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 2013

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 2013, together with comparative figures for the previous financial year as follows:

Consolidated Statement of Comprehensive Income

		Year ended 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**1,097**	13,016
Cost of sales	*4*	**(9,024)**	(20,648)
Gross loss		**(7,927)**	(7,632)
Administrative expenses	*4*	**(26,687)**	(20,208)
Other (losses)/gains — net	*5*	**(5,608)**	17,911
Operating loss		**(40,222)**	(9,929)
Finance income		**1,103**	2,256
Finance costs		**(6,630)**	(3,576)
Finance costs — net	*6*	**(5,527)**	(1,320)

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
Loss before income tax		**(45,749)**	(11,249)
Income tax (expense)/credit	7	**(357)**	1,189
Loss for the year		**(46,106)**	(10,060)
Other comprehensive income		**—**	—
Total comprehensive loss		**(46,106)**	(10,060)
Loss/total comprehensive loss attributable to:			
Equity holders of the Company		**(45,376)**	(8,438)
Non-controlling interests		**(730)**	(1,622)
		(46,106)	(10,060)
Loss per share attributable to the equity holders of the Company (expressed in RMB per share)			
— Basic and diluted	8	**(0.045)**	(0.009)

Consolidated Balance Sheet

		As at 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**107,634**	87,569
Mining rights and exploration rights		**188,245**	129,711
Land use rights		**9,828**	10,071
Deferred tax assets		**7,197**	7,608
Prepayment for investments		**—**	33,000
Other non-current assets		**1,951**	1,950
Total non-current assets		**314,855**	269,909
Current assets			
Trade receivables	*9*	**—**	15,253
Inventories		**11,369**	11,537
Other receivables and prepayments		**64,859**	16,965
Cash and cash equivalents		**223,583**	226,479
Restricted cash at banks		**—**	31,169
Total current assets		**299,811**	301,403
Total assets		**614,666**	571,312
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**86,322**	86,322
Share premium		**416,979**	416,979
Other reserves		**(12,168)**	(12,168)
Accumulated losses		**(65,207)**	(19,831)
		425,926	471,302
Non-controlling interests		**6,564**	7,294
Total equity		**432,490**	478,596

		As at 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Provision for close down, restoration and environmental costs		**4,151**	2,495
Deferred tax liabilities		**49,008**	34,740
Borrowings		**72,503**	—
Total non-current liabilities		**125,662**	37,235
Current liabilities			
Trade payables	*10*	**1,821**	1,963
Other payables and accruals		**35,329**	21,947
Income tax payable		**266**	266
Borrowings		**—**	31,305
Derivative financial instruments		**19,098**	—
Total current liabilities		**56,514**	55,481
Total liabilities		**182,176**	92,716
Total equity and liabilities		**614,666**	571,312
Net current assets		**243,297**	245,922
Total assets less current liabilities		**558,152**	515,831

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 28 March 2014.

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 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, as modified by the revaluation of derivative financial instruments at fair value through profit or loss.

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.

2.1 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 2013 but are not currently relevant to the Group (although they may affect the accounting for future transactions and events)

Amendment to HKAS 1, "Financial statement 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).

Amendment to HKFRS 1, "First time adoption" on government loans addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to HKFRS. It also adds an exception to the retrospective application of HKFRS, which provides the same relief to first-time adopters granted to existing preparers of HKFRS financial statements when the requirement was incorporated into HKAS 20 in 2008.

Amendment to HKFRSs10, 11 and 12 on transition guidance provide additional transition relief to HKFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

Annual improvements 2011, these annual improvements address six issues in the 2009-2011 reporting cycle. It includes changes to:

- HKFRS 1, 'First time adoption'
- HKAS 1, 'Financial statement presentation'
- HKAS 16, 'Property plant and equipment'
- HKAS 32, 'Financial instruments; Presentation'
- HKAS 34, 'Interim financial reporting'

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.

HKAS 27 (revised 2011), "Separate financial statements" includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.

HKFRS 11, "Joint arrangements" focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

HKAS 28 (revised 2011), "Associates and Joint ventures" includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.

HKFRS 12, "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

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 IFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, 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.

Amendment to HKAS 19, "Employee benefits" was revised in June 2011. The changes on the group's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

Amendment to HKFRS 7, "Financial instruments: Disclosures", on asset and liability offsetting. The amendments require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

HK(IFRIC)-Int 20, "Stripping costs in the production phase of a surface mine" sets out the accounting for overburden waste removal (stripping) costs that are incurred in surface mining activity during the production phase of a mine. The interpretation may require mining entities reporting under HKFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable components of an ore body.

(b) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted.

	Applicable for accounting periods beginning on/ after
Amendment to HKAS 32 "Financial instruments: Presentation" on asset and liability offsetting	1 January 2014
Amendments to HKFRS 10, 12 and HKAS 27 "Consolidation for investment entities"	1 January 2014
Amendment to HKAS 36, "Impairment of assets" on recoverable amount disclosures	1 January 2014
Amendment to HKAS 39 "Financial Instruments: Recognition and Measurement" — "Novation of derivatives"	1 January 2014
HK(IFRIC) 21 "Levies"	1 January 2014
Amendment to HKAS 19 regarding defined benefit plans	1 July 2014
Annual improvements 2012	
— HKFRS 2, "Share-based payment"	1 July 2014
— HKFRS 3, "Business combinations" and consequential amendments to HKFRS 9, "Financial instruments", HKAS 37, "Provisions, contingent liabilities and contingent assets", and HKAS 39, "Financial instruments — Recognition and measurement"	1 July 2014
— HKFRS 8, "Operating segments"	1 July 2014
— HKAS 16, "Property, plant and equipment" and HKAS38, "Intangible assets"	1 July 2014
— HKAS 24, "Related Party Disclosures"	1 July 2014
Annual improvements 2013	
— HKFRS 3, "Business combinations"	1 July 2014
— HKFRS 13, "Fair value measurement"	1 July 2014
— HKAS 40, "Investment property"	1 July 2014
— HKFRS 9 "Financial Instruments"	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.

3 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, lead/zinc mine and gold mine). The reportable operating segments derive their revenue primarily from mining, ore processing and sales of nickel, copper, lead, zinc and gold products.

For each of the years ended 31 December 2012 and 2013, the Group had two (note a and b) and three (note a, b and c) reportable segments respectively:

(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;

(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; and

(c) Shaanxi Jiahe Mineral Resources Development Co. Ltd. ("Shaanxi Jiahe") which held a gold mine and was mainly engaged in the mining, ore processing and sales of gold products.

Apart from the three 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 2012 and 2013 as follows:

	Year ended 31 December						
	2013				2012		
	Shaanxi Jiahe *RMB'000*	**Hami Jiatai** *RMB'000*	**Hami Jinhua** *RMB'000*	**Total** *RMB'000*	Hami Jiatai *RMB'000*	Hami Jinhua *RMB'000*	Total *RMB'000*
Segment revenue							
— Nickel concentrate	—	—	—	—	—	—	—
— Copper concentrate	—	—	1,097	1,097	—	11,798	11,798
— Zinc concentrate	—	—	—	—	—	—	—
— Lead concentrate	—	—	—	—	—	—	—
— Others	—	—	—	—	—	1,218	1,218
	—	—	1,097	1,097	—	13,016	13,016
Segment operating loss	(907)	(4,537)	(8,615)	(14,059)	(16,836)	(9,364)	(26,200)
Unallocated operating (loss)/ gains *(note (a))*	—	—	—	(26,163)	—	—	16,271
Operating loss	(907)	(4,537)	(8,615)	(40,222)	(16,836)	(9,364)	(9,929)
Segment finance costs/ (income) — net	69	129	(11)	187	1,928	(21)	1,907
Unallocated	—	—	—	5,340	—	—	(587)
Finance costs/(income) — net	69	129	(11)	5,527	1,928	(21)	1,320
Income tax (expense)/credit	—	(1,450)	1,093	(357)	(248)	1,437	1,189
Amortisation	—	80	163	243	80	163	243
Segment depreciation	1	2,787	2,541	5,329	3,224	2,060	5,284
Unallocated	—	—	—	1	—	—	—
Depreciation	1	2,787	2,541	5,330	3,224	2,060	5,284
Segment assets	85,961	116,306	180,299	382,566	126,895	174,099	300,994
Unallocated assets *(note (b))*	—	—	—	232,100	—	—	270,318
Total	85,961	116,306	180,299	614,666	126,895	174,099	571,312
Segment liabilities	32,936	29,034	23,086	85,056	22,517	31,762	54,279
Unallocated liabilities	—	—	—	97,120	—	—	38,437
Total	32,936	29,034	23,086	182,176	22,517	31,762	92,716

Notes:

(a) Unallocated operating loss mainly represented administrative and consulting expenses incurred by investment holding companies and fair value losses on derivative financial instruments for the year ended 31 December 2013 and 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.

(b) Unallocated assets as at 31 December 2013 and 31 December 2012 mainly represented by the bank deposits held by the Company.

4 EXPENSES BY NATURE

The following items have been charged to the operating loss for the years ended 31 December 2012 and 2013:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Depreciation	**4,728**	5,284
Amortisation	**243**	243
Employee benefit expenses	**13,113**	10,930
Subcontracting expenses	**—**	1,552
Raw materials and consumables used	**35**	180
Inventories purchased	**580**	12,973
Changes in inventories of semi-finished goods and finished goods	**445**	(259)
Provision for impairment of inventories	**1,538**	—
Electricity consumed	**113**	411
Transportation expenses	**464**	113
Resource compensation fees	**—**	66
Sales tax levies	**—**	52
Office expenses and operating lease payments	**7,989**	4,547
Consulting fees	**2,251**	2,300
Exploration expenses	**2,145**	949
Auditor's remuneration	**1,126**	1,134
Others	**941**	381
Total cost of sales and administrative expenses	**35,711**	40,856

5 OTHER (LOSSES)/GAINS — NET

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Fair value losses on derivative financial instruments	**(6,691)**	—
Gains on bargain purchase	**383**	—
Write off of long aging payables	**376**	—
Gains on disposal of property, plant and equipment	**225**	61
Subsidy income	**58**	201
Gains on the early settlement of dividend payable to previous equity holders of Hami Jiatai	**—**	17,680
Others	**41**	(31)
	(5,608)	17,911

6 FINANCE COSTS — NET

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Finance income		
— Interest income	**1,103**	2,256
Finance costs		
Exchange losses	**(5,794)**	(1,317)
Interest expense		
— Convertible bonds	**(432)**	—
— Bank borrowings	**(171)**	(254)
— Unwinding of discount — provision for close down, restoration and environmental costs	**(233)**	(235)
— Unwinding of discount — pre-acquisition dividend payable	**—**	(1,770)
	(6,630)	(3,576)
Finance costs — net	**(5,527)**	(1,320)

7 INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Current tax	**—**	—
Deferred tax	**357**	(1,189)
Income tax expense/(credit)	**357**	(1,189)

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 and Realty Investment were subject to Hong Kong profits tax at tax rate of 16.5% for each of the years ended 31 December 2012 and 2013.

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, Hami Jinhua, Hami Jinhua and Shaanxi Jiahe for each of the years ended 31 December 2012 and 2013 were 25%.

All the entities in Hong Kong and Mainland China did not have any assessable profit for each of the years ended 31 December 2012 and 2013.

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	
	2013	2012
	RMB'000	*RMB'000*
Loss before income tax	**(45,749)**	(11,249)
Tax calculated at domestic tax rates applicable to results in the respective countries	**(3,268)**	(7,181)
Tax effects of:		
— Expenses not deductible for tax purposes	**2,653**	5,823
— Tax losses for which no deferred income tax asset recognized	**972**	169
Income tax expense/(credit)	**357**	(1,189)

8 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	
	2013	2012
	RMB'000	*RMB'000*
Loss attributable to equity holders of the Company	**(45,376)**	(8,438)
Adjusted weighted average number of shares in issue (in thousands)	**1,000,000**	991,781
Basic and diluted loss per share (RMB)	**(0.045)**	(0.009)

Diluted loss per share was equal to basic loss per share as there was no dilutive potential share outstanding for the each of the years ended 31 December 2012 and 2013.

9 TRADE RECEIVABLES

The Group

	As at 31 December	
	2013	2012
	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 collected in January 2013.

10 TRADE PAYABLES

The Group

Trade payables are analysed as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
— Third parties	**1,821**	1,963

The ageing analysis of trade payables are as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
0–90 days	**413**	755
91–180 day	**—**	114
181–365 days	**54**	62
Over 365 days	**1,354**	1,032
	1,821	1,963

The carrying amounts of trade payables approximated their fair values.

11 BUSINESS COMBINATION

Business Combination

On 28 March 2013, Hami Jiatai acquired 100% equity interests in Shaanxi Jiahe. As a result of the acquisition, the Group has entered into mining business of gold.

The following table summarises the consideration paid for Shaanxi Jiahe, and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

	RMB'000
Purchase consideration	
— Cash paid up to 31 December 2013	50,000

Recognised amounts of identifiable assets acquired and liabilities assumed

	Provisional Fair value *RMB'000*
Cash and cash equivalents	793
Constructions in progress	12,685
Mining rights and exploration rights	58,534
Inventories	96
Trade and other receivables	2,402
Other payables and accruals	(8,382)
Provision for close down, restoration and environmental costs	(1,423)
Deferred tax liabilities	(14,322)
Total identifiable net assets	50,383
Gains on bargain purchase	(383)
Total purchase consideration	50,000
Cash consideration paid in total	50,000
Less:	
Cash consideration prepaid before 2013	(9,500)
Cash and cash equivalents in subsidiary	(793)
Cash outflow on acquisition in 2013	39,707

Management of the Group is of the opinion that the acquiree's identifiable net assets were properly measured at fair value as at the acquisition date and the gains on bargain purchase mainly arose from that the former equity holders of the acquiree accepted a bargain consideration. This is because the former equity holders of the acquiree did not want to invest further capital expenditure in mining the mineral reserves but to cash in the investment through sale of business.

12 EVENTS AFTER BALANCE SHEET DATE

(a) Investment in a mining related fund

On 29 January 2014, the Company entered into the subscription agreement and acceded to the Limited Partnership Agreement, pursuant to which the Company agreed to subscribe for Class B Limited Partnership Interests with a total capital commitment of not more than US$18 million (equivalent to HK$139.5 million) in CRRI State Right Investment Fund L.P. which is a limited partnership focusing on mining and natural resources industries. The Company paid HK$93 million (equivalent to US$12 million) to the fund as at the date of annual report.

(b) Possible acquisitions in the Republic of Ghana

On 27 January 2014, the Company, Geo-Tech and Mr. Wei Xing have entered into a supplementary agreement to the framework agreement signed on 20 March 2013 in relation to the possible acquisitions of gold mines and mining processing plants in the Republic of Ghana. Pursuant to the supplementary agreement, the Company paid a further earnest money of HK$20 million to Mr. Wei Xing which should be repaid if no binding agreement signed by 30 June 2014. As such, no binding agreement has been entered into as at the date of annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Company participates in non-ferrous ore mining and processing. The diversified non-ferrous metal minerals covered by the Company's operation include nickel, copper, zinc and lead in Xinjiang and gold in Shaanxi China. The mining and exploration tenements and ore processing plants in Xinjiang are located close to the municipal city of Hami, which is approximately 400 km south east of Urumqi, the capital of Xinjiang Uygur Autonomous Region. Huangjinmei tenement is located 15 km by sealed road from the regional town of Jinchuan, Ningshan County. The town of Jinchuan is located approximately 140 km south of Xi'an City and is connected by the G210 state highway.

The Company's subsidiaries Hami Jinhua Mineral Resource Exploiture Limited ("Hami Jinhua"), Hami Jiatai Mineral Resource Exploiture Limited ("Hami Jiatai") and Shaanxi Jiahe Mining Exploitation Limited ("Shaanxi Jiahe"), in which the Company has 95% interest, own four mining permits and six exploration permits in Xinjiang and Shaanxi. In the fiscal year of 2013, due to a production surplus relative to demand, the prices of nickel, copper, zinc and lead further dropped from 2012 or stayed at low levels since 2010. The Company deferred the production plan while allocated more resources to exploration, mine engineering and infrastructure improvement.

Mines under Operation

Hami Jinhua and Hami Jiatai hold three mining permits, namely No. 2 Mine, No. 20 Mine and Baiganhu Mine. (i) No. 20 Mine, which produces copper and nickel ore, completed additional 1,576.14 meters drilling at 4 new holes within the tenement from September to December in 2012, in order to define the deep ore deposit previously untapped on the west of Shaft 6. With positive findings obtained, further exploration and study were proposed. To meet new requirements of safety production, No. 20 Mine is to upgrade its lifting system. (ii) Baiganhu Mine, which produces lead and zinc ore, completed 1,435.48 meters drilling at 5 holes in 2012 and ore deposit was detected in each hole. In 2013, ore deposit was revealed in Level 4 of Shaft 1 during the level-heading extracting. Geophysical prospecting and data analysis were conducted and a further 2,146 meters drilling was completed at 6 new holes. Further exploration was proposed in order to fully define the ore bodies in the tenement. Baiganhu Mine is setting up the underground production systems and facilities for safety production and a safety production permit is expected after the inspection and acceptance by the official experts. (iii) In January 2011, the production of No. 2 Mine had been suspended as a result of the implementation of the Consolidation Program in Hami. Hami Jiatai is working closely with the Hami Municipal Bureau of Land and Resources to reach a fair and reasonable compensation plan. To date related parties have not worked out a compensation plan.

The acquisition over Shaanxi Jiahe had been completed on 28 March 2013. Shaanxi Jiahe was granted the mining permit of Huangjinmei gold mine on 15 January 2013. Such permit has a valid period of three years. In 2013, Shaanxi Jiahe conducted geologic scaling, tunnel extracting (766 meters in total), ore sampling, assay and data analysis, and geologic recording at Huangjinmei tenement, in order to identify the trend and thickness of Orebody 1-1 at Level 1010 and above. Further exploration is suggested at Level 960. Approvals for mine engineering, infrastruction and construction of ore processing plant are underway and trial production is expected in the near future.

Exploration Permits

Hami Jiatai holds six exploration permits in Xinjiang namely Baiganhu Gold, H-989, Heishan, Huangshan, Xidagou and Yinaoxia, with exploration areas of 44.63 square kilometers and minerals covering gold, nickel, copper, lead and zinc. The Company has scheduled preliminary exploration and/or drilling plans for such tenements, and plan to apply for mining permits when requirements met. Hami Jiatai conducted geologic scaling, sampling, trenching, drilling (644.05 meters at 3 holes), assay and data analysis regarding Banganhu Gold tenement from May 2012 to January 2013, and identified the preliminary mineralization band and the ore deposit.

Ore Processing Plants

Hami Jiatai operates a copper-nickel ore processing plant ("Jiatai Processing Plant") and Hami Jinhua owns a lead-zinc ore processing plant ("Jinhua Processing Plant"). Both plants are used to treat ore extracted from the deposits, and adopt a non-conventional flotation circuit. The throughput capacity of both plants is 1,500 tpd. Nickel, copper, lead and zinc concentrates are separated and recovered from bulk concentrate for sell. During the year of 2013, Jiatai Processing Plant did not operate due to the production suspension of Hami Jiatai's copper-nickle mines and the difficulty with sourcing copper-nickel ores from independent suppliers. Jinhua Processing Plant is to process lead-zinc ores once Baiganhu Mine is put into operation.

Results Review

Revenue and gross loss

For the year ended 31 December 2013, the Group sold copper concentrates purchased from a third party and recorded revenue of RMB1.1 million (2012: RMB13.0 million). Cost of sales of RMB9.0 million (2012: RMB20.6 million) represented mainly depreciation and amortization charges, production staff expenses and an one-off provision of RMB1.5 million provided for certain obsolete inventories in the year of 2013 (2012: Nil). Gross loss for the year was RMB7.9 million (2012: RMB7.6 million).

Administrative expenses

Administrative expenses for year of 2013 were RMB26.7 million, as compared to RMB20.2 million in 2012. During the year, employee benefit expenses and office expenses increased as a result of further expansion of the Group. Exploration expenses also increased due to larger effort devoted to exploration activities.

Other losses — net

Other losses of RMB5.6 million for the year of 2013 represented fair value losses of RMB6.7 million on the convertible bonds offset with other gains of RMB1.1 million.

In 2012, the Group recorded an RMB17.7 million one-off gain on early settlement of pre-acquisition dividend payable to previous equity holders of Hami Jiatai. No such gain was recorded in 2013.

Finance costs — net

Finance costs for the year of 2013 represented exchange losses of RMB5.8 million (2012: RMB1.3 million) and other interest expenses of RMB0.8 million (2012: RMB2.3 million). Increase in exchange losses was due to appreciation of RMB to HKD in connection with the company's financial assets which are denominated in HKD. In 2012, an unwinding of discount on pre-acquisition dividend payable of RMB1.8 million was incurred. No such interest expense was recorded in 2013.

During the year of 2013, the Group recorded interest income of RMB1.1 million as compared to RMB2.3 million in 2012 primarily due to reduction of bank deposits of the Group.

Income tax expense

Income tax expense for the year of 2013 was RMB0.4 million (2012: tax credit of RMB1.2 million), representing deferred taxation arising from depreciation, carried-forward tax losses and provisions.

Loss attributable to the equity holders of the Company

Loss attributable to equity holders of the Company for the year of 2013 was RMB45.4 million (2012: RMB8.4 million). In the absence of the one-off gain of RMB17.7 million recorded in 2012, combined with the increased administrative expenses and net finance costs, the Company's loss enlarged in 2013.

Issue of unlisted convertible bonds and unlisted warrants

On 25 January 2013, a subscription agreement was entered into between the Company and ACE AXIS Limited, a company incorporated in the British Virgin Islands whose entire issued capital is owned by CRRI State Right Investment Fund L.P., ("the Investor"), pursuant to which the Company has conditionally agreed to issue, and the Investor has conditionally agreed to subscribe for, the 2% coupon convertible bond at the initial conversion price of HK$2.15 per share (in each case subject to adjustment) in the aggregate principal amount of HK$215,000,000. The Company has also conditionally agreed to issue the warrants to the Investor where such warrants shall entitle the Investor to subscribe for 40,000,000 shares at the initial subscription price of HK$2.4 per share (in each case subject to adjustment). The Company and the Investor subsequently entered into a supplement agreement on 25 September 2013 to amend the principal amount of the convertible bond to HK$107,500,000 and the number of warrants to 20,000,000 Shares. Other principal terms remained unchanged. The subscription agreement has been completed on 19 December 2013.

The net proceeds from the issue of the convertible bond and the full exercise of the subscription rights attached to the warrants, after deducting legal fees and other expenses payable by the Company, were approximately HK$107,000,000 and HK$48,000,000, respectively, which are intended to be applied for the purpose of financing new project(s) of the Company (as agreed by the Investor) if and when they materialise.

Significant Investments, Material Acquisitions and Disposals

The Company completed the acquisition of 100% equity interests in Shaanxi Jiahe on 28 March 2013.

The acquisition over Shaanxi Jiarun Mineral Exploiture Limited ("Shaanxi Jiarun) was lapsed on 30 September 2013, for some conditions precedent mainly related to the obtaining of the mining permit for Huaba tenement had not been satisfied and remained uncertain. Shaanxi Jiarun holds the exploration license for Huaba tenement. The mineral resources of Huaba tenement are vanadium and copper. Details of which has been set out in the announcement of the Company dated 30 September 2013.

On 20 March 2013, the Company entered into a non-binding framework agreement regarding the possible acquisition of gold mines and mineral processing plant in Ghana, West Africa. Details of the framework agreement have been set out in the announcement of the Company dated 20 March 2013. The possible acquisitions have not been completed as at the date of this announcement.

On 12 September 2013, the Company entered into a non-binding framework agreement in relation to the Company's proposed investment in a mining related fund. On 29 January 2014, the Company entered into the subscription agreement and acceded to the limited partnership agreement for subscription of Class B Limited Partnership Interests with a capital commitment of not more than US$18 million (equivalent to HK$139.5 million) in CRRI State Right Investment Fund L.P.. Details of which have been disclosed in the Company's announcements dated 13 September 2013 and 29 January 2014.

Save as above, there are no other significant investments, material acquisitions and disposals during the year of 2013.

Change in 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 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. 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 market condition as explained in the section "Business Review" above, on 26 March 2013, the Company announced that it has strategically adjusted the schedules of its mining and exploration activities in Hami. As a result, 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, has been and will be applied, in part, to fund the earnest money in relation to the possible processing plant acquisition in the Republic of Ghana as stated above, and, as to the balance, to finance the Company's working capital and future potential acquisitions if and when suitable opportunities arise.

As a result of the lapse of the Shaanxi Jiarun Acquisition Agreement, the Company intends to apply the said part of the net proceeds initially allocated for the acquisition of Shaanxi Jiarun (i.e. HK$119 million or approximately 30% of the said total net proceed) to fund the Company's working capital and future potential investments including but not limited to the Company's investment in the mining related fund as stated above.

All unused net proceeds were and are placed in short term deposits with licensed banks in Hong Kong.

Liquidity and Financial Review

The Group financed its day to day operations by internally generated cash flow and issue of convertible bonds and warrants as stated above during the year of 2013. Primary uses of funds during the year included payment of operating expenses, repayment of bank loan, purchase of property, plant and equipment and payment for acquisition of Shaanxi Jiahe.

As at 31 December 2013, current assets of RMB299.8 million comprised inventories of RMB11.4 million, other receivables and prepayments of RMB64.8 million, cash and cash equivalents of RMB223.6 million. Current liabilities of RMB56.5 million mainly comprised trade payables of RMB1.8 million, other payables and accruals of RMB35.3 million, derivative financial instruments of RMB19.1 million and income tax payable of RMB0.3 million. Current ratios, being total current assets to total current liabilities, were 5.4 and 5.3 as at 31 December 2012 and 31 December 2013 respectively.

As at 31 December 2013, there was no outstanding interest-bearing bank loan (31 December 2012: RMB31.3 million).

As at 31 December 2013, the carrying amount of the liability component of the Group's convertible bonds, which bear interest at 2% per annum payable semi-annually, was approximately RMB72.5 million (31 December 2012: nil).

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 2013, the Group's total cash and cash equivalents exceeded the Group's total borrowings, and the gearing ratio was therefore nil (31 December 2012: 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.

Charges on Company's assets, Commitments and Contingent Liabilities

As at 31 December 2013, the Group had capital commitments for property, plant and equipments of approximately RMB199.4 million (31 December 2012 RMB160.0 million).

As at 31 December 2013, the future aggregate minimum lease payments under non-cancellable operating leases of various offices was approximately RMB1.7 million (31 December 2012: RMB3.9 million).

As at 31 December 2013, the Group had no investment commitment (31 December 2012: RMB177 million for the acquisitions of Shaanxi Jiarun and Shaanxi Jiahe).

There were no other charges on the Company's assets as at 31 December 2013 (31 December 2012: Nil).

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 2013, the Group employed 61 employees. The total staff costs for year of 2013 were approximately RMB13.1 million (2012: RMB10.9 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 31 December 2013.

Future Outlook

The global economy is anticipated to recover at a moderate pace over the coming two years, according to OECD's latest *Economic Outlook*. GDP growth across the 34-member OECD is projected to accelerate from 2013's 1.2% to 2.3% in 2014 and 2.7% in 2015. This gradual recovery will invariably cause demand for metallic commodities to rise. From the perspective of the Group's long-term wellbeing, a need for speedier introduction of production capabilities is looming.

The Group is currently undergoing strategic adjustment to constantly adapt itself to embrace opportunities and overcome challenges. As the global economy recovers, demand for metallic commodities regains momentum. The present circumstances require the company to slowly shift its focus from reserve expansion, which have been on the main agenda for the past two years when the slowdown of demand posed a favorable opportunity to acquire mineral assets, to production oriented. In order to increase its production capabilities in response to the market change, the Group will endeavor to revise its existing mine construction schedules as well as maintain the production facilities up to an optimal condition. It is expected that mine production will gradually resume in the year of 2014.

Following the subscription of CRRI State Right Investment Fund in January 2014, the Company will appoint a member to the investment committee of the fund in relation to making any investment or divestment decisions. The fund will focus its portfolio investments on mining and natural resources industries and use the proceeds raised from the limited partners to invest in companies that are involved in the mining sector, which include those that are in the process of evaluating and developing new resources, as well as those with successfully developed mineral resources. The relevant assets may be located anywhere in the world, although there will be a focus toward companies operating in Africa, Australia, Central Asia, China and Northern Asia.

DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year of 2013.

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 2013.

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.

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 year ended 31 December 2013.

NON-COMPLIANCE WITH LISTING RULE 3.10A

The number of independent non-executive directors of the Company falls below the minimum number required under Rule 3.10A of the Listing Rules upon the appointment of Mr. Sun Zhong as the executive director of the Company with effective from 25 February 2013. Following the appointment of Mr. Zhou Mei-Fu as the independent non-executive director of the Company on 8 July 2013, the Company has complied with Rule 3.10A of the Listing Rules.

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 2013.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2013 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, 28 March 2014

As at the date of this announcement, the executive Directors are Mr. Wang Dayong, Mr. Wang Feng, 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, Mr. Zhou Mei-Fu and Mr. Sung Shaohuan.