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 2012 AND CHANGE IN USE OF PROCEEDS

I. ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012, together with comparative figures for the previous financial year as follows:

Consolidated Statement of Comprehensive Income

		Year ended 31 December	
		2012	2011
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**13,016**	19,611
Cost of sales	*7*	**(20,648)**	(19,503)
Gross (loss)/profit		**(7,632)**	108
Distribution costs	*7*	**—**	(938)
Administrative expenses	*7*	**(20,208)**	(23,399)
Other gains — net	*5*	**17,911**	591
Operating loss		**(9,929)**	(23,638)
Finance income		**2,256**	6,091
Finance costs		**(3,576)**	(6,906)
Finance costs — net	*6*	**(1,320)**	(815)

		Year ended 31 December	
		2012	2011
	Note	***RMB'000***	*RMB'000*
Loss before income tax		**(11,249)**	(24,453)
Income tax credit	*8*	**1,189**	615
Loss for the year		**(10,060)**	(23,838)
Other comprehensive income		**—**	—
Total comprehensive loss		**(10,060)**	(23,838)
Loss/total comprehensive loss attributable to:			
Equity holders of the Company		**(8,438)**	(23,542)
Non-controlling interests		**(1,622)**	(296)
		(10,060)	(23,838)
Loss per share attributable to the equity holders of the Company (expressed in RMB per share)			
— Basic and diluted	*9*	**(0.009)**	(0.031)
Dividend		**—**	—

Consolidated Balance Sheet

		As at 31 December	
		2012	2011
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**87,569**	64,154
Mining rights		**129,711**	129,711
Land use rights		**10,071**	10,314
Deferred tax assets		**7,608**	6,473
Prepayment for investments		**33,000**	30,000
Other non-current assets		**1,950**	—
Total non-current assets		**269,909**	240,652
Current assets			
Trade receivables	*10*	**15,253**	—
Inventories		**11,537**	11,017
Other receivables and prepayments		**16,965**	8,145
Cash and cash equivalents		**226,479**	40,973
Restricted cash at banks		**31,169**	1,949
Total current assets		**301,403**	62,084
Total assets		**571,312**	302,736
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*11*	**86,322**	65,972
Share premium	*11*	**416,979**	109,303
Other reserves		**(12,168)**	(15,524)
Accumulated losses		**(19,831)**	(11,393)
		471,302	148,358
Non-controlling interests		**7,294**	12,272
Total equity		**478,596**	160,630

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
LIABILITIES			
Non-current liabilities			
Pre-acquisition dividend payable — non-current portion		**—**	63,990
Provision for close down, restoration and environmental costs		**2,495**	2,260
Deferred tax liabilities		**34,740**	34,794
Total non-current liabilities		**37,235**	101,044
Current liabilities			
Pre-acquisition dividend payable — current portion		**—**	15,000
Trade payables	*12*	**1,963**	1,070
Other payables and accruals		**21,947**	24,726
Income tax payable		**266**	266
Borrowings		**31,305**	—
Total current liabilities		**55,481**	41,062
Total liabilities		**92,716**	142,106
Total equity and liabilities		**571,312**	302,736
Net current assets		**245,922**	21,022
Total assets less current liabilities		**515,831**	261,674

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's shares were 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, Hutchins 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 2013.

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 2011 and 2012, including adjustments required for conforming these group companies' accounting policies and applying those policies to all the years ended 31 December 2011 and 2012.

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

3.1 Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

3.2 Changes in accounting policy and disclosures

(a) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2012 but not currently relevant to the Group (although they may affect the accounting for future transactions and events).

- 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 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.

- Amendment to HKAS 1 "Financial statements presentation regarding other comprehensive income". The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which item are presented in OCI.

(b) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted.

	Applicable for accounting periods beginning on/after
Amendment to HKFRS 1 "First time adoption", on government loans	1 January 2013
Amendment to HKFRSs 10, 11 and 12 on transition guidance	1 January 2013
Annual improvements 2011	1 January 2013
HKFRS 10 "Consolidated financial statements"	1 January 2013
HKAS 27 (revised 2011) "Separate financial statements"	1 January 2013
HKFRS 11 "Joint arrangements"	1 January 2013
HKAS 28 (revised 2011) "Associates and joint ventures"	1 January 2013
HKFRS 12 "Disclosure of interests in other entities"	1 January 2013
HKFRS 13 "Fair value measurement"	1 January 2013
Amendment to HKAS 19 "Employee benefits"	1 January 2013
Amendment to HKFRS 7 "Financial instruments: Disclosures" on asset and liability offsetting	1 January 2013
HK(IFRIC)-Int 20 "Stripping costs in the production phase of a surface mine"	1 January 2013
Amendment to HKAS 32 "Financial instruments: Presentation" on asset and liability offsetting	1 January 2014
HKFRS 9 "Financial Instruments"	1 January 2015
HKFRS 7 and HKFRS 9 (Amendments) "Mandatory effective date and transition disclosures"	1 January 2015

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

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 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 2011 and 2012, 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 2011 and 2012 as follows:

	Year ended 31 December					
	2012			2011		
	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
— Copper concentrate	**—**	**11,798**	**11,798**	3,329	—	3,329
— Zinc concentrate	**—**	**—**	**—**	—	—	—
— Lead concentrate	**—**	**—**	**—**	—	—	—
— Others	**—**	**1,218**	**1,218**	198	—	198
	—	**13,016**	**13,016**	19,611	—	19,611
Segment operating loss	**(16,836)**	**(9,364)**	**(26,200)**	(3,292)	(2,053)	(5,345)
Unallocated operating gains/(loss) (note (a))	**—**	**—**	**16,271**	—	—	(18,293)
Operating loss	**(16,836)**	**(9,364)**	**(9,929)**	(3,292)	(2,053)	(23,638)
Segment finance (costs)/ income — net	**(1,928)**	**21**	**(1,907)**	1,789	—	1,789
Unallocated	**—**	**—**	**587**	—	—	(2,604)
Finance (costs)/income — net	**(1,928)**	**21**	**(1,320)**	1,789	—	(815)
Income tax credit	**(248)**	**1,437**	**1,189**	325	290	615
Amortisation	**80**	**163**	**243**	77	152	229
Depreciation	**3,224**	**2,060**	**5,284**	3,898	1,938	5,836
Segment assets	**126,895**	**174,099**	**300,994**	132,253	124,067	256,320
Unallocated assets (note (b))	**—**	**—**	**270,318**	—	—	46,416
Total	**126,895**	**174,099**	**571,312**	132,253	124,067	302,736
Segment liabilities	**22,517**	**31,762**	**54,279**	106,730	26,871	133,601
Unallocated liabilities	**—**	**—**	**38,437**	—	—	8,505
Total	**22,517**	**31,762**	**92,716**	106,730	26,871	142,106

Notes:

(a) Unallocated operating gains mainly arose from the early settlement of dividend payable to previous equity holders of Hami Jiatai for the year ended 31 December 2012 and the unallocated operating loss mainly arose from expenses for preparation of public offering of the Company's shares for the year ended 31 December 2011.

(b) Unallocated assets as at 31 December 2012 mainly represented by the bank deposits held by the Company and the unallocated assets as at 31 December 2011 mainly related to the prepaid expenditures for the Company's preparation works of initial public offering of the Company's shares.

5 OTHER GAINS — NET

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Gains on early settlement of dividend payable to previous equity holders of Hami Jiatai	**17,680**	—
Subsidy income	**201**	17
Gains on disposal of property, plant and equipment	**61**	113
Rental income	**—**	400
Others	**(31)**	61
	17,911	591

6 FINANCE COSTS — NET

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Finance income		
— Interest income from bank deposits	**2,256**	101
— Fair value adjustment of pre-acquisition dividend payable	**—**	5,990
	2,256	6,091
Finance costs		
— Exchange losses	**(1,317)**	(2,634)
Interest expense		
— Bank borrowings	**(254)**	—
— Unwinding of discount — provision for close down, restoration and environmental costs	**(235)**	(241)
— Unwinding of discount — pre-acquisition dividend payable	**(1,770)**	(4,031)
	(3,576)	(6,906)
Finance costs — net	**(1,320)**	(815)

7 EXPENSES BY NATURE

The following items have been charged to the operating loss for the years ended 31 December 2011 and 2012:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Inventories purchased	**12,973**	—
Depreciation	**5,284**	5,836
Amortisation	**243**	229
Employee benefit expenses	**10,930**	2,281
Subcontracting expenses	**1,552**	703
Raw materials and consumables used	**180**	410
Changes in inventories of semi-finished goods and finished goods	**(259)**	11,852
Electricity consumed	**411**	324
Transportation expenses	**113**	1,073
Resource compensation fees	**66**	409
Sales tax levies	**52**	403
Office expenses and operating lease payments	**4,547**	296
Consulting fees	**2,300**	300
Exploration expenses	**949**	431
Auditor's remuneration	**1,134**	780
Expenses for preparation of initial public offering	**—**	17,505
Others	**381**	1,008
	40,856	43,840

8 INCOME TAX CREDIT

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Current tax	**—**	—
Deferred tax	**(1,189)**	(615)
Income tax credit	**(1,189)**	(615)

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.

Right Source and Fortune In are exempted companies incorporated in the BVI and, as such, are not liable for taxation in the BVI on their non-BVI income.

Surplus plan was subject to Hong Kong profits tax at tax rate of 16.5% for the period from 19 December 2011 (date of incorporation) to 31 December 2012. Surplus plan did not have any assessable profit for the period from 19 December 2011 to 31 December 2012.

Realty Investment was subject to Hong Kong profits tax at the tax rate of 16.5% for each of the years ended 31 December 2011 and 2012. Realty Investment did not have any assessable profit for each of the years ended 31 December 2011 and 2012.

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 Huili Runce Investment Consultation (Beijing) Limited for the period from 10 September 2012 to 31 December 2012 was 25%.

The applicable tax rate of Hami Jiatai and Hami Jinhua for each of the years ended 31 December 2011 and 2012 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	
	2012	2011
	RMB'000	*RMB'000*
Loss before income tax	**(11,249)**	(24,453)
Tax calculated at domestic tax rates applicable to results in the respective countries	**(7,181)**	(891)
Tax effects of:		
— Income not subject to tax	**—**	(1,498)
— Expenses not deductible for tax purposes	**5,823**	1,772
— Tax losses for which no deferred income tax asset was recognised	**169**	2
Income tax credit	**(1,189)**	(615)

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	
	2012	2011
	RMB'000	*RMB'000*
Loss attributable to equity holders of the Company	**(8,438)**	(23,542)
Adjusted weighted average number of shares in issue (in thousands)	**991,781**	750,000
Basic and diluted loss per share (RMB)	**(0.009)**	(0.031)

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 2011 and 2012.

10 TRADE RECEIVABLES

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**15,253**	—
Less: Provision for impairment of trade receivables	**—**	—
Trade Receivables — net	**15,253**	—

As at 31 December 2012, the ageing of trade receivables were within 1 month, and all the trade receivables were subsequently settled in January 2013.

11 SHARE CAPITAL AND SHARE PREMIUM

	Authorised Shares of HK$0.1 each
Upon the incorporation of the Company *(note (a))*	3,800,000
Increase in authorised shares *(note (b))*	4,996,200,000
As at 31 December 2011 and 2012	5,000,000,000

	Issued and fully paid			
	Number of shares	**Share capital**	**Share premium**	**Total**
	(Thousands)	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011 and 31 December 2011	750,000	65,972	109,303	175,275
At 1 January 2012	750,000	65,972	109,303	175,275
Proceeds from shares issued *(note (c))*	250,000	20,350	307,676	328,026
At 31 December 2012	1,000,000	86,322	416,979	503,301

Notes:

(a) On 19 February 2010, the Company was incorporated with an authorized share capital of HK$380,000 divided into 3,800,000 shares of HK$0.1 each. Upon the incorporation of the Company, one share of HK$0.1 each was issued at par to Sky Circle.

(b) Pursuant to a shareholder's resolution resolved on 18 May 2010, the authorized share capital of the Company was increased to HK$500,000,000 divided into 5,000,000,000 shares of HK$0.1 each by the creation of 4,996,200,000 shares of HK$0.1 each, and the Company issued 712,419,000 shares of HK$0.1 each as fully paid up by way of capitalization of the amount of HK$71,249,000 (equivalent to RMB62,692,000) standing to the credit of the share premium account to King Award as to 391,869,500 bonus shares and to Sky Circle as to 320,620,500 bonus shares. Consequently, the total number of shares issued is 712,500,000, which are registered in the name of King Award as to 391,875,000 shares and in the name of Sky Circle as to 320,625,000 shares.

(c) 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.

12 TRADE PAYABLES

Trade payables are analysed as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
— Third parties	**1,963**	1,070

The ageing analysis of trade payables are as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
0–90 days	**755**	43
91–180 day	**114**	6
181–365 days	**62**	9
Over 365 days	**1,032**	1,012
	1,963	1,070

The carrying amounts of trade payables approximated their fair values.

13 EVENTS AFTER BALANCE SHEET DATE

(a) Acquisition of Shaanxi mines

On 28 May 2010, the Group entered into equity transfer agreements with Shaanxi Jiatai to acquire 100% equity interests of Shaanxi Jiarun and Shaanxi Jiahe with a cash consideration of RMB160,000,000 and RMB50,000,000 respectively. The closing of the deals is subject to conditions that the acquiree will complete all necessary legal procedures to convert the exploration rights to mining rights.

On 15 January 2013, Shaanxi Jiahe had completed part of its conversion from exploration rights to mining rights, and the acquisition of Shaanxi Jiahe is in progress and is expected to be completed at the end of March in 2013. The conversion of Shaanxi Jiarun's mining rights is still in progress and the acquisition is yet to complete.

(b) Issue of convertible bonds

On 25 January 2013, a subscription agreement was entered into between the Company and ACE AXIS Limited ("the investor"), pursuant to which the Company will conditionally issue, and the investor will conditionally subscribe for, the convertible bond in the aggregate principal amount of HK$215,000,000. Pursuant to the subscription agreement, the Company will also conditionally issue the warrants to the investor where such warrants entitled the investor to subscribe for 40,000,000 warrant shares at the initial subscription price of HK$2.4 per share (in each case subject to adjustment).

The convertible bonds and warrants will not be issued until late April 2013.

(c) Possible acquisitions in the Republic of Ghana

On 20 March 2013, the Company, Mr. Weixing and Geo-Tech Resources Group Investment Limited ("Geo-Tech") entered into a framework agreement in relation to possible acquisitions of gold mines and mineral processing plant in the Republic of Ghana. The structure of the possible acquisitions are subject to due deligence, negotiation and changes. As such, no binding agreement has been entered into as at the date of the annual report.

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

The Company has three mining projects in Hami, Xinjiang. The mining projects, namely Project No. 2, Project No. 20 and Project Baiganhu, possess abundant and high grade nickel, copper, lead and zinc mineral resources. The Company also operates two metal concentrators nearby with each of them has an annual production capacity of 450,000 tons. 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 mainly process lead-zinc ores exploited from Project Baiganhu.

During the year under review, domestic demand for non-ferrous metals has remained weak, leading to decrease in selling prices. In response to the persistently sluggish market condition, the Company has strategically scaled down the production rates of its mining projects and processing plants in order to preserve the values of its mineral resources.

Exploration projects

The Company holds seven exploration permits in Hami, Xinjiang namely Project Baiganhu Gold, Project H-989, Project Heishan, Project Hongshanpo, Project Huangshan, Project Xidagou and Project Yinaoxia, covering more than 44 km^2 exploration area with ore types covering gold, nickel, copper, lead and zinc. In view of the market condition as explained above, the Company has also attempted to review certain of its exploration plan so as to match the adjusted production schedules. In spite of the market downturn, the Company is still committed to devote reasonable effort to continue carrying out exploration activities in order to further strengthen its mineral resources.

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 (a vanadium-copper mine) and Project Huangjinmei (a gold mine), respectively. Details of the acquisitions were set out in the prospectus dated 29 December 2011 (the "Prospectus"). Pursuant to two supplemental agreements dated 31 December 2012, the Company and the vendor agreed to extend the long stop date of the above acquisitions to 31 March 2013, in order to allow for sufficient time for the vendor to fulfill the outstanding conditions precedent of the acquisitions. Based on the latest understanding from the vendor, it is currently estimated that the outstanding conditions precedent of the Shaanxi Jiahe acquisition will be fulfilled by end of the first quarter of 2013 while the timing and the feasibility of the fulfillment of those of the Shaanxi Jiarun acquisition remain uncertain.

Results Review

Revenue and gross loss

During the year of 2012, the Group sold copper concentrates purchased from a third party. Revenue for the year amounted to RMB13.0 million, representing 34% decrease as compared to 2011. A gross loss of RMB7.6 million was recorded during the year, representing mainly depreciation charges and staff cost. The Group recorded gross profit of RMB0.1 million in 2011. The decrease in revenue and gross profit was due to the strategic slowdown of mining operations in Hami as explained in the above "Business Review" section.

Administrative expenses

Administrative expenses for year of 2012 were RMB20.2 million, as compared to RMB23.4 million in 2011. The Company listed its shares on the Hong Kong Stock Exchange on 12 January 2012 (the "Listing"). As a result, RMB17.5 million expenses associated with the preparation of the Listing were incurred last year. Administrative expenses for the year of 2012 included mainly depreciation charges, staff costs, resources compensation fees, office expenses and rental fees. Following the Listing, staff costs and office expenses increased as a result of organizational expansion.

Other gains — net

The Group recorded RMB17.9 million other gains during the year of 2012 (2011: RMB0.6 million). Other gains represented mainly gains on early settlement of pre-acquisition dividend payable to previous equity holders of Hami Jiatai.

Finance costs — net

The Group recorded net finance costs of RMB1.3 million for the year of 2012 (2011: RMB0.8 million), representing mainly interest income from bank deposits net of unwinding of discount of pre-acquisition dividend payable and provision for close down, restoration and environmental costs, interest expense on bank borrowings and exchange losses. In 2011, a fair value gain of pre-acquisition dividend payable of RMB6.0 million was recognized. The pre-acquisition dividend payable has been fully settled during the year of 2012 thus no such gain was recorded.

Income tax credit

Income tax credit for the year of 2012 was RMB1.2 million (2011: RMB0.6 million). Income tax credit represented deferred taxation arising from depreciation and carried-forward tax losses.

Loss attributable to the equity holders of the Company

Loss attributable to equity holders of the Company for the year of 2012 was RMB8.4 million (2011: RMB23.5 million). Last year's attributable loss primarily arose from the Listing expenses while the gross loss and the increased general administrative expenses have resulted in the attributable loss this year.

Liquidity and Capital Resources

During the year of 2012, the Group financed its day to day operations by internally generated cash flow, banking facilities and proceeds from the Listing. Primary uses of funds during the year included settlement of the pre-acquisition dividend payable, payment of the professional parties fee in relation to the Listing and operating expenses, and capital expenditure on mining and exploration projects.

As at 31 December 2012, current assets of RMB301.4 million were comprised of inventories of RMB11.5 million, other receivables and prepayments of RMB17.0 million, trade receivables of RMB15.2 million, cash and cash equivalents of RMB226.5 million and restricted cash at banks of RMB31.2 million. Current liabilities of RMB55.5 million were mainly comprised of short-term bank borrowings of RMB31.3 million, trade payables of RMB2.0 million, other payables and accruals of RMB22.0 million and income tax payable of RMB0.2 million. Current ratios, being total current assets to total current liabilities, were 1.5 and 5.4 as at 31 December 2011 and 31 December 2012 respectively.

As at 31 December 2012, the Group had an outstanding interest-bearing bank loan amounted to US$4.95 million (equivalent to RMB31.3 million) (31 December 2011: Nil). It was repayable within one year and was fully secured by a cash deposit of US$4.95 million. 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 31 December 2012, the Group's total cash and cash equivalents exceeded 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 31 December 2012, the Group had capital commitments for property, plant and equipments of approximately RMB160.0 million (31 December 2011: RMB183.4 million).

As at 31 December 2012, the future aggregate minimum lease payments under non-cancellable operating leases of various offices was approximately RMB3.9 million (31 December 2011: RMB0.3 million).

As at 31 December 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 31 December 2012, the Group employed 88 employees. The total staff costs for year of 2012 were approximately RMB10.9 million (2011: RMB2.3 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 2012.

Future Outlook

With the world economy continuing to struggle from recovery, it is anticipated that the market situation will remain shaky in the year ahead. Demand for non-ferrous metals is expected to be flat. On the other hand, the Chinese government has adopted tight monetary policies to control domestic inflation and this will unavoidably have a negative impact to non-ferrous metals prices.

The Group has reacted quickly in response to the stagnant market condition by strategically scaling down its mining and exploration activities in Hami. In the meantime, the Company has been working closely with the vendor of Shaanxi Jiahe to pursue for the completion of its acquisition. Shaanxi Jiahe owns Project Huangjinmei which has 9.4 tons of gold metal resources. It is expected that the acquisition of Shaanxi Jiahe can be completed by end of the first quarter of 2013. Following its completion, the Group will need to provide capital to Shaanxi Jiahe for its mine development and bring its washing plant into operation.

On 20 March 2013, the Company announced that it had entered into a framework agreement in relation to the possible acquisitions of a gold mine and a processing plant in the Republic of Ghana from certain independent third parties. The potential vendors have indicated that the target gold mine has approximately 150 tons of indicated and measured gold resources and the target processing plant has a designed capacity to process up to 1,000 tons of ores per day. Details of the possible acquisitions were set out in the announcement of the Company dated 20 March 2013. The said possible acquisitions are subject to due diligence and further negotiation. As such, no binding agreement has been entered into as at the date of this announcement. The Company believes that these possible acquisitions may provide good investment opportunities in gold, which its worldwide demand and price are believed to be more firm than non-ferrous metals.

Apart from diversification of investments, the Company will also take proactive steps to further strengthen its capital structure by cooperating with strategic investment partners. On 25 January 2013, a subscription agreement was entered into between the Company and ACE AXIS Limited (the "Investor"), a company wholly owned by a Cayman limited partnership fund. CRRC Investment Ltd. ("CRRC") is the holder of 45% of the capital of the general partner of such fund. Pursuant to the subscription agreement, the Investor has conditionally agreed to subscribe for the convertible bond and warrants of the Company with a total estimated net proceeds of HK$310.5 million, which is intended to be applied for the purpose of financing new project(s) of the Company if and when they materialize. Given the background of CRRC, the Company is expected to benefit from its experience in investments in natural resources projects for developing the Company's existing mining business and CRRC will bring in additional resources and investment opportunities to the Company.

DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year of 2012.

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 of 2012.

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 audit committee under the Board of the Company 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 2012.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 31 December 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.

NON-COMPLIANCE WITH RULE 3.10A OF THE LISTING RULES

Following the appointment of Mr. Sun Zhong with effective from 25 February 2013, the number of independent non-executive directors of the Company falls below the minimum number required under Rule 3.10A of the Listing Rules. The Board will continue to search for and appoint appropriate person(s) to fill the vacancies as soon as possible within three months from 25 February 2013 pursuant to the Rule 3.11 of the Listing Rules.

II. CHANGE IN 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 and a listing of such shares on the main board of Hong Kong Stock Exchange Limited on 12 January 2012. Net proceeds received by the Company amounted to approximately HK$400 million, which have been applied generally in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus during the year under review. The unused net proceeds were and are still placed in short term deposits with licensed banks in Hong Kong.

As stated in the section headed "Future Plans and Use of Proceeds — Use of Proceeds" of the Prospectus, approximately HK$152 million is intended to be used to finance the planned capital expenditure on Project No. 20, Project Baiganhu and Project H-989, approximately HK$9 million to finance the technical modification on the tailings storage facilities of Hami Jinhua Concentrator, and approximately HK$16 million to finance the planned capital expenditure on exploration activities. In view of the sluggish market condition as explained in the section "Business Review" above, the Company has strategically adjusted the schedules of its mining and exploration activities in Hami. As a result, after carefully taken into the consideration the near term market outlook and cost of idle capital resources, the Company intends to reduce (i) the planned capital expenditure on Project No. 20, Project Baiganhu and Project H-989 by HK$42 million; (ii) the expenditure on technical modification on the tailings storage facilities of Hami Jinhua Concentrator by HK$9 million; and (iii) the planned capital expenditure on exploration activities by HK$9 million. The part of proceeds subject to the aforementioned change, which amounts to HK$60 million in aggregate or approximately 15% of the said total net proceeds, will be applied, in part, to fund the earnest money in relation to the possible processing plant acquisition in the Republic of Ghana, the details of which have been disclosed in the Company's announcement dated 20 March 2013, and, as to the balance, to finance the Company's working capital and future potential acquisitions if and when suitable opportunities arise.

The Board considers that the abovementioned change of use of net proceeds can effectively utilize the resources in matching the Group's latest mining and exploration plans and coping with the potential acquisition opportunities, which are in the interest of the Company and its shareholders as a whole.

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

Hong Kong, 26 March 2013

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, Mr. Ma Boping and Mr. Sun Zhong and the independent non-executive Directors are Mr. Cao Shiping, Mr. Cao Kuangyu and Mr. Sin Lik Man.