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 2015

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 2015, together with comparative figures for the previous financial year as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2015	2014
	Note	**RMB'000**	RMB'000
Revenue	3	**3,195**	3,504
Cost of sales	4	**(33,498)**	(25,039)
Gross loss		**(30,303)**	(21,535)
Distribution expenses	4	**(455)**	–
Administrative expenses	4	**(60,312)**	(47,470)
Other (losses)/gains – net	5	**(95)**	18,229
Operating loss		**(91,165)**	(50,776)
Finance income		**428**	1,155
Finance costs		**(13,004)**	(13,556)
Finance costs – net	6	**(12,576)**	(12,401)

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Loss before income tax		**(103,741)**	(63,177)
Income tax (expense)/credit	7	**(608)**	6,319
Loss for the year		**(104,349)**	(56,858)
Loss attributable to:			
Equity holders of the Company		**(101,808)**	(54,466)
Non-controlling interests		**(2,541)**	(2,392)
		(104,349)	(56,858)
Loss per share attributable to the equity holders of the Company (expressed in RMB per share) — Basic and diluted	8	**(0.090)**	(0.054)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Loss for the year	**(104,349)**	(56,858)
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
Change in value of available-for-sale financial assets	**9,985**	(7,467)
Other comprehensive income/(loss) for the year, net of tax	**9,985**	(7,467)
Total comprehensive loss for the year	**(94,364)**	(64,325)
Attributable to:		
Equity holders of the Company	**(91,823)**	(61,933)
Non-controlling interests	**(2,541)**	(2,392)
Total comprehensive loss for the year	**(94,364)**	(64,325)

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2015** RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**64,250**	104,952
Mining rights and exploration rights		**99,330**	177,363
Land use rights		**9,342**	9,585
Deferred tax assets		**2,823**	9,749
Refundable deposit		**163,367**	–
Other non-current assets		**2,492**	3,149
Available for sale financial assets		**112,286**	102,301
Total non-current assets		**453,860**	407,099
Current assets			
Inventories		**6,526**	6,283
Trade receivables	9	**3,738**	–
Other receivables and prepayments		**57,594**	51,631
Cash and cash equivalents		**103,333**	72,868
Total current assets		**171,191**	130,782
Total assets		**625,051**	537,881
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	10	**127,362**	86,322
Share premium	10	**577,878**	416,979
Other reserves		**(9,650)**	(19,635)
Accumulated losses		**(221,481)**	(119,673)
		474,109	363,993
Non-controlling interests		**1,631**	4,172
Total equity		**475,740**	368,165

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
LIABILITIES			
Non-current liabilities			
Provision for close down, restoration and environmental costs		**3,090**	4,473
Deferred tax liabilities		**24,602**	45,241
Long-term borrowings		**41,889**	–
Total non-current liabilities		**69,581**	49,714
Current liabilities			
Trade payables	11	**2,523**	1,267
Other payables and accruals		**14,359**	33,204
Income tax payable		**266**	266
Convertible bonds		**62,582**	84,547
Derivative financial instruments		**–**	718
Total current liabilities		**79,730**	120,002
Total liabilities		**149,311**	169,716
Total equity and liabilities		**625,051**	537,881

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 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 29 March 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied for each of the years ended 31 December 2014 and 2015, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

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.

2.1.1 Going concern

During the year ended 31 December 2015, the Group recorded a revenue of RMB3,195,000 and incurred a net loss of RMB104,349,000, and had a net operating cash outflow of RMB15,577,000. As at the same date, its cash and cash equivalents amounted to RMB103,333,000, RMB62,582,000 of which was utilised in January 2016 to repay its outstanding convertible bonds (Note 13(b)).

The Group entered into a Memorandum of Terms (the "Memorandum") on 3 December 2015 and a Supplemental Terms (the "Supplemental") on 29 March 2016 with certain vendors in relation to a possible acquisition of the entire equity interest of a Target Group, which is principally engaged in exploration, development, production and sale of the coalbed methane in Shanxi Province, at a total consideration of not more than US$ 150 million (equivalent to HK$1,170 million). The consideration will be payable as to: (i) US$ 100 million in cash (including issuance of debt securities, if applicable); and (ii) the remaining consideration of not more than US$50 million by the allotment and issue of up to 600,000,000 ordinary shares of the Company at an issue price of HK$0.65 per share upon completion. Pursuant to the Memorandum, the Group has already paid US$25 million, equivalent RMB163,367,000, to the vendors in December 2015 as a refundable deposit for the exclusive negotiation rights from the date of the Memorandum to end of March 2016 (which was subsequently extended to end of April 2016 pursuant to the Supplemental). The above matter indicated that the Group may need to secure a substantial amount of funds in the foreseeable future to finance the possible acquisition before the end of April 2016 upon signing of a binding purchase and sale agreement with the vendors. If the Company decides to finance the possible acquisition by short-term or long-term borrowings, it is uncertain as to whether the Group will be able to generate adequate financial resources during the terms of the borrowings to service these principal and interest payments, or meet the relevant loan covenant requirements, if any, and these matters may cast significant doubt about the Group's ability to continue as a going concern in the foreseeable future.

The Directors of the Company (the "Directors") confirmed that before a binding sale and purchase agreement is entered into, the Directors would: (i) complete and be satisfied with the due diligence on the financial and non-financial status of the target to ensure the acquisition of the target would not create an adverse impact on the financial position of the Group at least in the coming twelve months from 31 December 2015; and (ii) secure a long-term debt financing of not less than US$75 million at terms (including covenant requirements, if any, and payment terms) that would not create an adverse impact on the financial position of the Group for at least twelve months from 31 December 2015. The abovementioned due diligence work and negotiation for the financing arrangements are still in progress, and no binding sale and purchase agreement or financing arrangements have been entered into by the Company as at the date of approval of the consolidated financial statements. The directors of the Company confirmed that the Company will enter into a binding purchase and sale agreement with the vendors only after the conditions (i) and (ii) as mentioned above have been satisfied in order to maintain the Group's ability to continue as a going concern.

On the basis set out in the preceding paragraph, the directors of the Company have prepared cash flow projections for the Group which cover a period of twelve months from 31 December 2015, without considering the impact of the possible acquisition. The directors are of the opinion that, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from end of the reporting period, and are satisfied that it is appropriate to prepare the consolidated financial statements of the Group on a going concern basis. Should the Group be unable to operate as a going concern, adjustment would have to be made to reduce the carrying value of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards, mandatory for the first time for the financial year beginning 1 January 2015.

Amendment to HKAS19 regarding defined benefit plans: employee contributions, 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 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.

HKAS 24, '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 the reporting entity to disclose 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', clarifies that the interrelationship between HKAs 40 HKFRS 3 when classifying property as investment property or owner-occupied property.

The adoption of these new and amended standards and interpretations has not had any significant effect on the accounting policies or results and financial position of the Group.

(b) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) 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 operations	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 HKAS 27 on equity method in separate financial statements	1 January 2016
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 2018
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.

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 (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 each of the years ended 31 December 2014 and 2015, the Group had three (note a, b and c) reportable segments respectively:

(a) Hami Jiatai Mineral Resource 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 Resource 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 Mining Exploitation Limited ("Shaanxi Jiahe") which held a gold mine and was mainly engaged in the mining, ore processing and sales of gold products. Shaanxi Jiahe was disposed in December 2015 (note 12).

Apart from the three reportable segments, other activities of the Group were mainly investment holdings which are not considered as an operating 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, excluding the effects of non-recurring impairments of mining rights and property, plant and equipment when the impairment is the result of an isolated, non-recurring event. The measure of operating profit for segment review also excludes unrealised gains/losses on financial instruments. Interest income and expenditure at the level of Group are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

The segment information provided to the CODM for the reportable segments for each of the years ended and as at 31 December 2014 and 2015 is as follows:

	2015				2014			
	Shaanxi Jiahe RMB'000	**Hami Jiatai RMB'000**	**Hami Jinhua RMB'000**	**Total RMB'000**	Shaanxi Jiahe RMB'000	Hami Jiatai RMB'000	Hami Jinhua RMB'000	Total RMB'000
Year ended 31 December								
Segment revenue								
– Nickel concentrate	**–**	**–**	**–**	**–**	–	365	2,527	2,892
– Copper concentrate	**–**	**–**	**–**	**–**	–	–	–	–
– Zinc concentrate	**–**	**–**	**–**	**–**	–	–	–	–
– Lead concentrate	**–**	**–**	**–**	**–**	–	–	–	–
– Others	**–**	**–**	**3,195**	**3,195**	–	–	612	612
	–	**–**	**3,195**	**3,195**	–	365	3,139	3,504
Segment operating loss	**(799)**	**(35,816)**	**(14,393)**	**(51,008)**	(1,143)	(43,877)	(9,010)	(54,030)
Unallocated operating (losses)/gains (note (a))	**–**	**–**	**–**	**(40,157)**	–	–	–	3,254
Operating loss	**(799)**	**(35,816)**	**(14,393)**	**(91,165)**	(1,143)	(43,877)	(9,010)	(50,776)
Segment finance costs – net	**99**	**127**	**122**	**348**	145	22	(24)	143
Unallocated	**–**	**–**	**–**	**12,228**	–	–	–	12,258
Finance costs/(income) – net	**99**	**127**	**122**	**12,576**	145	22	(24)	12,401
Income tax (expense)/credit	**–**	**(909)**	**301**	**(608)**	–	8,303	(1,984)	6,319
Amortisation	**–**	**80**	**163**	**243**	–	80	163	243
Segment depreciation	**286**	**2,159**	**2,647**	**5,092**	2	2,423	2,638	5,063
Unallocated	**–**	**–**	**–**	**1**	–	–	–	6
Depreciation	**286**	**2,159**	**2,647**	**5,093**	2	2,423	2,638	5,069
Segment impairment								
– Non-current assets	**–**	**25,059**	**–**	**25,059**	–	14,000	–	14,000
– Other receivables	**–**	**7,524**	**6,850**	**14,374**	–	23,500	1,500	25,000
– Unallocated	**–**	**–**	**–**	**26,755**	–	–	–	–
Impairment	**–**	**32,583**	**6,850**	**66,188**	–	37,500	1,500	39,000
As at 31 December								
Segment assets	**–**	**94,160**	**159,275**	**253,435**	90,332	83,496	167,152	340,980
Unallocated assets (note (b))	**–**	**–**	**–**	**371,616**	–	–	–	196,901
Total	**–**	**94,160**	**159,275**	**625,051**	90,332	83,496	167,152	537,881
Segment liabilities	**–**	**19,385**	**30,635**	**50,020**	35,196	25,590	21,940	82,726
Unallocated liabilities (note (c))	**–**	**–**	**–**	**99,291**	–	–	–	86,990
Total	**–**	**19,385**	**30,635**	**149,311**	35,196	25,590	21,940	169,716

Notes:

(a) Unallocated operating losses mainly represented impairment of other receivables held by the Company and administrative expenses incurred by the Company for the year ended 31 December 2015 and unallocated operating gains mainly represented fair value gains on derivative financial instruments and administrative and consulting expenses incurred by the Company and Realty Investment (Group) Limited ("Realty Investment") for the year ended 31 December 2014.

(b) Unallocated assets as at 31 December 2015 mainly represented by the available for sale financial assets, the bank deposits held by the Company; unallocated assets as at 31 December 2014 mainly represented by the refundable deposit, the available for sale financial assets and the bank deposits held by the Company and Realty Investment.

(c) Unallocated liabilities as at 31 December 2015 mainly represented by long-term borrowings and convertible bonds of the Company; unallocated liabilities as at 31 December 2014 mainly represented by convertible bonds and derivative financial instruments held by the Company.

4 EXPENSES BY NATURE

The following items have been charged to the operating loss for the years ended 31 December 2014 and 2015:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Depreciation	**5,093**	4,412
Amortisation	**243**	243
Impairment provision for mining assets and mining rights	**25,059**	14,000
Doubtful debt provision for other receivables	**41,129**	25,000
Employee benefit expenses	**9,028**	12,754
Office expenses and operating lease payments	**6,734**	7,511
Coal purchased from third party	**2,814**	—
Changes in inventories of semi-finished goods and finished goods	**—**	6,571
Reversal of impairment of inventories	**—**	(1,538)
Consulting fees	**1,789**	1,400
Auditor's remuneration	**1,259**	1,181
Transportation expenses	**565**	131
Electricity consumed	**41**	56
Others	**511**	788
Total cost of sales, distribution expenses and administrative expenses	**94,265**	72,509

5 OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Fair value gains on derivative financial instruments	**718**	18,380
Gains on disposal of a subsidiary (Note 12)	**1,162**	—
Losses on disposal of property, plant and equipment	**(2,150)**	—
Others	**175**	(151)
	(95)	18,229

6 FINANCE COSTS – NET

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Finance income		
— Interest income	**428**	1,155
Finance costs		
Exchange gains — net	**3,297**	238
Interest expense		
— Convertible bonds	**(15,945)**	(13,472)
— Unwinding of discount — provision for close down, restoration and environmental costs	**(356)**	(322)
	(13,004)	(13,556)
Finance costs — net	**(12,576)**	(12,401)

7 INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Current tax	**—**	—
Deferred tax	**608**	(6,319)
Income tax expense/(credit)	**608**	(6,319)

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 Limited and Realty Investment were subject to Hong Kong profits tax at tax rate of 16.5% for each of the years ended 31 December 2014 and 2015.

Effective from 1 January 2008, the Group's subsidiaries 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 these companies is 25% since 2008.

The applicable tax rate of Huili Runce, Hami Jinhua, Hami Jiatai and Shaanxi Jiahe for each of the years ended 31 December 2014 and 2015 were 25%.

All the Group's subsidiaries in Hong Kong and Mainland China did not have any assessable profit for each of the years ended 31 December 2014 and 2015.

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's entities is as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Loss before income tax	**(103,741)**	(63,177)
Tax calculated at domestic tax rates applicable to results in the respective countries	**(13,294)**	(14,081)
Tax effects of:		
— Expenses not deductible for tax purposes	**122**	166
— Deductible temporary differences for which no deferred income tax asset recognized	**11,334**	—
— Tax losses for which no deferred income tax asset recognized	**2,446**	7,596
Income tax expense/(credit)	**608**	(6,319)

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	
	2015	2014
	RMB'000	RMB'000
Loss attributable to equity holders of the Company	**(101,808)**	(54,466)
Adjusted weighted average number of shares in issue (in thousands)	**1,132,877**	1,000,000
Basic and diluted loss per share (RMB)	**(0.090)**	(0.054)

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 2014 and 2015.

9 TRADE RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade receivables	**3,738**	–
Less: Provision for impairment of trade receivables	**–**	–
Trade receivables – net	**3,738**	–

As at 31 December 2015, the ageing of trade receivables were within 1 month.

10 SHARE CAPITAL AND SHARE PREMIUM

	Authorised Shares of HK$0.1 each
As at 31 December 2014 and 2015	5,000,000,000

	Issued and fully paid			
	Number of Shares (Thousands)	Share Capital RMB'000	Share Premium RMB'000	Total RMB'000
At 1 January 2014 and 31 December 2014	**1,000,000**	**86,322**	**416,979**	**503,301**
– Proceeds from shares issued (note (a))	**500,000**	**41,040**	**160,899**	**201,939**
At 31 December 2015	**1,500,000**	**127,362**	**577,878**	**705,240**

Notes:

(a) The group issued 500,000,000 shares on 25 September 2015 (33.3% of the total ordinary share capital issued) by way of the open offer at the subscription price of HK$0.50 per offer share on the basis of one offer share for every two shares in issue. The fair value of the shares issued amounted to RMB205,200,000 (RMB0.41 per share). The related transaction costs amounting to RMB3,261,000 have been netted off with the deemed proceeds.

11 TRADE PAYABLES

Trade payables are analysed as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
— Third parties	**2,523**	1,267

The ageing analysis of trade payables are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
0-90 days	**1,486**	16
91-180 day	**—**	—
181-365 days	**—**	6
Over 365 days	**1,037**	1,245
	2,523	1,267

The carrying amounts of trade payables approximated their fair values. The balances were denominated in RMB.

12 DISPOSAL OF A SUBSIDIARY

On 18 December 2015, the Group entered into an unconditional equity and debt transfer agreements with Xiao Yi Da Jie Shan Coal Company Limited (the "Purchaser"), a third party private company, to transfer (i) the entire registered capital of Shaanxi Jiahe for a cash consideration of RMB48,000,000; and (ii) the entire debts due by Shaanxi Jiahe to the Group for a cash consideration of RMB9,400,000.

The consideration was determined after negotiations between the Group and the Purchaser after taking into account of various factors, especially the net assets value of Shaanxi Jiahe as at 30 June 2015 and the carrying value of the debts due by Shaanxi Jiahe to the Group as at the date of disposal. According to the equity and debt transfer agreements, RMB4,800,000 was received in December 2015, and the remaining RMB52,600,000 (which includes all the consideration for the sale of the debts due by Shaanxi Jiahe to the Group) shall be paid on or before 31 December 2016 with no interest bearing.

As at 18 December 2015, the date of disposal, the carrying amounts of entire registered capital of Shaanxi Jiahe and entire debts due by Shaanxi Jiahe to the Group was RMB46,838,000 and RMB9,400,000 respectively, and the Group recognised a gain on disposal of Shaanxi Jiahe of RMB1,162,000 (Note 5).

The consideration, net asset of Shaanxi Jiahe disposed and the disposed debts due by Shaanxi Jiahe to the Group at the date of disposal are set out below:

Consideration

	RMB'000
Satisfied by:	
Cash	4,800
Receivables as at 18 December 2015 for equity	43,200
Receivables as at 18 December 2015 for debt	9,400
Total consideration	57,400

Net asset of subsidiary disposed

At 18 December 2015	**RMB'000**
Property, plant and equipment	29,286
Mining rights	58,534
Other non-current assets	349
Cash	10
Other receivables and prepayments	7,948
Inventories	112
Provision for close down, restoration and environmental costs	(1,739)
Deferred tax liabilities	(14,321)
Other payables	(33,341)
Net identifiable assets and liabilities disposed of	46,838
Debts due by Shaanxi Jiahe to the Group	9,400
Gains on disposal of Shaanxi Jiahe	1,162

The effect of such disposal on the Group's cash flow for the year ended 31 December 2015 is set out below:

	2015 **RMB'000**
Cash flow of subsidiary disposal:	
Cash consideration received	4,800
Less: Cash and cash equivalents of Shaanxi Jiahe disposed of	(10)
Net proceeds from disposal of the subsidiary	4,790

13 EVENTS AFTER BALANCE SHEET DATE

(a) Proposed acquisition of a target company

On 4 March 2016, the Group entered into a sale and purchase agreement with certain vendors whereby it has conditionally agreed to purchase the entire issued share capital of a target company and its subsidiaries at a total consideration HK$121.2 million. The target company is principally engaged in finance leasing business through its subsidiary in the PRC.

Upon the fulfilment of agreed conditions precedent before 30 June 2016, the acquisition would be completed and the total consideration shall be satisfied by the allotment and issue of 120,000,000 new shares to the vendors at the issue price of HK$1.01 upon the completion of the acquisition.

(b) Repayment of Convertible bonds

The Company issued HK$107,500,000 two-year convertible bonds on 19 December 2013 to ACE AXIS Limited, and on 19 December 2015 the convertible bonds matured, the bond holder and the Company signed a side agreement, pursuant to which, HKD50,000,000 among the matured amount was converted to a two-year loan and residual amount of HKD74,700,000 including interest due would be repaid in 30 days. On 11 January 2016, HKD74,700,000 (equivalent to RMB62,582,000) was subsequently settled.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group participates in non-ferrous ore mining and processing. The diversified non-ferrous metal minerals covered by the Group's operation include nickel, copper, zinc and lead in Xinjiang province. 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") and Hami Jiatai Mineral Resource Exploiture Limited ("Hami Jiatai"), own two mining permits and three exploration permits in Xinjiang. In 2015, the prices of copper, nickel, zinc and lead dropped further or fluctuated at relatively low levels, compared to those in 2014. Due to the recent depression of commodity market coupled with the external sophisticated requirements in the PRC, the Company has strategically deferred its mining and exploration activities during the year of 2015. The downturn in the industry however provides a good timing to acquire natural resources and the Company has actively explored acquisition opportunities with promising return in order to expand and diversify its businesses and to enhance the investment return of the Group and the shareholders as a whole.

To strengthen the financial position of the Company and to increase its available financial resources for the possible business opportunities, the Company has completed the Open Offer (as defined below) involving issue of 500,000,000 offer shares in September 2015. The total net proceeds would be applied for general working capital and possible acquisition(s) opportunities.

On 3 December 2015 the Company entered into a non-binding Memorandum of Terms in relation to a possible acquisition of the target group which is principally engaged in exploration, development, production and sale of the coalbed methane (oil and gas) in Shanxi province, the PRC. The target group has a profitable business and presents a mature project in natural gas sector. The possible acquisition could diversify the Group's revenue while generating steady cash flows and profit returns to the Group and it is in accordance with the Company's development strategy.

Mining Permits

Hami Jiatai and Hami Jinhua hold two mining permits, namely No. 20 Mine and Baiganhu Mine respectively. No. 20 Mine produces copper and nickel ore. Further exploration and study of the deep ore deposit on the west of Shaft 6 are being considered based on the additional exploration in 2012. To meet new requirements of safety production, No. 20 Mine is to upgrade its lifting system before the production relaunch. Baiganhu Mine produces lead and zinc ore. Further exploration and study of ore bodies are being considered based on the additional exploration in 2012 and 2013. It is setting up the underground production systems and facilities for safety production before the production initiation.

Exploration Permits

Hami Jiatai holds three exploration permits in Xinjiang namely Baiganhu Gold, H-989 and Heishan, with minerals covering gold, nickel and copper. 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. Subject to the market condition, the Company will devote reasonable resources to carry out further exploration in order to enrich the resources base.

Ore Processing Plants

Hami Jiatai operates a copper-nickel ore processing plant and Hami Jinhua owns a lead-zinc ore 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 sale. During the year of 2015, Hami Jiatai and Hami Jinhua did not carry out any mining and processing activities.

Disposal and Acquisition

To overcome the external adverse industrial environment, the Company has completed the disposal of Shaanxi Jiahe Mining Exploitation Limited ("Shaanxi Jiahe") as announced on 18 December 2015. It is in the interest of the Company and shareholders as a whole to spin-off the business which needs intensive capital investment and involves great uncertainty. The net proceeds from this disposal would be used for the general working capital and acquisition purpose when opportunity materializes.

To further implement the Company's developing strategy, on 12 February 2016, the Company entered into a sale & purchase agreement to conditionally purchase the entire issued share capital of Jia Zhao Ventures Limited which is principally engaged in finance leasing business whose major customers are/will be mainly energy related operators in the PRC. The acquisition will create synergy effect with the natural gas and oil project which the Company proposed to acquire and also enhance the return for the Company and the shareholders as a whole.

RESULTS REVIEW

Revenue and gross loss

For the year ended 31 December 2015, the Group carried out silicon coal trading (2014: nickel concentrate and lead and zinc ore) and recorded revenue of RMB3.2 million (2014:RMB3.5 million). Cost of sales of RMB33.5 million (2014: RMB25 million) represented mainly impairment charges, depreciation charges, staff cost of the mines under operation and cost of inventories sold. Gross loss for the year amounted to RMB30.3 million (2014: RMB21.5 million).

During the year, mining activities of Hami Jiatai was further postponed due to the prolonged depression of commodity market and one of the mines was involved in consolidation program of the government, the mining permit expired and there is uncertainty in the permit renewal. In this connection, the Company has engaged an independent valuer carried out a review of the recoverable amount of its assets including the mining rights, land use rights, properties, plants and equipments.

The recoverable amount is determined based on the value-in-use calculation using cash flow projections, based on financial budgets approved by management covering a five year period and management's assumptions and estimates including forecast of selling price of nickel, copper, discount rates, time to restart production and inflation rate on the cash generating unit for the segment of Hami Jiatai. The key assumptions and parameters taken into account in the valuation mainly include:

- The discount rate used in measuring value-in-use was 19.0% (2014: 18.9%), which is pre-tax and reflects the specific risk relating to the business;

- The price of nickel/copper used is derived from the forecast of Bloomberg;

- The production is expected to restart in 2017;

- 3% (2014: 3%) is adopted as inflation rate.

There was no material change in the valuation methodology adopted during the year.

Based on the above review, impairment losses on mining structure and mining rights of Hami Jiatai of approximately RMB5.5 million (2014:RMB3.1 million) and approximately RMB19.5 million (2014:RMB10.9 million) respectively were recognised in the income statement for the year ended 31 December 2015.

Administrative expenses

Administrative expenses for the year amounted to RMB60.3 million (2014: RMB47.5 million). They included mainly depreciation charges, consulting fees, staff costs, office overheads, and doubtful debt provision for other receivables of approximately RMB41.1 million (2014: RMB25 million) for the year ended 31 December 2015. Doubtful debt provision for other receivables represented mainly the amount due from Shaanxi Jiatai Hengrun Mineral Resource Exploiture Limited ("Shaanxi Jiatai") in relation to deposit payment for acquisition of Shaanxi Jiarun Mining Exploiture Limited lapsed in 2013 and the amount due from Mr. Wei Xing in relation to earnest money paid for possible acquisition of gold mines and mining processing plants in the Republic of Ghana.

As at the date of this announcement, Shaanxi Jiatai and Mr. Wei Xing have not yet repaid the balances in spite of the Company's considerable effort to procure its refund since these acquisitions lapsed. Considering that the aging of the receivables are more than one year, recoverability of these receivables remained doubtful and therefore provision was made as at 31 December 2015.

Other (losses)/gains – net

Other losses for the year mainly represented the losses on disposal of property, plant and equipment of approximately RMB2.2 million (2014: nil) netting off against the gains on disposal of Shaanxi Jaihe of approximately RMB1.2 million (2014: nil) and fair value gains of approximately RMB0.7 million (2014:RMB18.4 million) on the convertible bonds.

Finance costs – net

The Group recorded interest expense of approximately RMB15.9 million on convertible bonds (2014: RMB13.5 million) and interest income of RMB0.4 million (2014: RMB1.2 million). The Group also recognised foreign exchange gains of RMB3.3 million (2014: RMB0.2 million) for the year ended 31 December 2015.

Income tax expense/(credit)

Income expense for the year was approximately RMB0.6 million (2014: income tax credit of RMB6.3 million), representing deferred taxation arising from impairment, depreciation and provisions.

Loss attributable to the equity holders of the Company

Loss attributable to equity holders of the Company for the year was approximately RMB101.8 million which was primarily due to the result of impairment charges on certain assets, mining rights and doubtful debt provision for other receivables aggregating approximately RMB66.2 million (2014: RMB39 million) as compared to a loss of RMB54.5 million in the corresponding period in 2014.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Possible acquisition for gold mines in South Africa

On 12 February 2015, the Company entered into a non-binding memorandum of understanding (the "MOU") with Central Rand Gold Limited, a company listed on the London Stock Exchange (stock code: CRND), in relation to a possible acquisition of 74% interests in an operational gold mining company located in South Africa. Details of the above have been disclosed in the Company's announcement dated 12 February 2015. The MOU lapsed during the year.

Possible acquisition for oil and gas business in the PRC

On 3 December 2015, the Company, Million Giant International Limited, Merit Progress Investments Limited and Proven Bravo Limited (collectively the "Vendors") entered into the Memorandum of Terms (the "Memorandum") pursuant to which the Company or its subsidiary intended to acquire the entire issued share capital of China Grand Vision Holdings Limited, which is principally engaged in exploration, development, production and sale of the coalbed methane (oil and gas) in Shanxi Province, the PRC, at a total consideration of up to US$150 million (equivalent to about HK$1,170 million) payable as to: (i) US$100 million in cash (including debt securities, if applicable); and (ii) the remaining consideration of up to US$50 million by the allotment and issue of up to 600 million consideration shares at the issue price of HK$0.65 per consideration share upon completion of acquisition. Details of the above have been disclosed in the Company's announcement dated 3 December 2015. The Company has paid US$25 million on 14 December 2015 as earnest money for such possible acquisition under the Memorandum . On 29 March 2016, the Company entered the supplemental memorandum with the Vendors pursuant to which the target company under the Memorandum has been changed to China Green Energy Investment Limited (due to group restructuring by the Vendors) and the long stop date of the Memorandum has been extended to 30 April 2016. No formal agreement in respect of the above acquisition has been made as at the date of this announcement.

Disposal of a subsidiary which owns gold mines in Shaanxi

On 18 December 2015, the Group and Xiao Yi Da Jie Shan Coal Company Limited ("Xiao Yi"), an independent third party, entered into the disposal agreement, pursuant to which the Group has agreed to sell and Xiao Yi has agreed to purchase: (i) the entire registered capital of Shaanxi Jiahe for a cash consideration of RMB48 million (equivalent to approximately HK$58.5 million); and (ii) the entire debts due by Shaanxi Jiahe to the Group for a cash consideration of RMB9.4 million (equivalent to approximately HK$11.5 million). Such disposal has been completed on 18 December 2015 and a gain on disposal of approximately RMB1.2 million has been recognized in the income statement during the year. Details of the above have been disclosed in the Company's announcement dated 18 December 2015.

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

OPEN OFFER

On 12 August 2015, the Company proposed to raise HK$250 million (before expenses) by way of the open offer (the "Open Offer") involving the issue of 500 million 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 gross proceeds of the Open Offer (before expenses) are HK$250 million. The net proceeds of the Open Offer (after deducting the costs and expenses in relation to the open offer and the underwriting commission fees) were approximately HK$246 million (equivalent to HK$0.492 per offer share). The Company intended 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.

The Open Offer became unconditional on 18 September 2015. A total of 32 valid applications in respect of a total of 1,261,393,848 offer shares were received. 500 million offer shares were issued on 25 September 2015. Further details of the Open Offer were set out in the announcements dated 12 August 2015 and 24 September 2015 and the prospectus dated 2 September 2015.

As at the date of this announcement, the net proceeds from the Open Offer have been applied in the following way: (i) HK$74.7 million for repayment of principal for convertible bonds as stated below and interest payable for convertible bonds of approximately HK$0.5 million; (ii) approximately HK$121 million for payment of part of earnest money for possible acquisition for oil and gas business in the PRC under the Memorandum as stated above; and (ii) approximately HK$16 million used for other general working capital purpose. 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 flows and the Open Offer during the year. Primary uses of funds during the year included payment of operating expenses, purchase of property, plant and equipment and payment for earnest money for possible acquisition for oil and gas business in the PRC under the Memorandum as stated above.

As at 31 December 2015, current assets of approximately RMB171.1 million (2014: RMB130.8 million) were comprised of inventories of RMB6.5 million, trade receivables of RMB3.7 million, other receivables and prepayments of RMB57.6 million and cash and cash equivalents of RMB103.3 million. Current liabilities of approximately RMB79.7 million (2014: RMB120 million) were mainly comprised of trade payables of RMB2.5 million, other payables and accruals of RMB14.3 million, income tax payable of RMB0.3 million and convertible bonds of RMB62.6 million. Current ratios, being total current assets to total current liabilities, were 2.15 as at 31 December 2015 (2014: 1.1).

As at 31 December 2015, there was no outstanding interest-bearing bank loan (2014: Nil).

As at 31 December 2015, the carrying amount of the liability component of the Company's convertible bonds, which matured on 19 December 2015 and bear interest at 2% per annum payable semiannually, was approximately RMB62.6 million (2014: RMB84.5 million). Pursuant to the terms and conditions of the convertible bonds, as a result of the Open Offer, the conversion price of the outstanding convertible bonds was adjusted from the initial conversion price of HK$2.15 per conversion share to HK$1.725 per conversion share during the year. On the maturity date of the convertible bonds, the bond holder and the Company signed an agreement, pursuant to which, the Company would repay HK$74.7 million (equivalent to RMB62.6 million) within 30 days of such agreement and repayment of remaining balance of HKD50 million (equivalent to RMB41.9 million) would be rescheduled as a two-year loan with 10% annual interest. In January 2016, outstanding principal amount of HK$74.7 million (equivalent to RMB62.6 million) was settled by the Company.

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 31 December 2015, the gearing ratio was 0.24% (2014: 3.07%).

NON-COMPETITION UNDERTAKING

According to the Prospectus, Mr. Lu Qi (the former controlling shareholder of the Company) and Mr. Wang Dayong (the controlling shareholder of the Company) have under the Non-Competition Agreement undertaken not to compete with the Company in its core business. Each of Mr. Lu and Mr. Wang has also undertaken to provide an annual confirmation to the Company confirming that he and his associates have not breached the terms of the non-competition undertaking and to provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the non-competition deed. Details of the undertaking have been disclosed in the "Relationship With Our Controlling Shareholders" section in the Prospectus. Each of Mr. Lu and Mr. Wang has provided the annual confirmation to the Company confirming that he and his associates have not breached the terms of the non-competition undertaking for the year ended 31 December 2015. The independent non-executive Directors have also enquired Mr. Lu and Mr. Wang in the board meeting on 29 March 2016 for the purpose of considering and approving the annual results announcement for the year ended 31 December 2015.

CHARGES ON COMPANY'S ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 December 2015, the Group had no contracted capital expenditure (2014: nil).

As at 31 December 2015, the future aggregate minimum lease payments under non-cancellable operating leases of various offices was approximately RMB1.8 million (2014: RMB3.8 million).

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

There were no other charges on the Company's assets as at 31 December 2015 (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.

Save as disclosed above, as at 31 December 2015, the Group had no material contingent liability (2014: nil).

HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 31 December 2015, the Group employed 37 employees. The total staff costs (including directors' emoluments) for the year were approximately RMB9 million (2014: RMB12.8 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 granted and outstanding as at 31 December 2015.

FUTURE OUTLOOK

The demand for basic metals in China slowed down in recent years. Such status evolved further in 2015. The producers struggled to survive and many of them 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.

For the Company, other than continuously carry out further exploration and study of current mines and tenements in order to extend the mine service lives and preserve the value of the assets, the Company will be actively seeking and facilitating the completion of possible acquisition opportunities to broaden the revenue sources, diversify existing business, and enhance investment return for the Company and to create value to all the shareholders. The Company sees that the industrial downturn provides a good timing to acquire more natural resources, leveraging the Company's competitive advantages of geologic and exploration expertise, ore extracting and processing experience, business network in natural resource sector, and fundraising access. The Company will continue to invest in its existing mining and exploration projects, as well as facilitate the possible acquisition targets and seek for other potential acquisition opportunities.

DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year of 2015.

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 2015.

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, 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 year ended 31 December 2015.

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 2015.

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

Hong Kong, 29 March 2016

As at the date of this announcement, the executive Directors are Mr. Wang Dayong, Mr. Lu Qi, Mr. Sun Zhong, Mr. Shou Xuancheng, Mr. Xu Zucheng and Ms. Wang Qian and the independent non-executive Directors are Mr. Cao Shiping, Mr. Cao Kuangyu and Mr. Song Shaohuan.