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 2016

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 2016, together with comparative figures for the previous financial year as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2016	2015
	Note	**RMB'000**	RMB'000
Revenue	3	**25,588**	3,195
Cost of sales	4	**(23,943)**	(33,498)
Gross profit/(loss)		**1,645**	(30,303)
Distribution expenses	4	**(56)**	(455)
Administrative expenses	4	**(33,161)**	(60,312)
Other gains/(losses) – net	5	**347**	(95)
Operating loss		**(31,225)**	(91,165)
Finance income		**210**	428
Finance costs		**(3,000)**	(13,004)
Finance costs – net	6	**(2,790)**	(12,576)

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Loss before income tax		**(34,015)**	(103,741)
Income tax expense	7	**(1,254)**	(608)
Loss for the year		**(35,269)**	(104,349)
Loss attributable to:			
Equity holders of the Company		**(34,615)**	(101,808)
Non-controlling interests		**(654)**	(2,541)
		(35,269)	(104,349)
Loss per share attributable to the equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	8	**(0.022)**	(0.090)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Loss for the year	**(35,269)**	(104,349)
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Change in value of available-for-sale financial assets	**2,539**	9,985
Other comprehensive income for the year, net of tax	**2,539**	9,985
Total comprehensive loss for the year	**(32,730)**	(94,364)
Attributable to:		
Equity holders of the Company	**(32,076)**	(91,823)
Non-controlling interests	**(654)**	(2,541)
Total comprehensive loss for the year	**(32,730)**	(94,364)

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2016** **RMB'000**	2015 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**60,729**	64,250
Mining rights and exploration rights		**99,300**	99,300
Land use rights		**9,099**	9,342
Deferred tax assets		**2,823**	2,823
Refundable deposit		**163,367**	163,367
Restricted cash at banks		**2,525**	2,492
Available for sale financial assets	13a	**–**	112,286
Other receivables and prepayments		**109,123**	–
Total non-current assets		**446,966**	453,860
Current assets			
Available for sale financial assets	13a	**114,825**	–
Inventories		**3,045**	6,526
Trade receivables	9	**100**	3,738
Other receivables and prepayments	13b	**362,660**	57,594
Cash and cash equivalents		**8,970**	103,333
Total current assets		**489,600**	171,191
Total assets		**936,566**	625,051
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	10	**137,361**	127,362
Share premium	10	**668,768**	577,878
Other reserves		**(7,111)**	(9,650)
Accumulated losses		**(256,096)**	(221,481)
		542,922	474,109
Non-controlling interests		**977**	1,631
Total equity		**543,899**	475,740

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
LIABILITIES			
Non-current liabilities			
Provision for close down, restoration and environmental costs		**3,160**	3,090
Deferred tax liabilities		**24,548**	24,602
Long-term borrowings		**–**	41,889
Total non-current liabilities		**27,708**	69,581
Current liabilities			
Trade payables	11	**1,318**	2,523
Other payables and accruals	13b	**315,611**	14,359
Income tax payable		**2,005**	266
Current portion of long-term borrowings	13a	**46,025**	–
Convertible bonds		**–**	62,582
Total current liabilities		**364,959**	79,730
Total liabilities		**392,667**	149,311
Total equity and liabilities		**936,566**	625,051

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 and financial leasing business in the People's Republic of China (the "PRC"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

These financial statements have been approved for issue by the Board of directors on 28 March 2017.

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 2015 and 2016, 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 2016, the Group had incurred a net loss of RMB35,269,000 and had a net operating cash outflow of RMB32,056,000.

The Group entered into a Memorandum of Terms (the "Memorandum") on 3 December 2015 and Supplemental Terms (the "Supplementals") on 29 March 2016, 5 September 2016 and 31 December 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 June 2017 pursuant to the supplemental agreement). 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 June 2017 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 2016; and (ii) secure a long-term debt financing of not less than US$75million 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 2016. The abovementioned 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 2016, with considering that the possible acquisition will only happen after the Group obtains sufficient additional funding. 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.

2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the group

The following amendments to standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2016:

- Clarification of acceptable methods of depreciation and amortisation – Amendments to HKAS 16 and HKAS 38
- Equity method in separate financial statements – Amendment to HKAS 27
- Interim financial reporting – HKAS 34
- Disclosure initiative – Amendments to HKAS 1

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted.

	Applicable for accounting periods beginning on/after
Amendments to HKAS 12, "Income taxes"	1 January 2017
Amendments to HKAS 7 – Statement of cash flows	1 January 2017
HKFRS15 "Revenue from Contracts with Customers"	1 January 2018
HKFRS 9 "Financial Instruments"	1 January 2018
Amendments to HKFRS 2 "Classification and Measurement of Share-based Payment Transactions"	1 January 2018
HKFRS 16 "Leases"	1 January 2019
Amendments to HKFRS 10 and HKAS 28 "Sale or contribution of assets between an investor and its associate or joint venture"	1 January 2019

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

3 SEGMENT INFORMATION

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

The CODM reviews the operating performance from a mine perspective (ie nickel/copper mine, lead/zinc mine and gold mine). The reportable operating segments derive their revenue primarily from mining, ore processing and sales of nickel, copper, lead, zinc and gold products.

For the year ended 31 December 2015, the Group had three (note a, b and c) reportable segments:

(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 Mineral Resources Development Co. Ltd. ("Shaanxi Jiahe") which held a gold mine and was mainly engaged in the mining, ore processing and sales of gold products. Shaanxi Jiahe was disposed in December 2015.

For the year ended 31 December 2016, the Group had three (note a, b and c) reportable segments:

(a) Hami Jiatai which held two nickel/copper mines and was mainly engaged in the mining, ore processing and sales of nickel and copper products;

(b) Hami Jinhua which held a lead/zinc mine and was mainly engaged in the mining, ore processing and sales of lead and zinc products; and

(c) Jia Zhao Ventures Limited ("Jiazhao") which was acquired in March 2016 (Note 12), is principally engaged in financial leasing business through Jiayi Financial Leasing Company Limited ("Jiayi") in the PRC.

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 2015 and 2016 is as follows:

	2016				2015			
	Jiazhao	**Hami Jiatai**	**Hami Jinhua**	**Total**	Shaanxi Jiahe	Hami Jiatai	Hami Jinhua	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December								
Segment revenue								
– Nickel concentrate	**-**	**-**	**-**	**-**	–	–	–	–
– Copper concentrate	**-**	**-**	**-**	**-**	–	–	–	–
– Zinc concentrate	**-**	**-**	**-**	**-**	–	–	–	–
– Lead concentrate	**-**	**-**	**-**	**-**	–	–	–	–
– Interest income from financial services	**25,588**	**-**	**-**	**25,588**	–	–	–	–
– Others	**-**	**-**	**-**	**-**	–	–	3,195	3,195
	25,588	**-**	**-**	**25,588**	–	–	3,195	3,195
Segment operating profit/(loss)	**5,190**	**(2,758)**	**(10,338)**	**(7,906)**	(799)	(35,816)	(14,393)	(51,008)
Unallocated operating gains/ (losses) (note (a))	**-**	**-**	**-**	**(23,319)**	–	–	–	(40,157)
Operating profit/(loss)	**5,190**	**(2,758)**	**(10,338)**	**(31,225)**	(799)	(35,816)	(14,393)	(91,165)
Segment finance costs – net	**(1)**	**1**	**38**	**38**	99	127	122	348
Unallocated	**-**	**-**	**-**	**2,752**	–	–	–	12,228
Finance costs – net	**(1)**	**1**	**38**	**2,790**	99	127	122	12,576
Income tax (expense)/credit	**(1,308)**	**18**	**36**	**(1,254)**	–	(909)	301	(608)
Amortisation	**-**	**80**	**163**	**243**	–	80	163	243
Segment depreciation	**-**	**1,190**	**2,391**	**3,581**	286	2,159	2,647	5,092
Unallocated	**-**	**-**	**-**	**4**	–	–	–	1
Depreciation	**-**	**1,190**	**2,391**	**3,585**	286	2,159	2,647	5,093

	As of 31 December 2016				As of 31 December 2015			
	Jiazhao	**Hami Jiatai**	**Hami Jinhua**	**Total**	Shaanxi Jiahe	Hami Jiatai	Hami Jinhua	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Segment impairment								
– Non-current assets	**-**	**-**	**-**	**-**	–	25,059	–	25,059
– Other receivables	**-**	**-**	**-**	**-**	–	7,524	6,850	14,374
– Unallocated	**-**	**-**	**-**	**-**	–	–	–	26,755
Impairment	**-**	**-**	**-**	**-**	–	32,583	6,850	66,188
As at 31 December								
Segment assets	**409,658**	**83,787**	**148,570**	**642,015**	–	94,160	159,275	253,435
Unallocated assets (note (b))	**-**	**-**	**-**	**294,551**	–	–	–	371,616
Total	**409,658**	**83,787**	**148,570**	**936,566**	–	94,160	159,275	625,051
Segment liabilities	**304,213**	**19,233**	**21,732**	**345,178**	–	19,385	30,635	50,020
Unallocated liabilities (note (c))	**-**	**-**	**-**	**47,489**	–	–	–	99,291
Total	**304,213**	**19,233**	**21,732**	**392,667**	–	19,385	30,635	149,311

Notes:

(a) Unallocated operating losses mainly represented administrative and consulting expenses incurred by the Company for the year ended 31 December 2016 and 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.

(b) Unallocated assets as at 31 December 2016 and as at 31 December 2015 mainly represented available for sale financial assets, refundable deposit and bank deposits held by the Company.

(c) Unallocated liabilities as at 31 December 2016 mainly represented long-term borrowings of the Company; unallocated liabilities as at 31 December 2015 mainly represented long-term borrowings and convertible bonds of the Company.

4 EXPENSES BY NATURE

The following items have been charged to the operating loss for the years ended 31 December 2015 and 2016:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Borrowing cost of financial service	**20,342**	–
Depreciation	**3,585**	5,093
Amortisation	**243**	243
Impairment provision for mining assets and mining rights	**–**	25,059
Doubtful debt provision for other receivables	**–**	41,129
Employee benefit expenses	**9,371**	9,028
Office expenses and operating lease payments	**7,165**	6,734
Coal purchased from third party	**–**	2,814
Consulting and professional expenses	**8,575**	1,789
Loss on stock taking of raw materials	**3,144**	–
Auditor's remuneration		
– annual audit	**1,259**	1,259
– others	**1,400**	–
Transportation expenses	**799**	565
Electricity consumed	**44**	41
Others	**1,233**	511
Total cost of sales, distribution expenses and administrative expenses	**57,160**	94,265

5 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Fair value gains on derivative financial instruments	**–**	718
Gains on disposal of a subsidiary	**–**	1,162
Gains on acquisition of Jiazhao (Note 12)	**571**	–
Losses on disposal of property, plant and equipment	**–**	(2,150)
Others	**(224)**	175
Other gains/(losses) – net	**347**	(95)

6 FINANCE COSTS – NET

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Finance income		
– Interest income	**210**	428
Finance costs		
Exchange (losses)/gains – net	**(1,631)**	3,297
Interest expenses		
– Convertible bonds	**–**	(15,945)
– Long-term borrowings	**(1,299)**	–
– Unwinding of discount – provision for close down, restoration and environmental costs	**(70)**	(356)
	(3,000)	(13,004)
Finance costs – net	**(2,790)**	(12,576)

7 INCOME TAX EXPENSE

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Current tax	**1,308**	–
Deferred tax	**(54)**	608
Income tax expense	**1,254**	608

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 International Limited, Fortune In Investment Limited, Jiazhao and Xie He Limited are exempted companies incorporated in the British Virgin Islands (the "BVI") and, as such, are not liable for taxation in the BVI on their non-BVI income.

Surplus Plan Limited, Realty Investment and Business Factoring (China) Limited were subject to Hong Kong profits tax at a rate of 16.5% for each of the years ended 31 December 2015 and 2016.

The Group's subsidiaries in the Mainland China are subject to the corporate income tax at a rate of 25% in accordance with the Corporate Income Tax Law of the PRC.

The applicable tax rate of Huili Runce Investment Consultation (Beijing) Limited, Hami Jinhua, Hami Jiatai and Jiayi for each of the years ended 31 December 2015 and 2016 were 25%.

All the Group's subsidiaries in Hong Kong and the Mainland China except for Jiayi did not have any assessable profit for each of the years ended 31 December 2015 and 2016.

The income 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	
	2016	2015
	RMB'000	RMB'000
Loss before income tax	**(34,015)**	(103,741)
Tax calculated at domestic tax rates applicable to results in the respective countries	**(4,487)**	(13,294)
Tax effects of:		
– Expenses not deductible for tax purposes	**493**	122
– Deductible temporary differences for which no deffered income tax asset recognized	**1,119**	11,334
– Tax losses for which no deferred income tax asset recognized	**4,129**	2,446
Income tax expense	**1,254**	608

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	
	2016	2015
	RMB'000	RMB'000
Loss attributable to equity holders of the Company	**(34,615)**	(101,808)
Adjusted weighted average number of shares in issue (in thousands)	**1,590,000**	1,132,877
Basic and diluted loss per share (RMB)	**(0.022)**	(0.090)

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 2015 and 2016.

9 TRADE RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Trade receivables	**100**	3,738
Less: Provision for impairment of trade receivables	**–**	–
Trade receivables – net	**100**	3,738

As at 31 December 2016, the ageing of trade receivables was over 12 months. As at 31 December 2015, the ageing of trade receivables was within 1 month.

10 SHARE CAPITAL AND SHARE PREMIUM

	Authorised Shares of HK$0.1 each
As at 31 December 2015 and 2016	5,000,000,000

	Number of share (Thousands)	Share capital RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2015	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
– Proceeds from shares issued (note (b))	**120,000**	**9,999**	**90,890**	**100,889**
At 31 December 2016	**1,620,000**	**137,361**	**668,768**	**806,129**

Notes:

(a) The Company 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.

(b) The Company issued 120,000,000 shares in March 2016 at the subscription price of HK$1.01 per share as consideration for acquisition of Jiazhao and its subsidiaries (Note 12).

11 TRADE PAYABLES

Trade payables are analysed as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
– Third parties	**1,318**	2,523

The ageing analysis of trade payables is as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
0 – 90 days	**18**	1,486
91 – 180 day	**–**	–
181 – 365 days	**–**	–
Over 365 days	**1,300**	1,037
	1,318	2,523

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

12 BUSINESS COMBINATION

On 31 March 2016, the Group acquired 100% of the issued shares in Jiazhao and its subsidiaries and the debts due by Jiazhao and its subsidiaries to Ms. He Ying and Ms. Niu Yinyin, previous shareholders of Jiazhao, for a total consideration of HK$121,200,000 (equivalent to RMB100,990,000). The consideration was satisfied by the allotment and issue of 120,000,000 new shares to Ms. He Ying and Ms. Niu Yinyin at the issue price of HK$1.01 upon the completion of the acquisition. Jiazhao is principally engaged in financial leasing business through its subsidiary in the PRC.

The following table summarises the consideration, the amounts of the assets acquired and liabilities, and the debts acquired at the acquisition date.

	31 March 2016 RMB'000
Puchase consideration	
– satisfied by issue of shares	100,990
Less: debts due by Jiazhao to Ms. He Ying and Ms. Niu Yinyin	(100,194)
Net consideration for acquisition of 100% equity interests in Jiazhao	796
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and banks	59
Receivables	403,102
Payables	(401,363)
Income tax payable	(431)
Total identifiable net assets	1,367
Gains on bargain purchase	(571)
Acquisition-related costs (deducted in share premium)	101

	31 March 2016 RMB'000
Outflow of cash to acquire business, net of cash acquired	
– cash paid for acquisition-related costs	(101)
– cash and banks in subsidiary acquired	59
Net cash outflow on the acquisition	(42)

13 EVENTS AFTER BALANCE SHEET DATE

a. Liquidation of the Fund

Available for sale financial assets represented an investment in CRRI State Right Investment Fund L.P. (the "Fund"). The contracted period of the Fund which the Company subscribed for a Class B Limited Partnership Interest with a total capital commitment of HK$139.5 million (equivalent to RMB124,784,000) in 2014 expired on 25 December 2016, and the distribution procedures were in progress as at 31 December 2016. The final distribution procedures were completed on 25 January 2017. All the entitled final distribution amount after net off the current portion of long-term borrowings due to ACE AXIS Limited, a special purpose vehicle of the Fund, is HK$76,915,000 (equivalent to RMB68,800,000), which was collected in 2017.

b. Settlement of other receivables and payables

Other receivables of RMB300,477,000 and other payables of RMB300,477,000 in relation to the financial leasing business were duly settled in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company participates in non-ferrous ore mining and processing. The diversified non-ferrous metal minerals covered by the Company's operation include nickel, copper, zinc and lead in Xinjiang province, 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.

The Company's subsidiaries Hami Jinhua Mineral Resource Exploitation Limited ("Hami Jinhua") and Hami Jiatai Mineral Resource Exploitation Limited ("Hami Jiatai"), own two mining permits and three exploration permits in Xinjiang. In 2016, the prices of copper, nickel, zinc and lead still fluctuated at relatively low levels. The Company has strategically deferred the mining activities and scheduled more maintenance work in order to extend the mine services lives and preserve the value of the assets. We have seen some signals of non-ferrous metals market trending up approaching the end of the year, and the Company has quickly responded to this market change and has been actively studying and analyzing a feasible production plan since then.

As expected, the commodities market has begun to turn around since the last quarter of 2016, and the Company has continually explored acquisition opportunities in natural resources industry with promising return in order to expand and diversify its business and to enhance the investment return of the Group and the shareholders as a whole. On 3 December 2015, the Company entered into a non-binding memorandum of understanding in relation to a possible acquisition over an upstream natural gas project in Shanxi Province, the PRC. During the reporting period, the Company has been working on the potential acquisition opportunity and performed due diligence on the potential target group and the natural gas industry as a whole to ensure that the Company and shareholders' rights and interests are optimized. The Company is also exploring some other acquisition opportunities in the industry.

Mines under Operation

Hami Jinhua and Hami Jiatai hold two mining permits, namely No. 20 Mine and Baiganhu Mine. 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. 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. 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 Banganhu 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 its resources 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 year of 2016, Hami Jiatai and Hami Jinhua did not carry out any mining and processing activities.

Financial Leasing

To diversify the business activities and broaden the revenue base of the Group, the Group commenced the financial leasing business in the PRC through the acquisition of Jia Zhao Ventures Limited ("Jiazhao"), which provides financial leasing services through its subsidiary Jiayi Financial Leasing Company Limited ("Jiayi") in the PRC.

RESULTS REVIEW

Revenue and gross profit

For the year ended 31 December 2016, the Group carried out financial leasing service (2015: silicon coal trading) and recorded revenue of 25.6 million (2015: RMB3.2 million). Cost of sales of RMB23.9 million (2015: RMB33.5 million) represented mainly borrowing cost of financial leasing service (2015: impairment charges, depreciation charges of the mines and cost of inventories sold). Gross profit for the year amounted to RMB1.6 million (2015: gross loss of RMB30.3 million).

For the year ended 31 December 2015, due to the prolonged depression of commodity market and consolidation program of the government in relation to Mine No.2, the Group engaged an independent valuer to carry out a review of the recoverable amounts of its assets including the mining rights, land use rights, properties, plants and equipments. As a result, impairment losses on mining structure and mining rights of Hami Jiatai of approximately RMB5.5 million and approximately RMB19.5 million respectively were recognised in the income statement in 2015.

As at 31 December 2016, the Group appointed an independent valuer to carry out a review of the recoverable amounts of its assets including the mining rights, land use rights, properties, plants and equipments. No additional or reversal of impairment loss was recognised in the year 2016 after taking into consideration of the valuation results of the independent valuer. 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. There was no material change in the valuation methodology adopted during the year.

The key assumptions and parameters taken into account in the valuation mainly include:

- The discount rate used in measuring value-in-use was 21% (2015: 19%), 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 2018;

- 3% (2015: 3%) is adopted as inflation rate.

Administrative expenses

Administrative expenses for the year amounted to RMB33.2 million (2015: RMB60.3 million). They included mainly depreciation and amortization charges, consulting fees, staff costs, office overheads, and loss on stock taking of inventories of approximately RMB3.1 million (2015: nil) for the year ended 31 December 2016. For the year ended 31 December 2015, doubtful debt provision of RMB41.1 million was made for certain receivables in relation to the deposit payment for acquisition of Shaanxi Jiarun Mining Exploiture Limited and the earnest money paid for possible acquisition of gold mines and mining processing plants in the Republic of Ghana. Both the above two acquisitions lapsed in 2013. No further doubtful debt provision was made for the year ended 31 December 2016.

Other gains/(losses) – net

Other gains for the year mainly represented gains on bargain purchase of approximately RMB0.6 million in relation to acquisition of Jiazhao. No losses on disposal of property, plant and equipment (2015: RMB2.2 million), gains on disposal of a subsidiary (2015: RMB1.2 million) and fair value gains on derivative financial instruments (2015: RMB0.7 million) were recorded for the year ended 31 December 2016.

Finance costs – net

The Group recorded interest expense of approximately RMB1.3 million on long-term borrowings (2015: nil), interest income of RMB0.2 million (2015: RMB0.4 million) and exchange losses of approximately RMB1.6 million (2015: gains of RMB3.3 million) for the year ended 31 December 2016. There was no interest expense on convertible bonds for the year (2015: RMB15.9 million) as the convertible bonds matured in December 2015.

Income tax expense

Income tax expense for the year was approximately RMB1.3 million (2015: RMB0.6 million), mainly representing current taxation arising from net interest income of Jiayi (2015: 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 RMB34.6 million (2015: RMB101.8 million). The reduction of loss was primarily due to the impairment charges on certain assets, mining rights and doubtful debts provision for other receivables aggregating approximately RMB66.2 million in the year of 2015 but no such impairment and provision were made during the year.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2016, the Group held investment in a fund, which was a limited partnership focusing on mining and natural resources industries and has been classified as an available-for-sale financial instrument in the consolidated balance sheet of the Group, of approximately RMB114.8 million (2015: RMB112.3 million). There was an increase in value of approximately RMB2.5 million (2015: RMB10.0 million) included in other comprehensive income for the year.

The contracted period of the fund expired in December 2016 and the liquidation progress of the fund had not been completed as at 31 December 2016. In February 2017, net proceeds of approximately HK$76.9 million (equivalent to RMB68.8 million) was fully collected after netting off against the long-term borrowings of approximately HK$51.5 million (equivalent to RMB46 million).

MATERIAL ACQUISITIONS AND DISPOSALS

Acquisition of Jiazhao

On 4 March 2016, the Group entered into a sale and purchase agreement with two independent vendors to purchase the entire issued share capital of Jiazhao and its subsidiaries, which is principally engaged in financial leasing business in the PRC, at a total consideration HK$121.2 million by allotment and issue of 120,000,000 new shares at the issue price of HK$1.01 to the vendors. The acquisition was completed on 31 March 2016. Details of the acquisition were set out in the announcement of the Company dated 4 March 2016.

Possible acquisition for oil and gas business in the PRC

Capitalised terms used in this paragraph shall have the same meanings as those defined in the Company's announcement dated 6 September 2016. On 29 July 2016, the Company, the Purchaser, the Vendors and the Guarantors entered into the Sale & Purchase Agreement in relation to the Acquisition, pursuant to which the Purchaser shall purchase, and the Vendors shall sell, the Sale Shares. After signing of the Sale & Purchase Agreement, the Purchaser and the Vendors have further discussed on the fulfillment of the conditions precedent and it was considered that it would take longer time than expected to fulfill certain of the conditions precedent. As such, the Sale & Purchase Agreement would not be able to proceed on its original terms and time frame and was therefore terminated on 6 September 2016. Since the Company remains to be interested in investing in the Target Group and is in the course of considering any viable alternative(s) to restructure its proposed investment in the Target Company, after arm's length negotiation, the parties to the Sale & Purchase Agreement entered into the Framework Agreement on 6 September 2016, to renegotiate the structure, terms and conditions for the New Acquisition. The Company will publish further announcement(s) to update the Shareholders and potential investors as and when necessary in the event of any material development in respect of the New Acquisition.

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

LIQUIDITY AND FINANCIAL REVIEW

The Group financed its day to day operations by internally generated cash flow during the year. Primary uses of funds during the year included payment of operating expenses and repayment of convertible bonds of RMB62.6 million (equivalent to HK$74.7 million) in January 2016.

As at 31 December 2016, current assets of approximately RMB489.6 million (2015: RMB171.2 million) were comprised of inventories of RMB3.0 million, trade receivables of RMB0.1 million, other receivables and prepayments of RMB362.7 million, available for sale financial assets of RMB114.8 million and cash and cash equivalents of RMB9.0 million. Current liabilities of approximately RMB365.0 million (2015: RMB79.7 million) were mainly comprised of trade payables of RMB1.3 million, other payables and accruals of RMB315.6 million, income tax payable of RMB2.0 million and current portion of long-term borrowings of RMB46.0 million. Current ratios, being total current assets to total current liabilities, were 1.34 as at 31 December 2016 (2015: 2.15).

As at 31 December 2016, borrowings of HKD50,000,000 (equivalent to RMB44,726,000) together with interest payable of HKD1,452,000 (equivalent to RMB1,299,000) were classified as current portion of long-term borrowings. There was no outstanding interest-bearing bank loan (31 December 2015: Nil).

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

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 2016, the gearing ratio was 6.38% (2015: 0.24%).

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. Mr. Lu resigned as executive Director of the Company with effect from 8 June 2016. 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 2016. The independent non-executive Directors have also enquired Mr. Wang in the board meeting on 28 March 2017 for the purpose of considering and approving the financial statements for the year ended 31 December 2016.

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

As at 31 December 2016, the Group had no contracted capital expenditure (2015: nil).

As at 31 December 2016, the future aggregate minimum lease payments under non-cancellable operating leases of various offices was approximately RMB4.7 million (2015: RMB1.8 million).

As at 31 December 2016, the Group had no investment commitments (2015: Nil).

There were no charges on the Company's assets as at 31 December 2016 (2015: 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 2016, the Group had no material contingent liability (2015: nil).

HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 31 December 2016, the Group employed 45 employees. The total staff costs (including directors' emoluments) for the year were approximately RMB9.4 million (2015: RMB9.0 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/ exercised and outstanding as at 31 December 2016.

FUTURE OUTLOOK

The demand for basic metals in China slowed down in recent years and such status evolved further into 2016. In the last few years, some producers struggled to survive and many of them postponed their production activities in order to survive the downturns. Though we have seen some turnaround in the non-ferrous metals markets at the end of 2016, looking forward, the Company believes the non-ferrous metals commodity market will be volatile and remain uncertain in the near future.

Other than continuously carrying 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 facilitating the completion of the existing acquisition projects and seeking for other 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 believes that it is now a good timing to acquire more natural resources and prime assets, leveraging the Company's competitive advantages of geologic and exploration expertise, business network in natural resource sector, and fundraising access, and it is also in accordance with the Company's development strategy to acquire. The Company will continue to invest in its existing mining and exploration projects, as well as to seek for and facilitate other potential acquisition opportunities.

DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year of 2016.

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 2016.

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 2016.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Thursday, 1 June 2017 (the "2017 AGM"). A notice convening the 2017 AGM will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Thursday, 25 May 2017 to Thursday, 1 June 2017, both days inclusive, during which period no transfer of the shares can be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 24 May 2017.

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, risk management 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 2016.

PROCEDURES ON PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

PricewaterhouseCoopers, the Company's independent auditor, had performed procedures in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" and with reference to Practice Note 730 (Revised) "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements expressed by PricewaterhouseCoopers on this preliminary results announcement.

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

Hong Kong, 28 March 2017

As at the date of this announcement, the executive Directors are Mr. Wang Dayong, 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.