sales and administrative expenses as follow:

	For the six months ended 30 June 2012 <i>RMB'000</i> (unaudited)		2011 <i>RMB'000</i> (audited)	
Cost of sales	2,489		2,782	
Administrative expenses	219		284	
	2,708		3,066	

13 PREPAYMENT FOR INVESTMENTS

	As at 30 June 2012 <i>RMB'000</i> (unaudited)	As at 31 December 2011 <i>RMB'000</i> (audited)
Prepayment for potential acquisition of subsidiaries	<u>33,000</u>	<u>30,000</u>

On 28 May 2010, the Group entered into equity transfer agreements with Shaanxi Jiatai Hengrun Resources Development Co. Ltd. (“Shaanxi Jiatai”) to acquire 100% equity interests of Shaanxi Jiarun Mineral Resources Development Co., Ltd. (“Shaanxi Jiarun”) and Shaanxi Jiahe Mineral Resources Development Co., Ltd. (“Shaanxi Jiahe”) with a cash consideration of RMB160,000,000 and RMB50,000,000 respectively. According to the equity transfer agreements, the Group paid cash of RMB13,500,000 and RMB4,500,000 to Shaanxi Jiatai as down payment for acquisition of Shaanxi Jiarun and Shaanxi Jiahe respectively in July, 2010, and the remaining consideration will be paid within a period of five years subsequent to the closing of the deals.

Shaanxi Jiarun is the holder of an exploration right of vanadium-copper mine in Shaanxi province. Shaanxi Jiahe is the holder of an exploration right of gold mine in Shaanxi province. The closing of the deals is subject to the conditions that the acquiree will complete all necessary legal procedures to convert the exploration rights into mining rights.

On 30 June 2011, the Group, Shaanxi Jiatai and Shaanxi Jiarun entered into a supplementary agreement pursuant to which the Group further prepaid a down payment of RMB10,000,000 to Shaanxi Jiatai on the same day in respect of the acquisition of Shaanxi Jiarun, and other conditions of the deal remain unchanged.

On 20 July 2011, pursuant to the agreement dated 28 May 2010, the Group further paid a down payment of RMB2,000,000 to Shaanxi Jiatai for the acquisition of Shaanxi Jiahe.

On 29 September 2011, the Group and Shaanxi Jiatai entered into supplementary agreements with each of Shaanxi Jiarun and Shaanxi Jiahe. Pursuant to this supplementary agreement, subject to the completion of the deals, the first instalment of remaining considerations will be paid within three months after the date of Listing or on 31 March 2013, whichever is earlier.

On 30 April 2012, the Group, Shaanxi Jiatai and Shaanxi Jiahe entered into another supplemental agreement. Pursuant to the supplementary agreement, the Group further paid a down payment of RMB3,000,000 to Shaanxi Jiatai for the acquisition of Shaanxi Jiahe.

As at 30 June 2012, the acquisitions of Shaanxi Jiarun and Shaanxi Jiahe are yet to be completed.

14 CASH AND CASH EQUIVALENTS

	As at 30 June 2012 <i>RMB'000</i> (unaudited)	As at 31 December 2011 <i>RMB'000</i> (audited)
Current deposits with banks	298,378	42,922
Less: Restricted cash at banks (<i>note a</i>)	<u>(33,424)</u>	<u>(1,949)</u>
Cash and cash equivalents	<u><u>264,954</u></u>	<u><u>40,973</u></u>

Note:

- (a) Restricted cash represented the guarantee deposits for environmental recovery of RMB1,949,000 and restricted bank deposit of US\$4,950,000 pledged for the bank loan of RMB31,475,000 (*note 18*).

15 SHARE CAPITAL

	Number of shares (thousands)	Ordinary shares <i>RMB'000</i>	Share premium <i>RMB'000</i>	Total <i>RMB'000</i>
Opening balance 1 January 2012 (unaudited)	750,000	65,972	109,303	175,275
Proceeds from shares issued (<i>note</i>)	<u>250,000</u>	<u>20,350</u>	<u>307,676</u>	<u>328,026</u>
At 30 June 2012	<u><u>1,000,000</u></u>	<u><u>86,322</u></u>	<u><u>416,979</u></u>	<u><u>503,301</u></u>
At 1 January and 30 June 2011 (audited)	<u><u>750,000</u></u>	<u><u>65,972</u></u>	<u><u>109,303</u></u>	<u><u>175,275</u></u>

Note:

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 The Stock Exchange of Hong Kong Limited on 12 January 2012. In connection with the initial public offering of new shares, the costs incurred by the Company amounted to RMB17,924,000.

16 PRE-ACQUISITION DIVIDEND PAYABLE

	As at 30 June 2012 <i>RMB'000</i> (unaudited)	As at 31 December 2011 <i>RMB'000</i> (audited)
Current portion	–	15,000
Non-current portion	–	63,990
	<u>–</u>	<u>78,990</u>

Pre-acquisition dividend payable represented the dividend attributable to the previous equity holders of Hami Jiatai. On 28 April 2010, Hami Jiatai and such previous equity holders entered into an agreement pursuant to which Hami Jiatai would pay the dividends of RMB92,000,000 due to such previous equity holders in instalments up to 31 December 2014, and the amount to be paid in each year would not be less than RMB15,000,000.

On 9 March 2011, Hami Jiatai and its previous equity holders entered into a supplementary agreement pursuant to which Hami Jiatai would pay the dividends in instalments during the period from 31 December 2011 to 31 December 2015, and the amount to be paid in each year would not be less than RMB15,000,000. As a result, the non-current portion was re-measured and a gain of RMB4,585,000 was credited to consolidated statement of comprehensive income as finance income.

Pursuant to another supplementary agreement dated 11 July 2011, Hami Jiatai would pay the first instalment within six months from the date of Listing or on 31 December 2012, whichever is earlier.

In May 2012, the Group agreed with Hami Jiatai's previous equity holders and settled the dividend payable with cash of RMB63,000,000. A gain of RMB17,680,000 (*note 8*) representing the difference between the carrying amount of pre-acquisition dividend payable as at the settlement day and settlement amount of RMB63,000,000 was recognised as other gains in the consolidated statement of comprehensive income for the six months ended 30 June 2012.

17 TRADE PAYABLES

Trade payables are analysed as follows:

	As at 30 June 2012 <i>RMB'000</i> (unaudited)	As at 31 December 2011 <i>RMB'000</i> (audited)
– Third parties	<u>870</u>	<u>1,070</u>

The ageing analysis of trade payables is as follows:

	As at 30 June 2012 <i>RMB'000</i> (unaudited)	As at 31 December 2011 <i>RMB'000</i> (audited)
0 – 90 days	28	43
91 – 180 days	25	6
181 – 365 days	6	9
Over 365 days	811	1,012
	870	1,070

The carrying amounts of trade payables approximated their fair values.

18 SHORT-TERM BORROWINGS

	As at 30 June 2012 <i>RMB'000</i> (unaudited)	As at 31 December 2011 <i>RMB'000</i> (audited)
Secured bank loan	31,475	–

The loan is secured by a restricted bank deposit of US\$4,950,000 (*note 14*), bearing interest at the fixed deposit rate of the lending bank plus 1% per annum, and repayable in February 2013. The effective interest rate as at 30 June 2012 is 1.35% per annum.

Interest expense for the six months ended 30 June 2012 is RMB37,983 (six months ended 30 June 2011: Nil).

The carrying amount of the short-term loan approximated its fair value.

19 RELATED PARTY TRANSACTIONS

For the six months ended 30 June 2012 and 2011, the Group had the following material transactions with related parties:

	For the six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Advances from/payment on the Group's behalf by		
– Mr. Wang Dayong	<u>–</u>	<u>1,642</u>
Repayments of amounts due to		
– Mr. Wang Dayong	<u>–</u>	<u>1,642</u>
	For the six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Key management compensation		
Basic salaries, allowances and other benefits	1,420	131
Contributions to pension plan	<u>20</u>	<u>12</u>
	<u>1,440</u>	<u>143</u>

20 COMMITMENTS

(a) Capital commitments

Capital expenditure for property, plant and equipment at the respective balance sheet date but not yet incurred is as follows:

	As at 30 June 2012 <i>RMB'000</i> (unaudited)	As at 31 December 2011 <i>RMB'000</i> (audited)
Authorised but not contracted for:		
– Buildings	100,471	100,471
– Machinery and equipment	71,318	82,920
	<u>171,789</u>	<u>183,391</u>

(b) Operating lease commitments

The Company leases various offices under non-cancelable operating lease agreements.

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	As at 30 June 2012 <i>RMB'000</i> (unaudited)	As at 31 December 2011 <i>RMB'000</i> (audited)
No later than 1 year	30	30
Later than 1 year and no later than 5 years	120	120
Later than 5 years	150	150
	<u>300</u>	<u>300</u>

(c) Investment commitment

As at 30 June 2012, the Group has total investment commitments of RMB177,000,000 (31 December 2011: RMB180,000,000) for the acquisitions of Shaanxi Jiarun and Shaanxi Jiahe (Note 13).

21 EVENTS AFTER BALANCE SHEET DATE

There was no significant event after balance sheet date.

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.

The Company, through its PRC subsidiaries Hami Jinhua Mineral Resource Exploiture Limited (“Hami Jinhua”) and Hami Jiatai Mineral Resource Exploiture Limited (“Hami Jiatai”), owns three mining projects and seven exploration projects in Hami, Xinjiang. Details of the projects are set out below:

Mining projects

Hami Jiatai and Hami Jinhua hold three mining permits namely Project No. 2, Project No. 20 and Project Baiganhu. Project No. 20, which produces nickel and copper ore will be under series of additional drilling and infrastructure upgrade during the year to extract ores at a lower part of the ore bodies. Mine construction of Project Baiganhu, which produces lead and zinc ore, is underway and its production is expected to commence in the third quarter of 2012. Production of Project No. 2 has been suspended as a result of the implementation of the consolidation program in Hami. The Company is working closely with The Bureau of Land and Resources of Hami to formulate a fair and reasonable compensation plan which is to the best interests of the Company.

Exploration projects

Hami Jiatai 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 44 square kilometers 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, and also scheduled to begin drilling of Project Heishan for defining ore deposits within tenement in 2012.

Metal Concentrators

Each of Hami Jiatai and Hami Jinhua operates a metal concentrator which produces copper-nickel concentrates and lead-zinc concentrates respectively. During the first half of 2012, a new production line with ore processing capacity of 400 tonnes per day was completed at Hami Jiatai Concentrator. Its trial operation started in late June and it is planned that its production scale will further increase in the second half of 2012 by sourcing copper-nickel ores from independent suppliers. Hami Jinhua Concentrator is expected to start processing lead-zinc ores extracted from Project Baiganhu in the third quarter of 2012.

Shaanxi acquisition

The Company targets to complete the acquisition of Shaanxi Jiahe Mineral Resources Development Co., Ltd. ("Shaanxi Jiahe") in the second half of 2012. Shaanxi Jiahe holds the exploration permits for Project Huangjinmei and its mining permit is expected to be granted in the fourth quarter of 2012. The predominant resource of Project Huangjinmei is gold with an average grade of 2.95 g/t.

Results Review

Revenue and gross loss

The Group's revenue is derived primarily from the sale of metal concentrates to customers, which are mainly smelters and trading companies around the region. During the first half of 2012, the Company 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 (2011: RMB19.6 million). The gross loss of RMB5.1 million represented mainly depreciation charges and staff cost during the period.

Administrative expenses

Administrative expenses for the period were RMB6.1 million (2011: RMB5.3 million). Administrative expenses represented mainly depreciation on property, plant and equipment and amortization expenses of land use rights, staff costs, resources compensation fees, office expenses and rental fees, consulting fees and other miscellaneous.

Other gains – net

The Group recorded RMB17.7 million other gains during the period (2011: RMB156,000). Other gains represented mainly gains on early settlement of pre-acquisition dividend payable, details of which are set out in note 16 to the financial statements.

Finance (costs)/income – net

The Group recorded net finance costs of RMB649,000 for the period (2011: net income of RMB1.4 million), representing mainly interest income from bank deposits net of unwinding of discount of pre-acquisition dividend payable, interest expense on bank loans and foreign exchange. Last year, a fair value gain of pre-acquisition dividend payable of RMB4.6 million was recognised. The pre-acquisition dividend payable has been fully settled during the period thus no such gain was recorded this year.

Income tax credit

Income tax credit for the period was RMB654,000 (2011: credit of RMB154,000). Income tax credit represented current period tax charge net of deferred taxation arising from depreciation and carried-forward tax losses.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company was RMB7.7 million (2011: loss of RMB220,000), mainly due to the gain on early settlement of pre-acquisition dividend payable.

Initial Public Offering and Use of Proceeds

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. Net proceeds received by the Company amounted to approximately RMB328 million, which are intended to be or have been applied in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The unused net proceeds are placed in short term deposits with licensed institutions in Hong Kong.

Liquidity and Financial Review

The Group financed its day to day operations by internally generated cash flow, banking facilities and equity capital. Primary uses of funds during the period included settlement of the pre-acquisition dividend payable, payment of listing and operating expenses, and purchase of property, plant and equipment.

As at 30 June 2012, current assets of RMB322.3 million were comprised of inventories of RMB12.1 million, other receivables and prepayments of RMB11.9 million, cash and cash equivalents of RMB265.0 million and restricted cash at banks of RMB33.4 million. Current liabilities of RMB43.2 million were mainly comprised of short-term bank borrowings of RMB31.5 million, trade payables of RMB0.9 million, other payables and accruals of RMB10.6 million and income tax payable of RMB0.3 million. Current ratios, being total current assets to total current liabilities, were 1.5 and 7.5 as at 31 December 2011 and 30 June 2012 respectively.

As at 30 June 2012, the Group had an outstanding interest-bearing bank loan amounted to US\$4,950,000 (equivalent to RMB31.5 million) (31 December 2011: Nil). It was repayable within one year and was fully secured by a cash deposit of US\$4,950,000. The loan was interest-bearing at the fixed deposit rate of the lending bank plus 1% per annum.

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 30 June 2012, the Group's total cash and cash equivalents was exceeding the Group's total borrowings, and the gearing ratio was therefore nil (31 December 2011: nil).

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

Commitments and Contingent Liabilities

As at 30 June 2012, the Group had capital commitments for property, plant and equipments of approximately RMB171.8 million (31 December 2011: RMB183.4 million).

As at 30 June 2012, the future aggregate minimum lease payments under non-cancellable operating leases of various offices was approximately RMB0.3 million (31 December 2011: RMB0.3 million).

As at 30 June 2012, the Group had investment commitments with amounts of RMB177 million for the acquisitions of Shaanxi Jiarun and Shaanxi Jiahe (31 December 2011: RMB180 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 30 June 2012, the Group employed 100 employees. The total staff costs for the period were approximately RMB4.4 million (2011: RMB0.9 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 30 June 2012.

Future Outlook

The world economy continued to be stagnant in the first half of 2012, leading to sluggish demand for major materials including coal, oil and metal commodities. On the other hand, the Chinese government has adopted tight policies to suppress domestic inflation. All factors have resulted in weakening prices of non-ferrous metals including copper and nickel. It is expected that the situation will remain shaking for the rest of the year.

In view of the difficult environment, the Group will rationally adjust its production scale and preserve the values of its ore resources. While continuing to sell the inventory of metal concentrates, Hami Jiatai plans to procure copper-nickel ores from independent suppliers in order to effectively utilize the capacity of Hami Jiatai Concentrator. With Project Baiganhu and Hami Jinhua Concentrator commencing production in the third quarter this year, the products of the Group will be further diversified to lead and zinc. Moreover, the acquisition of Shaanxi Jiahe, which owns Project Huangjinmei, is expected to be completed within this year. The Group's ore resources will hence be further enriched.

Looking ahead, the Group will continue to invest in its existing mining and exploration projects, as well as look for potential consolidation or acquisition targets in overseas. On 18 July 2012, the Company announced that it was evaluating the possibility of acquiring a controlling interest in a gold mine located in the Republic of Ghana covering an area of approximately 72 square kilometers. It is expected that the Company will take approximately over six months from the date of the aforesaid announcement to complete the relevant evaluation including the nature, the current state of the exploration and development and the location of the mine. By way of its organic growth and quality acquisitions, the Group is well-positioned to become one of the leading diversified metal mining company.

DIVIDEND

The directors do not recommend the payment of any interim dividend in respect of the period 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 period.

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 period.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for directors' securities transactions. Having made specific enquiry of all directors, all directors of the Company have complied with required standard set out in the Model Code throughout the six months ended 30 June 2012.

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 interim results for the six months ended 30 June 2012.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2012 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, 24 August 2012

As at the date of this announcement, the executive Directors are Mr. Wang Dayong, Mr. Lu Qi, Mr. Zhao Guangsheng, Mr. Wu Guangsheng, Mr. Zhao Bochen and Mr. Ma Boping, 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.