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滙力集團
HUILI GROUP

Huili Resources (Group) Limited

滙力資源（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1303)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

The board of directors (the “Board”) of Huili Resources (Group) Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 30 June 2015, together with comparative figures for the corresponding period in 2014 as follows:

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2015	As at 31 December 2014
	<i>Note</i>	RMB'000 (unaudited)	RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	103,776	104,952
Mining rights and exploration rights	8	177,363	177,363
Land use rights	9	9,464	9,585
Deferred tax assets	13	9,970	9,749
Available-for-sale financial assets	10	105,608	102,301
Other non-current assets		2,988	3,149
Total non-current assets		409,169	407,099

		As at 30 June 2015 RMB'000 (unaudited)	As at 31 December 2014 RMB'000 (audited)
	Note		
Current assets			
Inventories		6,288	6,283
Other receivables and prepayments	11	52,606	51,631
Cash and cash equivalents	12	64,354	72,868
Total current assets		123,248	130,782
Total assets		532,417	537,881
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		(16,328)	(19,635)
Accumulated losses		(139,833)	(119,673)
		347,140	363,993
Non-controlling interests		3,931	4,172
Total equity		351,071	368,165
LIABILITIES			
Non-current liabilities			
Provision for close down, restoration and environmental costs		4,559	4,473
Deferred tax liabilities	13	45,214	45,241
Total non-current liabilities		49,773	49,714
Current liabilities			
Trade payables	14	1,036	1,267
Other payables and accruals	15	36,192	33,204
Income tax payable		266	266
Convertible bonds	16	91,454	84,547
Derivative financial instruments	17	2,625	718
Total current liabilities		131,573	120,002
Total liabilities		181,346	169,716
Total equity and liabilities		532,417	537,881
Net current (liabilities)/assets		(8,325)	10,780
Total assets less current liabilities		400,844	417,879

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended	
		30 June	
		2015	2014
	Note	RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	6	–	3,504
Cost of sales	18	<u>(2,488)</u>	<u>(8,383)</u>
Gross loss		(2,488)	(4,879)
Administrative expenses	18	(8,798)	(10,152)
Other (losses)/gains – net	19	<u>(1,682)</u>	<u>20,510</u>
Operating (loss)/profit		(12,968)	5,479
Finance income		181	702
Finance costs		<u>(7,862)</u>	<u>(6,470)</u>
Finance costs – net	20	<u>(7,681)</u>	<u>(5,768)</u>
Loss before income tax		(20,649)	(289)
Income tax credit	21	<u>248</u>	<u>749</u>
(Loss)/Profit for the period		<u>(20,401)</u>	<u>460</u>
(Loss)/Profit attributable to:			
Equity holders of the Company		(20,160)	720
Non-controlling interests		<u>(241)</u>	<u>(260)</u>
		<u>(20,401)</u>	<u>460</u>
(Loss)/Earnings per share attributable to the equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	22	<u>(0.0202)</u>	<u>0.0007</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended	
		30 June	
		2015	2014
	Note	RMB'000	RMB'000
		(unaudited)	(unaudited)
(Loss)/Profit for the period		(20,401)	460
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Change in value of available-for-sale financial assets	10	3,307	–
Other comprehensive income for the period, net of tax		3,307	–
Total comprehensive (loss)/profit for the period		(17,094)	460
Total comprehensive (loss)/profit for the period attributable to:			
Equity holders of the Company		(16,853)	720
Non-controlling interests		(241)	(260)
Total comprehensive (loss)/profit for the period		(17,094)	460

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended	
		30 June	
		2015	2014
	Note	RMB'000	RMB'000
		(unaudited)	(unaudited)
Cash flows from operating activities			
Cash used in operations		<u>(6,180)</u>	<u>(1,961)</u>
Net cash used in operating activities		<u>(6,180)</u>	<u>(1,961)</u>
Cash flows from investing activities			
Investment in a fund	10	–	(109,768)
Prepayment of investments		–	(15,621)
Purchase of property, plant and equipment		(1,652)	(7,363)
Interest received	20	181	702
Increase in restricted cash at banks		<u>–</u>	<u>(1,050)</u>
Net cash used in investing activities		<u>(1,471)</u>	<u>(133,100)</u>
Cash flows from financing activities			
Interest paid		<u>(845)</u>	<u>(426)</u>
Net cash used in financing activities		<u>(845)</u>	<u>(426)</u>
Net decrease in cash and cash equivalents		(8,496)	(135,487)
Cash and cash equivalents at beginning of period		72,868	223,583
Exchange differences on cash and cash equivalents		<u>(18)</u>	<u>731</u>
Cash and cash equivalents at end of period		<u>64,354</u>	<u>88,827</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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, zinc and gold products in the People’s Republic of China (the “PRC”).

The condensed consolidated interim financial information which consists of the interim consolidated balance sheet as at 30 June 2015 and the related interim consolidated income statement, interim consolidated statements of comprehensive income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as “Interim Financial Information”) is presented in Renminbi (“RMB”), unless otherwise stated. This Interim Financial Information was approved for issue by the Board of Directors on 28 August 2015.

The Interim Financial Information has not been audited.

2 BASIS OF PREPARATION

The Interim Financial Information for the six months ended 30 June 2015 has been prepared in accordance with HKAS 34, “Interim financial reporting”. The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2.1 Going concern

During the six months ended 30 June 2015, the Group incurred a loss of approximately RMB20,401,000 and had a net operating cash outflows of approximately RMB6,180,000 due to the suspension of operations in the Group.

On 19 December 2013, the Company issued convertible bonds with an original principal amount of HK\$107,500,000 to a third party, ACE AXIS Limited. Based on the current share price of the Company, management estimated that it is unlikely that the convertible bonds will be converted into ordinary shares upon the scheduled maturity date of the convertible bonds on 19 December 2015 (the “Maturity Date”), such that these bonds might need to be redeemed by the Company at HK\$124,700,000 (equivalent to RMB98,340,000) on the Maturity Date. The cash and cash equivalents of the Group amounted to RMB64,354,000 as at 30 June 2015, and with an anticipated operating cash outflows for the year ending 31 December 2015, management estimated that there would be a significant shortage of funds to honour the redemption obligations of the convertible bonds if no additional financial resources are available to the Group.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern, and have taken the following measures to mitigate the liquidity pressure and to improve its financial position.

On 26 March 2015, the Company entered into an agreement with ACE AXIS Limited and State Right Rui Xi Investment Fund Management Limited, the General Partner of CRRRI State Right Investment Fund L.P. (the “Fund”). Pursuant to this agreement, ACE AXIS Limited has the discretion to subscribe for new convertible bonds or corporate bonds to be issued by the Company in the principal amount of HK\$124,700,000 with a term of two years. Furthermore, State Right Rui Xi Investment Fund Management Limited has the right to purchase, or find a purchaser to purchase, the entire partnership interests held by the Company in the Fund (or a portion thereof) for a consideration of not less than HK\$139,500,000 (to be adjusted on a pro rata basis if only a portion of such interests are purchased). Otherwise, these parties shall further negotiate with the Company in order to try to reach an alternative agreement in relation to redemption of the existing convertible bonds before the Maturity Date. In addition, it is also agreed in the said agreement that if ACE AXIS Limited decides to proceed with the subscription of the new convertible bonds or corporate bonds, the subscription proceeds to be paid by ACE AXIS Limited shall be used to offset against the Company’s redemption liability of HK\$124,700,000.

On 12 August 2015, The Company proposes to raise HK\$250,000,000 (before expenses) by way of the open offer involving the issue of 500,000,000 offer shares at the subscription price of HK\$0.50 per offer share on the basis of one offer share for every two shares in issue held on the record date and payable in full on application. The Company intends to apply the net proceeds from the Open Offer in the following way: (i) approximately 80% of the net proceeds for general working capital to strengthen the Company’s financial position; and (ii) the remaining of approximately 20% of the net proceeds for potential acquisition(s) of natural gas businesses when opportunities arise.

Whether the Group will be able to continue as a going concern would depend upon the commitments and financial capability of ACE AXIS Limited and State Right Rui Xi Investment Fund Management Limited to provide funding to the Group as stated in the above-mentioned agreement before the Maturity Date of the existing convertible bonds and the results of proposed share offering.

The directors have reviewed the Group's cash flow projections, which cover a period of a twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned planned financing arrangements, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as at when they fall due within the next twelve months from the end of the reporting period. Accordingly, the directors are satisfied that it is appropriate to prepare the Interim Financial Information on a going concern basis.

3 ACCOUNTING POLICIES

The accounting policies applied to the Interim Financial Information are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

- 3.1 The following new standards and amendments are mandatory for accounting periods beginning on or after 1 January 2015 have been adopted by the Group in 2015 when relevant, but have no material impact on the Interim Financial Information.

Amendment to HKAS19, "Defined benefit plans" applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Amendment to HKFRS2, "Share-based payment" clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

Amendment to HKFRS3, "Business combinations" and consequential amendments to HKFRS9, "Financial instruments", HKAS37, "Provisions, contingent liabilities and contingent assets", and HKAS39, "Financial instruments – Recognition and measurement", clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in HKAS 32, "Financial instruments: Presentation". All non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

Amendment to HKFRS8, “Operating segments” requires disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity’s assets when segment assets are reported.

Amendments to HKAS16, “Property, plant and equipment” and HKAS38, “Intangible assets” clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

Amendment to HKAS24, “Related Party Disclosures” does not require the reporting entity to disclose the compensation paid by the management entity (as a related party) to the management entity’s employee or directors, but requires disclosing the amounts charged to the reporting entity by the management entity for services provided.

Amendment to HKFRS3, “Business combinations”, clarifies that HKFRS 3 does not apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement.

Amendment to HKFRS13, “Fair value measurement” clarifies that the portfolio exception in HKFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.

Amendment to HKAS40, “Investment property” requires preparers also refer to the guidance in HKFRS 3 to determine whether the acquisition of an investment property is a business combination.

- 3.2 New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted.

	Applicable for accounting periods beginning on/after
HKFRS 14”Regulatory Deferral Accounts”	1 January 2016
Amendment to HKFRS 11 on accounting for acquisitions of interests in joint operation	1 January 2016
Amendments to HKAS 16 and HKAS 38 on clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41 on Agriculture: bearer plants	1 January 2016
Amendments to HKFRS 10 and HKAS 28 on sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendment to IAS/HKAS 27 on equity method in separate financial statements	1 January 2016

**Applicable
for accounting
periods
beginning
on/after**

Annual improvements 2014

– HKFRS 5, “Non-current assets held for sale and discontinued operations”	1 January 2016
– HKFRS 7, “Financial instruments: Disclosures”	1 January 2016
– HKAS 19, “Employee benefits”	1 January 2016
– HKAS 34, “Interim financial reporting”	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 on investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 1 for the disclosure initiative	1 January 2016
HKFRS15 “Revenue from Contracts with Customers”	1 January 2017
HKFRS 9 “Financial Instruments”	1 January 2018

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 ESTIMATES

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial information, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2014.

There have been no changes in the risk management department since year end or in any risk management policies since the year end.

5.2 Liquidity risk

Compared to year end, there was no other material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

As at 30 June 2015 and 31 December 2014, the carrying amounts of receivables and payables are reasonable approximation of their fair values due to their short-term maturities.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2015.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets				
Equity investment				
– Investment in a fund (<i>Note 10</i>)	–	–	105,608	105,608
Total assets	–	–	105,608	105,608
Liabilities				
Financial liabilities at fair value through profit or loss				
– Derivative financial instruments (<i>Note 17</i>)	–	–	2,625	2,625
Total liabilities	–	–	2,625	2,625

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2014.

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Assets				
Available-for-sale financial assets				
Equity investment				
– Investment in a fund (<i>Note 10</i>)	<u>–</u>	<u>–</u>	<u>102,301</u>	<u>102,301</u>
Total assets	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>102,301</u></u>	<u><u>102,301</u></u>
Liabilities				
Financial liabilities at fair value				
through profit or loss				
– Derivative financial instruments				
(<i>Note 17</i>)	<u>–</u>	<u>–</u>	<u>718</u>	<u>718</u>
Total liabilities	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>718</u></u>	<u><u>718</u></u>

The following table presents the changes in level 3 instruments for the six months ended 30 June 2015.

	Available-for-sale financial assets <i>RMB'000</i>	Derivative at fair value through profit or loss <i>RMB'000</i>	Total <i>RMB'000</i>
Opening balance	102,301	718	103,019
Losses recognised in profit or loss (<i>Note 19</i>)	–	1,907	1,907
Other gains recognised in other comprehensive income (<i>Note 10</i>)	3,307	–	3,307
Closing balance	105,608	2,625	108,233
Total losses for the period included in profit or loss for assets held at the end of the reporting period, under “Other (losses)/gains – net”	–	1,907	1,907
Changes in unrealised gains or losses for the period included in profit or loss at the end of the reporting period	–	1,907	1,907
Changes in unrealised gains or losses for the period included in other comprehensive income	3,307	–	3,307

The following table presents the changes in level 3 instruments for the six months ended 30 June 2014.

	Derivative at fair value through profit or loss RMB'000
Opening balance	19,098
Other gains recognised in profit or loss (<i>Note 19</i>)	<u>(17,773)</u>
Closing balance	<u><u>1,325</u></u>
Total gains for the period included in profit or loss for assets held at the end of the period, under "Other gains/(losses)-net"	<u><u>(17,773)</u></u>
Changes in unrealised gains or losses for the period included in profit or loss at the end of the period	<u><u>(17,773)</u></u>

The fair value of available-for-sale financial assets was determined based on information available to the management regarding the investment portfolio, investment percentage and operating results.

The fair value of derivative financial instruments was determined based on spot price, risk free rates, expected volatility and expected dividend yield using binomial model.

For fair value measurements categorised within Level 3 of the fair value hierarchy, the significant quantitative unobservable inputs used are as follows.

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 30/06/2015 RMB'000	Valuation technique	Unobservable input	inputs
Available-for-sale financial assets	105,608	Net asset value	Not applicable	Not applicable
Derivative financial instruments	2,625	binomial model	Risk free rates	0.05%
			Expected volatility	65%
			Expected dividend yield	0%

6 SEGMENT INFORMATION

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

The CODM reviews the operating performance from a mine perspective (i.e. nickel/copper mine, 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 the six months ended 30 June 2015 and 2014, the Group had three (note a, b and c) reportable segments:

- (a) Hami Jiatai Mineral Resources Exploiture Limited ("Hami Jiatai") which held two nickel/copper mines and was mainly engaged in the mining, ore processing and sales of nickel and copper products;
- (b) Hami Jinhua Mineral Resources Exploiture Limited ("Hami Jinhua") which held a lead/zinc mine and was mainly engaged in the mining, ore processing and sales of lead and zinc products; and
- (c) Shaanxi Jiahe Mineral Exploiture 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 the six months ended 30 June 2015 and 2014 is as follows:

	For the six months ended 30 June							
	2015				2014			
	Hami Jiatai	Hami Jinhua	Shaanxi Jiahe	Total	Hami Jiatai	Hami Jinhua	Shaanxi Jiahe	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)				(unaudited)			
Segment revenue								
– Nickel concentrate	–	–	–	–	365	2,527	–	2,892
– Lead and Zinc ore	–	–	–	–	–	612	–	612
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>365</u>	<u>3,139</u>	<u>–</u>	<u>3,504</u>
Segment operating losses	(1,515)	(3,044)	(400)	(4,959)	(1,816)	(3,365)	(674)	(5,855)
Unallocated operating (losses)/ gains (<i>note (a)</i>)	–	–	–	(8,009)	–	–	–	11,334
Operating (loss)/profit	<u>(1,515)</u>	<u>(3,044)</u>	<u>(400)</u>	<u>(12,968)</u>	<u>(1,816)</u>	<u>(3,365)</u>	<u>(674)</u>	<u>5,479</u>
Segment finance costs – net	(16)	(15)	(49)	(80)	(42)	(17)	(2)	(61)
Unallocated	–	–	–	(7,601)	–	–	–	(5,707)
Finance costs – net	<u>(16)</u>	<u>(15)</u>	<u>(49)</u>	<u>(7,681)</u>	<u>(42)</u>	<u>(17)</u>	<u>(2)</u>	<u>(5,768)</u>
Income tax credit	<u>(7)</u>	<u>255</u>	<u>–</u>	<u>248</u>	<u>(128)</u>	<u>877</u>	<u>–</u>	<u>749</u>
Amortisation (<i>Note 9</i>)	<u>40</u>	<u>81</u>	<u>–</u>	<u>121</u>	<u>40</u>	<u>81</u>	<u>–</u>	<u>121</u>
Depreciation (<i>Note 7</i>)	<u>1,186</u>	<u>1,321</u>	<u>2</u>	<u>2,509</u>	<u>1,209</u>	<u>1,302</u>	<u>6</u>	<u>2,517</u>

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

	As at 30 June 2015				As at 31 December 2014			
	Hami Jiatai RMB'000	Hami Jinhua RMB'000	Shaanxi Jiahe RMB'000	Total RMB'000	Hami Jiatai RMB'000	Hami Jinhua RMB'000	Shaanxi Jiahe RMB'000	Total RMB'000
	(unaudited)				(audited)			
Segment assets	78,799	164,150	96,522	339,471	83,496	167,152	90,332	340,980
Unallocated assets (note (b))	–	–	–	192,946	–	–	–	196,901
Total	<u>78,799</u>	<u>164,150</u>	<u>96,522</u>	<u>532,417</u>	<u>83,496</u>	<u>167,152</u>	<u>90,332</u>	<u>537,881</u>
Segment liabilities	25,509	21,350	39,834	86,693	25,590	21,940	35,196	82,726
Unallocated liabilities (note (c))	–	–	–	94,653	–	–	–	86,990
Total	<u>25,509</u>	<u>21,350</u>	<u>39,834</u>	<u>181,346</u>	<u>25,590</u>	<u>21,940</u>	<u>35,196</u>	<u>169,716</u>

Notes:

- (a) Unallocated operating losses for the six months ended 30 June 2015 mainly represented fair value losses on derivative financial instruments and administrative expenses incurred by the Company and Realty Investment (Group) Limited (“Realty Investment”), which is a subsidiary of the Company incorporated in Hong Kong, and unallocated operating gains for the six months ended 30 June 2014 mainly represented fair value gains on derivative financial instruments less administrative expenses incurred by the Company and Realty Investment.
- (b) Unallocated assets as at 30 June 2015 and 31 December 2014 mainly represented the available-for-sale financial assets (Note 10) and the bank deposits held by the Company and Realty Investment.
- (c) Unallocated liabilities as at 30 June 2015 and 31 December 2014 mainly represented convertible bonds and derivative financial instruments held by the Company.

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Office equipment and others RMB'000	Motor vehicles RMB'000	Mining structures RMB'000	Construction in progress RMB'000	Total RMB'000
For the six months ended							
30 June 2015 (unaudited)							
Opening net book amount	23,411	11,425	12	224	10,048	59,832	104,952
Additions	–	–	16	–	–	1,317	1,333
Depreciation (Note 18)	(904)	(1,592)	(13)	–	–	–	(2,509)
Closing net book amount	<u>22,507</u>	<u>9,833</u>	<u>15</u>	<u>224</u>	<u>10,048</u>	<u>61,149</u>	<u>103,776</u>
At 30 June 2015							
Cost	35,281	33,250	532	6,969	14,393	61,149	151,574
Accumulated depreciation	(12,774)	(23,417)	(517)	(6,745)	(1,227)	–	(44,680)
Impairment charge	–	–	–	–	(3,118)	–	(3,118)
Net book amount	<u>22,507</u>	<u>9,833</u>	<u>15</u>	<u>224</u>	<u>10,048</u>	<u>61,149</u>	<u>103,776</u>
For the six months ended							
30 June 2014 (unaudited)							
Opening net book amount	25,203	14,596	19	224	13,230	54,362	107,634
Additions	–	–	3	–	–	2,654	2,657
Depreciation (Note 18)	(904)	(1,576)	(13)	–	(24)	–	(2,517)
Closing net book amount	<u>24,299</u>	<u>13,020</u>	<u>9</u>	<u>224</u>	<u>13,206</u>	<u>57,016</u>	<u>107,774</u>
At 30 June 2014							
Cost	35,281	33,237	497	6,969	14,393	57,016	147,393
Accumulated depreciation	(10,982)	(20,217)	(488)	(6,745)	(1,187)	–	(39,619)
Net book amount	<u>24,299</u>	<u>13,020</u>	<u>9</u>	<u>224</u>	<u>13,206</u>	<u>57,016</u>	<u>107,774</u>

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

	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Total depreciation	2,509	2,517
Less: capitalised depreciation in construction in progress	<u>–</u>	<u>(328)</u>
	<u>2,509</u>	<u>2,189</u>
Administrative expenses	13	23
Other losses <i>(note(a))</i>	58	–
Cost of sales	<u>2,438</u>	<u>2,166</u>
	<u>2,509</u>	<u>2,189</u>

Notes:

- (a) Depreciation charged to other losses represented that of the assets in Hami which were rented to a third party.

8 MINING RIGHTS AND EXPLORATION RIGHTS

	For the six months ended 30 June					
	2015			2014		
	Mining rights RMB'000	Exploration rights RMB'000	Total RMB'000	Mining rights RMB'000	Exploration rights RMB'000	Total RMB'000
	(unaudited)			(unaudited)		
Opening net book amount	129,235	48,128	177,363	140,117	48,128	188,245
Amortisation charge	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Closing net book amount	<u>129,235</u>	<u>48,128</u>	<u>177,363</u>	<u>140,117</u>	<u>48,128</u>	<u>188,245</u>
At 30 June						
Cost	143,929	48,128	192,057	143,929	48,128	192,057
Accumulated amortisation	(3,812)	–	(3,812)	(3,812)	–	(3,812)
Impairment charge	<u>(10,882)</u>	<u>–</u>	<u>(10,882)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net book amount	<u>129,235</u>	<u>48,128</u>	<u>177,363</u>	<u>140,117</u>	<u>48,128</u>	<u>188,245</u>

9 LAND USE RIGHTS

	For the six months ended	
	30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Opening net book amount	9,585	9,828
Amortisation charge (Note 18)	(121)	(121)
Closing net book amount	<u>9,464</u>	<u>9,707</u>
At 30 June		
Cost	11,136	11,136
Accumulated amortization	(1,672)	(1,429)
Net book amount	<u>9,464</u>	<u>9,707</u>

10 AVAILABLE-FOR-SALE FINANCIAL ASSET

	For the six months ended	
	30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
At the beginning of the period	102,301	–
Addition	–	109,768
Net profit transfer to equity	3,307	–
At the end of the period	<u>105,608</u>	<u>109,768</u>

Available-for-sale financial assets include the following:

	As at 30 June 2015 <i>RMB'000</i> (unaudited)	As at 31 December 2014 <i>RMB'000</i> (audited)
Equity investment		
– Invest in a fund (<i>note</i>)	105,608	102,301

Note:

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), representing approximately 13.95% of the targeted total capital commitment of HK\$1,000 million, in the Fund which is a limited partnership focusing on mining and natural resources industries, which had subscribed the convertible bonds of HK\$107,500,000 issued by the Company on 19 December 2013, through its wholly owned special purpose vehicle (“ACE AXIS Limited”) (*Note 16*). The company had paid HK\$139,500,000 (equivalent to RMB109,768,000) to the Fund in 2014.

Mr. Sun Zhong, the executive director of the Company, who is the indirect equity interest holder of 24.3% in the Company through Harvest Gain Limited, is also the director of the Fund and State Right Rui Xi Investment Fund Management Limited, which is the general partner of the Fund. Management has assessed the level of influence that the Group has on the Fund and determined that it has no significant influence because of the contractual terms. Consequently, this investment has been classified as an available-for-sale financial instrument.

11 OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2015 <i>RMB'000</i> (unaudited)	As at 31 December 2014 <i>RMB'000</i> (audited)
Other receivables		
– Amounts due from Shaanxi Jiatai (<i>note (a)</i>)	45,835	43,976
– Amounts due from Mr. Wei Xing (<i>note (b)</i>)	25,630	25,777
– Deductible VAT input	1,870	1,870
– Others (<i>note (c)</i>)	4,303	4,774
Less: impairment provision (<i>note (d)</i>)	(25,293)	(25,293)
	52,345	51,104
Advances to suppliers – third parties	261	527
	52,606	51,631

Notes:

- (a) The balance mainly represented prepayment of RMB23,500,000 for acquisition of Shaanxi Jiarun which was lapsed on 30 September 2013, proceeds of RMB8,350,000 receivable from Shaanxi Jiatai arising from disposal of plant, property and equipment and advances of RMB13,636,000 to Shaanxi Jiatai, a company owned by Mr. Wei Xing.
- (b) On 20 March 2013, the Company, Geo-Tech and Mr. Wei Xing have entered into a framework agreement in relation to the possible acquisitions of gold mines and mining processing plants in the Republic of Ghana. Pursuant to the agreement, the Company paid an earnest money of RMB10,000,000 (equivalent to HK\$12,500,000) to Mr. Wei Xing in consideration of the grant of the exclusive negotiation right for 12 months with 90 days extended subsequently.

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. Pursuant to the supplementary agreement, the Company paid a further earnest money of HK\$20,000,000 (equivalent to RMB15,621,000) to Mr. Wei Xing.

Both of the aforementioned earnest money was subject to receiving a share charge over the entire equity interest in the mining processing company owned by Mr. Wei Xing in favour of the Company to secure the refund obligations of Mr. Wei Xing. However, the share charge has not yet been registered.

On 30 June 2014, the Company, Geo-Tech and Mr. Wei Xing had entered into another supplementary agreement pursuant to which the exclusive negotiation right was extended to 31 December 2014. By 31 December 2014, no supplementary agreement was signed and the original agreement was expired.

- (c) The balances as at 30 June 2015 and 31 December 2014 mainly represented receivables from third parties, which were unsecured, interest free and had no fixed terms of repayment.
- (d) As of 30 June 2015, other receivables of RMB44,293,000 (31 December 2014: RMB44,293,000) were impaired. The amount of the provision was RMB25,293,000 as of 30 June 2015 (31 December 2014: RMB25,293,000) which has been recognised in administrative expenses in 2014. The individually impaired receivables mainly related to Shaanxi Jiatai, which is in dispute with the Group upon the refund of the receivables.

12 CASH AND CASH EQUIVALENTS

	As at 30 June 2015 <i>RMB'000</i> (unaudited)	As at 31 December 2014 <i>RMB'000</i> (audited)
Cash on hand	–	3
Current deposits with banks	<u>64,354</u>	<u>72,865</u>
Cash and cash equivalents	<u><u>64,354</u></u>	<u><u>72,868</u></u>

13 DEFERRED INCOME TAX

Deferred tax assets

	For the six months ended 30 June 2015 <i>RMB'000</i> (unaudited)	2014 <i>RMB'000</i> (unaudited)
At the beginning of the period	9,749	7,197
Credited to consolidated income statement	<u>221</u>	<u>509</u>
At the end of the period	<u><u>9,970</u></u>	<u><u>7,706</u></u>

Deferred tax assets related to the tax losses, provisions and accruals, depreciation and others as at 30 June 2014; Deferred tax assets related to the provisions and accruals, depreciation and others as at 30 June 2015.

Deferred tax liabilities

	For the six months ended 30 June 2015 <i>RMB'000</i> (unaudited)	2014 <i>RMB'000</i> (unaudited)
At the beginning of the period	45,241	49,008
Credited to consolidated income statement	<u>(27)</u>	<u>(240)</u>
At the end of the period	<u><u>45,214</u></u>	<u><u>48,768</u></u>

Deferred tax liabilities related to the valuation surplus of mining rights, exploration rights and land use rights upon business combinations.

14 TRADE PAYABLES

Trade payables are analysed as follows:

	As at 30 June 2015 <i>RMB'000</i> (unaudited)	As at 31 December 2014 <i>RMB'000</i> (audited)
– Third parties	1,036	1,267

The ageing analysis of trade payables is as follows:

	As at 30 June 2015 <i>RMB'000</i> (unaudited)	As at 31 December 2014 <i>RMB'000</i> (audited)
0–90 days	–	16
91–180 days	–	–
181–365 days	16	6
Over 365 days	1,020	1,245
	1,036	1,267

The carrying amounts of trade payables approximated their fair values.

15 OTHER PAYABLES AND ACCRUALS

	As at 30 June 2015 <i>RMB'000</i> (unaudited)	As at 31 December 2014 <i>RMB'000</i> (audited)
Other payables (<i>note (a)</i>)	25,596	21,826
Salary and welfare payables	5,435	6,152
Accrued taxes other than income tax (<i>note (b)</i>)	5,161	5,226
	36,192	33,204

Notes:

(a) Other payables are analysed as follows:

	As at 30 June 2015 <i>RMB'000</i> (unaudited)	As at 31 December 2014 <i>RMB'000</i> (audited)
Other payables		
– Amounts due to Mr. Wei Xing (<i>note (i)</i>)	11,380	8,618
– Third parties (<i>note (ii)</i>)	14,216	13,208
	<u>25,596</u>	<u>21,826</u>

- (i) Amounts due to Mr. Wei Xing were interest free and unsecured, and had no fixed terms of repayment.
- (ii) Other payable to third parties mainly included advances from third parties as at 31 December 2014 and 30 June 2015.

(b) Accrued taxes other than income tax are analyzed as follows:

	As at 30 June 2015 <i>RMB'000</i> (unaudited)	As at 31 December 2014 <i>RMB'000</i> (audited)
Resource compensation fee	4,282	4,282
Value added tax	448	448
Resource tax	284	284
Others	147	212
	<u>5,161</u>	<u>5,226</u>

The carrying amounts of other payables approximated their fair values.

16 CONVERTIBLE BONDS

	As at 30 June 2015 <i>RMB'000</i> (unaudited)	As at 31 December 2014 <i>RMB'000</i> (audited)
Convertible bonds (<i>note (a)</i>)	91,454	84,547

(a) Convertible bonds

The Company issued HK\$107,500,000 convertible bonds of 50,000,000 conversion shares at HK\$2.15 per share on 19 December 2013 (“closing date”) to ACE AXIS Limited which is a special purpose vehicle of the Fund. The convertible bonds bear interest at 2% per annum which is payable semiannually. The bonds mature in two years from the closing date and shall be redeemed at 116% of their nominal value or can be converted into ordinary shares of the Company on or after 20 December 2013 up to 19 December 2015 at a price of HK\$2.15 per share.

In conjunction with the convertible bonds, the Company also issued 20,000,000 warrant shares at HK\$2.4 per share on 19 December 2013 to ACE AXIS Limited for no additional consideration. The warrants have a subscription period from 20 December 2013 to 19 December 2015 with an exercise price of HK\$2.4 per share and maximum value of issued shares amounting to HK\$48,000,000. The warrants also have transferability that the subscription rights are freely transferable either in whole or in part provided that, if necessary, the prior approval of the Stock Exchange of Hong Kong Limited shall be required for any transfer to any transferee which is a connected person of the Company.

The values of the liability component of the convertible bonds and the conversion option as well as the warrants were determined at issuance of the bond.

The convertible bonds recognised in the consolidated balance sheet is calculated as follows:

	2015 <i>RMB'000</i> (unaudited)
Liability component as at 1 January 2015	84,547
Interest expense (<i>Note 20</i>)	7,776
Interest payable/paid	(840)
Exchange gains	(29)
Liability component as at 30 June 2015	91,454

	2014 RMB'000 (unaudited)
Liability component as at 1 January 2014	72,503
Interest expense (<i>Note 20</i>)	6,702
Interest payable/paid	(852)
Exchange losses	732
Liability component as at 30 June 2014	79,085

17 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2015 RMB'000 (unaudited)	As at 31 December 2014 RMB'000 (audited)
Convertible bonds – Embedded derivatives (<i>note (a)</i>)	2,135	571
Warrants (<i>note (b)</i>)	490	147
	2,625	718

Notes:

- (a) The embedded derivatives are in connection with convertible bonds issued on 19 December 2013, mainly include bondholders' conversion option. The embedded derivatives are valued at HK\$724,000 (equivalent to RMB571,000) at 31 December 2014 by APAC Asset Valuation and Consulting Limited ("APAC") and HK\$2,707,000 (equivalent to RMB2,135,000) at 30 June 2015 by management of the Company respectively. The fair value change was made through profit and loss.
- (b) The warrants are issued together with the convertible bonds on 19 December 2013, which are valued at HK\$186,000 (equivalent to RMB147,000) at 31 December 2014 by APAC and HK\$621,000 (equivalent to RMB490,000) at 30 June 2015 by management of the Company respectively. The fair value change was made through profit and loss.

18 EXPENSES BY NATURE

The following items have been charged to the operating profit/(loss) for the six months ended 30 June 2015 and 2014:

	For the six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Depreciation (<i>Note 7</i>)	2,451	2,189
Amortisation (<i>Note 9</i>)	121	121
Employee benefit expenses	4,211	5,347
Exploration expenses	–	309
Changes in inventories of semi-finished and finished goods	–	5,065
Electricity consumed	–	40
Travel fare	199	375
Resource compensation fees	–	7
Office expenses and operating lease payments	3,136	3,609
Consulting fees	753	1,007
Others	415	466
Total of cost of sales and administrative expenses	11,286	18,535

19 OTHER (LOSSES)/GAINS – NET

	For the six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Fair value (losses)/gains on derivative financial instruments (<i>Note 5</i>)	(1,907)	17,773
Others	225	2,737
	(1,682)	20,510

20 FINANCE COSTS – NET

	For the six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Finance income		
– Interest income from bank deposits	<u>(181)</u>	<u>(702)</u>
Finance costs		
Foreign exchange gains	–	(291)
Interest expense		
– Convertible bonds	7,776	6,702
– Unwinding of discount – provision for close down, restoration and environmental costs	<u>86</u>	<u>59</u>
	<u>7,862</u>	<u>6,470</u>
Finance costs – net	<u><u>7,681</u></u>	<u><u>5,768</u></u>

21 INCOME TAX CREDIT

	For the six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax	–	–
Deferred tax	<u>(248)</u>	<u>(749)</u>
Income tax credit	<u><u>(248)</u></u>	<u><u>(749)</u></u>

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

Realty Investment (Group) Limited is subject to Hong Kong profits tax at the tax rate of 16.5% but did not have any assessable profit for the six months ended 30 June 2015 and 2014.

The applicable tax rate of Huili Runce, Hami Jiatai, Hami Jinhua and Shaanxi Jiahe are 25%, but there were not any assessable profit for the six months ended 30 June 2015 and 2014.

22 (LOSS)/EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(Loss)/profit attributable to equity holders of the Company	<u>(20,160)</u>	<u>720</u>
Adjusted weighted average number of shares in issue (in thousands)	<u>1,000,000</u>	<u>1,000,000</u>
Basic and diluted (loss)/earnings per share (RMB)	<u><u>(0.0202)</u></u>	<u><u>0.0007</u></u>

Diluted (loss)/earnings per share equals to basic (loss)/earnings per share as there was no dilutive potential share outstanding for the six months ended 30 June 2015 and 2014.

23 RELATED PARTY TRANSACTIONS

For the six months ended 30 June 2015 and 2014, the Group had the following material transactions with related parties:

	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Key management compensation		
Basic salaries, allowances and other benefits	646	679
Contributions to pension plan	<u>5</u>	<u>6</u>
	<u><u>651</u></u>	<u><u>685</u></u>

24 COMMITMENTS

(a) Capital commitments

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

	As at 30 June 2015 RMB'000 (unaudited)	As at 31 December 2014 RMB'000 (audited)
Authorised but not contracted for:		
– Buildings	74,269	74,269
– Machinery and equipment	70,506	72,338
	<u>144,775</u>	<u>146,607</u>

(b) Operating lease commitments

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

The future aggregate minimum lease payments under non-cancelable operating leases at the respective balance sheet dates are as follows:

	As at 30 June 2015 RMB'000 (unaudited)	As at 31 December 2014 RMB'000 (audited)
No later than 1 year	2,554	2,316
Later than 1 year and no later than 5 years	491	1,485
Later than 5 years	–	41
	<u>3,045</u>	<u>3,842</u>

25 EVENTS AFTER BALANCE SHEET DATE

Proposed Open Offer

On 12 August 2015, The Company proposed to raise HK\$250,000,000 million (before expenses) by way of the open offer involving the issue of 500,000,000 offer shares at the subscription price of HK\$0.50 per offer share on the basis of one offer share for every two shares in issue held on the record date and payable in full on application.

As at the date of this interim results announcement, the open offer is still in progress.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Company participates in non-ferrous metal 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 four exploration permits in Xinjiang and Shaanxi. In the first half of 2015, the prices of gold, copper, nickel, zinc and lead dropped further or fluctuated at relatively low levels, compared to those in 2014. The Company is gauging the fundamental dynamics, expediting the mine engineering, facility upgrading and applying for approvals related to production initiation or relaunch.

Mines under Operation

Hami Jinhua and Hami Jiatai hold three mining permits, namely No. 2 Mine, No. 20 Mine and Baiganhu Mine. No. 20 Mine produces copper and nickel ore and Baiganhu Mine produces lead and zinc ore. During the first half of 2015, the Company is in the process of formulating a new production plan, taken into account the recent metal prices and environment and safety regulations, in order to bring both No. 20 Mine and Baiganhu Mine back into commercial production. The Company has consulted external mining expertise to study the production plan as well as the need for further technical upgrade if necessary. No. 2 Mine produces copper and nickel ore. Since January 2011, the production of No. 2 Mine had been suspended as a result of the implementation of the Consolidation Program in Hami. Up to date, the Company has yet to reach a binding agreement with any designated buyer. The company will continue to look for potential buyers while at the same time negotiate with the Hami Municipal Bureau of Land and Resources for a fair and reasonable compensation plan in relation to the Consolidation Program.

Shaanxi Jiahe holds a mining permit, namely Huangjinmei Mine which produces gold ore. The mine and the related processing plant is under construction. In the first half of 2015, Shaanxi Jiahe is expediting the application for approvals of mine engineering, infrastructure and construction of ore processing plant.

Exploration Permits

Hami Jiatai holds four exploration permits in Xinjiang namely Baiganhu Gold, H-989, Heishan and Huangshan, with minerals covering gold, nickel, copper, lead and zinc. Preliminary exploration and/or drilling plans for such tenements is being considered. Hami Jiatai had conducted some exploration at Baiganhu Gold tenement, and identified the preliminary mineralization band and the ore deposit. The Company will continue to devote reasonable financial resources for exploration activities in order to strengthen its reserves base.

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 first half of 2015, Hami Jiatai and Hami Jinhua did not carry out any mining and processing activities.

Results Review

Revenue and gross loss

There was no revenue recorded for the six months ended 30 June 2015 (the “Period”). For the six months ended 30 June 2014, the Group sold nickel concentrate and lead and zinc ore and recorded revenue of RMB3.5 million. Cost of sales of RMB2.5 million (2014: RMB8.4 million) represented mainly depreciation charges, staff cost of the mines under operation and cost of inventories sold. Gross loss for the Period amounted to RMB2.5 million (2014: RMB4.9 million).

Administrative expenses

Administrative expenses for the Period, which included mainly depreciation charges, consulting fees, staff costs and office overheads, amounted to RMB8.8 million (2014: RMB10.2 million) representing 13% decrease as compared to the same period of last year.

Other (losses)/gains – net

Other losses for the Period mainly represented fair value losses on derivative financial instruments of the convertible bonds of RMB1.9 million (2014: gains of RMB17.8 million).

Finance costs – net

The Group recorded interest expense on convertible bonds of RMB7.8 million (2014: RMB6.7 million) and interest income of RMB0.2 million (2014: RMB0.7 million) during the Period. No foreign exchange gains were recognized for the Period (2014: RMB0.3 million).

Income tax credit

Income tax credit for the Period was RMB0.2 million (2014: RMB0.7 million). Income tax credit represented deferred tax mainly arising from depreciation and provisions and accruals. No provision for profits tax in Hong Kong and PRC operation was made during the Period (2014: nil).

Significant Investments, Material Acquisitions and Disposals

On 12 February 2015, the Company entered into a non-binding memorandum of understanding (the “MOU”) with Central Rand Gold Limited (“CRG”), a company listed on the London Stock Exchange (stock code: CRND), in relation to a possible acquisition (the “Possible Acquisition”) of 74% interests in an operational gold mining company located in South Africa. According to the information provided by CRG, the gold mining company holds a range of prospective gold assets located in world-renowned South African gold mining regions. It owns six exploitable mines with total area of 211 square kilometers and length of ores vein of 40 kilometers. Its gold resources and reserves are more than 1000 tonnes. CRG agreed under the MOU that the Company will entitle to the right of first purchase for a period of four months (to be extended subject to mutual agreement by the Company and CRG) after signing of the MOU. Details of the Possible Acquisition have been disclosed in the Company’s announcement dated 12 February 2015. No binding agreement in relation to the Possible Acquisition has been entered into as at the date of this interim results announcement.

Save as disclosed above, there were no other significant investments, material acquisitions and disposals during the Period.

Liquidity and Financial Review

The Group financed its day to day operations by internally generated cash flow during the Period. Primary uses of funds during the Period included payment of operating expenses and purchase of property, plant and equipment.

As at 30 June 2015, current assets of RMB123.2 million were comprised of inventories of RMB6.3 million, other receivables and prepayments of RMB52.6 million and cash and cash equivalents of RMB64.3 million. Current liabilities of RMB131.6 million were mainly comprised of trade payables of RMB1.0 million, other payables and accruals of RMB36.2 million, income tax payable of RMB0.3 million, liability component of the convertible bonds of RMB91.5 million and derivative component of the convertible bonds of RMB2.6 million. Current ratios, being total current assets to total current liabilities, were 1.09 and 0.94 as at 31 December 2014 and 30 June 2015 respectively.

As at 30 June 2015, the carrying amount of the liability component of the Company's convertible bonds, which have a 2-year term from 19 December 2013 and bear interest at 2% per annum payable semi-annually, was approximately RMB91.5 million (31 December 2014: RMB84.5 million). No conversion or redemption of the convertible bonds took place during the Period.

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.

Gearing Ratio

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 total equity plus net debt. As at 30 June 2015, the gearing ratio was therefore 7.17% (31 December 2014: 3.07%).

Charges on Company's assets, Commitments and Contingent Liabilities

As at 30 June 2015, the Group had capital commitments for property, plant and equipments of approximately RMB144.8 million (31 December 2014: RMB146.6 million).

As at 30 June 2015, the future aggregate minimum lease payments under non-cancellable operating leases of various offices was approximately RMB3.0 million (31 December 2014: RMB3.8 million).

As at 30 June 2015, the Group had no investment commitments (31 December 2014: Nil).

There were no other charges on the Company's assets as at 30 June 2015 (31 December 2014: 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 30 June 2015, the Group employed 84 employees. The total staff costs for the Period were approximately RMB4.2 million (30 June 2014: RMB5.3 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 issued and outstanding as at 30 June 2015.

Future Outlook

The demand for basic metals in China slowed down in recent years. Such status evolved further in the first half of 2015. The producers postponed their production activities in order to survive the downturns. Though uncertainty and the structural factors remain with global economy, the Company believes the fundamental demand for basic metals is still solid.

The Company is to schedule more exploration and study of current mines and tenements in order to extend the mine service lives, thus enriching the resources base and increasing the value of the assets. The depression of some basic metal industries provides good timing to acquire more natural resources, leveraging the Company's competitive advantages of geologic and exploration expertise, ore extracting and processing experience, industrial network with professionals and advisors, and fundraising access. The Company will continue to invest in its existing mining and exploration projects, as well as to look for potential acquisition targets.

To strengthen the financial position of the Group and explore business opportunities for the Group, the Company proposed to raise net proceeds of HK\$246 million by way of an open offer of 500,000,000 offer shares at a subscription price of HK\$0.5 per share as announced on 12 August 2015. The Company intends to apply the net proceeds for general working capital and potential acquisition(s) of natural gas businesses when opportunities arise. It is expected that the open offer will be completed in September 2015. Meanwhile, the Company is also actively seeking acquisition target(s) which can generate steady cash flow and profit returns for the Group and further announcement(s) will be made as and when appropriate.

DIVIDEND

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

PURCHASE, REDEMPTION OR SALE OF SECURITIES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Under provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. All independent non-executive directors of the Company were not appointed for a specific term but all of them are subject to retirement by rotation in accordance with the Articles of Association of the Company. The Board considers that sufficient measures were taken to ensure the corporate governance practices of the Company are not less than those in the Code.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for directors' securities transactions. Having made specific enquiry of all directors, all directors of the Company have complied with required standard set out in the Model Code throughout the six months ended 30 June 2015.

REVIEW BY AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three independent non-executive directors of the Company. The audit committee has reviewed the interim results for the six months ended 30 June 2015.

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

Hong Kong, 28 August 2015

As at the date of this announcement, the executive Directors are Mr. Wang Dayong, Mr. Wang Feng, Mr. Lu Qi, Mr. Sun Zhong and Mr. Liu Ting, and the independent non-executive Directors are Mr. Cao Shiping, Mr. Cao Kuangyu, and Mr. Song Shaohuan.