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滙力集團
HUILI GROUP

Huili Resources (Group) Limited

滙力資源（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1303)

**(I) UPDATE ON DISCLOSEABLE TRANSACTION –
SETTLEMENT ARRANGEMENTS IN RELATION TO THE DISPOSAL OF
THE ENTIRE EQUITY INTEREST OF SHAANXI JIAHE;
(II) FURTHER DELAY IN PUBLICIATION OF THE ANNUAL RESULTS
OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2017;
AND
(III) CONTINUAL SUSPENSION OF TRADING OF SHARES**

**UPDATE ON DISCLOSEABLE TRANSACTION – SETTLEMENT ARRANGEMENTS IN
RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY INTEREST OF SHAANXI
JIAHE**

On 18 December 2015, Hami Jiatai and DaJieShan entered into the Disposal Agreement, pursuant to which Hami Jiatai agreed to sell, and DaJieShan agreed to purchase, the Sale Equity and the right to the entire debts in the aggregate amount of RMB9,400,000 due from Shaanxi Jiahe to the Group for a total consideration of RMB57,400,000.

As DaJieShan had failed to settle the balance of consideration for the Disposal in the amount of RMB52,600,000 despite repeated demands by the Company, on 22 May 2018, the Court issued a civil mediation order, pursuant to which Hami Jiatai and DaJieShan has reached the Settlement as follows:

- (i) the Sale Equity together with the Sale Loan shall be returned to Hami Jiatai; and
- (ii) the RMB4,800,000 paid by DaJieShan to Hami Jiatai as part of the consideration for the Disposal shall be retained by Hami Jiatai as liquidated damages.

On 31 May 2018, the Group and DaJieShan entered into the Debt Settlement Agreements, pursuant to which DaJieShan agreed to re-assign the Debts in the aggregate amount of RMB6,300,000 to the Group, and that DaJieShan shall cease to be entitled to any right to the Debts.

FURTHER DELAY IN PUBLICIATION OF THE ANNUAL RESULTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of this announcement, the investigation conducted by an independent investigation firm engaged by the Special Investigating Committee is still under progress. Subject to the findings by the Special Investigating Committee, which is expected to be available in June 2018, and completion of the audit procedures by the Auditors relating to the findings of the investigation and other matters (if any), the Company will make further announcement(s) relating to the 2017 Annual Results.

CONTINUAL SUSPENSION OF TRADING OF SHARES

As a result of the delay in publication of the 2017 Annual Results and the requirements of Rule 13.50 of the Listing Rules, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 am on 28 March 2018, pending the publication of the 2017 Annual Results, and will remain suspended until further notice.

Shareholders and potential investors should exercise caution when dealing in the Shares.

References are made to the announcement of the Company dated 18 December 2015 in relation to the Disposal and the announcements of the Company dated 27 March 2018 and 30 April 2018 (the “**Announcements**”) in relation to, among others, the delay in publication of the 2017 Annual Results.

(I) UPDATE ON DISCLOSEABLE TRANSACTION – SETTLEMENT ARRANGEMENTS IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY INTEREST OF SHAANXI JIAHE

Introduction

On 18 December 2015, Hami Jiatai and DaJieShan entered into the Disposal Agreement, pursuant to which Hami Jiatai agreed to sell, and DaJieShan agreed to purchase, the Sale Equity and the right to the entire debts in the aggregate amount of RMB9,400,000 due from Shaanxi Jiahe to the Group for a total consideration of RMB57,400,000.

As DaJieShan had failed to settle the balance of consideration for the Disposal in the amount of RMB52,600,000 despite repeated demands by the Company, on 29 January 2018, Hami Jiatai initiated a litigation against DaJieShan in relation to the outstanding consideration for the Disposal together with default interest in the Intermediate People's Court of Lvliang Municipality (the "Court"). On 14 March 2018, the litigation was filed at the Court.

Settlement with DaJieShan

On 22 May 2018, the Court issued a civil mediation order, pursuant to which Hami Jiatai and DaJieShan reached a settlement which is legally binding, final and conclusive as follows (the "Settlement"):

- (i) the Sale Equity, representing the entire equity interest of Shaanxi Jiahe, together with the Sale Loan, representing an aggregate debt amount of RMB3,100,000 due from Shaanxi Jiahe to Hami Jiatai which were then assigned to DaJieShan, shall be returned to Hami Jiatai, pursuant to which DaJieShan ceased to be entitled to any right to the Sale Equity and Sale Loan; and
- (ii) the RMB4,800,000 paid by DaJieShan to Hami Jiatai as part of the consideration for the Disposal shall be retained by Hami Jiatai as liquidated damages. Save as otherwise, no further damages will be payable by DaJieShan to Hami Jiatai as a result of the Settlement.

As the relevant commerce filings with the local regulatory bodies in relation to the Disposal have yet to be completed, no further filing with the local regulatory bodies is required in relation to the return of the Sale Equity from DaJieShan to Hami Jiatai. Immediately after the Settlement, Shaanxi Jiahe will become an indirect 95%-owned subsidiary of the Company.

Debt Settlement Agreements

On 31 May 2018, the Group and DaJieShan also entered into the Debt Settlement Agreements, pursuant to which DaJieShan agreed to re-assign the Debts to the Company and Huili Runce respectively, and pursuant to which DaJieShan shall cease to be entitled to any right to the Debts.

Information of Shaanxi Jiahe

Shaanxi Jiahe is established in the PRC with a registered capital of RMB10,000,000, and is principally engaged in mining, ore processing and sale of gold products in the PRC.

Based on the management accounts of Shaanxi Jiahe, no revenue and/or profit was recorded for the two years ended 31 December 2016 and 2017.

Based on the management accounts of Shaanxi Jiahe as at 30 April 2018, the unaudited net assets value of Shaanxi Jiahe (excluding the value of the mining rights of Shaanxi Jiahe) as of 30 April 2018 was approximately RMB4.8 million.

Reasons for and benefits of the Settlement and Debt Settlement Arrangement

Shaanxi Jiahe was acquired by the Group in March 2013. With the depression of commodity market coupled with the external sophisticated requirements in the PRC in 2015, the Group's mining activities have been deferred. Accordingly, the Group entered into the Disposal Agreement in 2015 with an objective to exit at acceptable terms and recoup the investment costs in Shaanxi Jiahe. As disclosed in the Announcements, the outstanding consideration receivable for the Disposal of RMB52,600,000 together with default interest remained payable by DaJieShan for the Disposal. Despite repeated demands made by the Company, DaJieShan has failed to indicate a definitive timetable for settlement of the outstanding payable for the Disposal to the Group. The Settlement and Debt Settlement Arrangement provide the Group with an opportunity to acquire back its interests in the Sale Equity, Sale Loan and the Debts, so as to minimize any further loss. In view of the above, the Directors consider that the Settlement and Debt Settlement Arrangement and the terms thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Information of the Group, Hami Jiatai and DaJieShan

The Group is principally engaged in the mining, ore processing and sales of nickel, copper, lead, zinc and gold products in the PRC.

Hami Jiatai is a company established in the PRC with limited liability and an indirect 95%-owned subsidiary of the Company as at the date of this announcement. It is principally engaged in mining, ore processing and sales of nickel and copper metal products in the PRC.

DaJieShan is a company established in the PRC with limited liability and is principally engaged in coal washing and processing businesses in the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, DaJieShan and its ultimate beneficial owner(s) are Independent Third Parties.

Implications under the Listing Rules

As certain applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Settlement, the Debt Settlement Arrangement and the transactions as contemplated thereunder exceed 5% and all of such ratios are below 25%, the Settlement, the Debt Settlement Arrangement and the transactions as contemplated thereunder constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

(II) FURTHER DELAY IN PUBLICIATION OF THE ANNUAL RESULTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2017

As disclosed in the Announcements, the Board has set up a special investigating committee (the “**Special Investigating Committee**”) on 21 March 2018 to investigate the Disposal and address the issues raised by the Auditors. An independent investigation firm has also been engaged by the Special Investigating Committee on 25 March 2018 to conduct an independent investigation into such matters. Up to the date of this announcement, the investigation is still under progress. Subject to the findings by the Special Investigating Committee, which is expected to be available in June 2018, and completion of the audit procedures by the Auditors relating to the findings of the investigation and other matters (if any), the Company will make further announcement(s) relating to the 2017 Annual Results.

The Company will make further announcement(s) in due course to inform the Shareholders and potential investors of the Company on the date of the rescheduled meeting of the Board to approve the 2017 Annual Results as and when appropriate.

(III) CONTINUAL SUSPENSION OF TRADING OF SHARES

As a result of the delay in publication of the 2017 Annual Results and the requirements of Rule 13.50 of the Listing Rules, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 am on 28 March 2018, pending the publication of the 2017 Annual Results, and will remain suspended until further notice.

Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the same following meanings as set out below:

“2017 Annual Results”	the annual results of the Company for the year ended 31 December 2017
“Auditors”	auditors of the Company
“Board”	the board of Directors
“Company”	Huili Resources (Group) Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1303)
“DaJieShan”	Xiao Yi Da Jie Shan Coal Company Limited* (孝義市大捷山煤業有限公司), a company established in the PRC with limited liability
“Debts”	the debts in the aggregate amount of RMB6,300,000 due from Shaanxi Jiahe to the Company and Huili Runce, which were then assigned to DaJieShan pursuant to the Disposal Agreement
“Debt Settlement Agreements”	(i) the debt settlement agreement dated 31 May 2018 entered into between the Company and DaJieShan in respect of the settlement arrangement of the debt in the amount of RMB4,000,000 due from Shaanxi Jiahe to the Company which was then assigned to DaJieShan pursuant to the Disposal Agreement; and (ii) the debt settlement agreement dated 31 May 2018 entered into between Huili Runce and DaJieShan in respect of the settlement arrangement of the debt in the amount of RMB2,300,000 due from Shaanxi Jiahe to Huili Runce which was then assigned to DaJieShan pursuant to the Disposal Agreement
“Debt Settlement Arrangement”	the debt settlement arrangement to re-assign the Debts to the Company and Huili Runce respectively pursuant to the Debt Settlement Agreements

“Director(s)”	the director(s) of the Company
“Disposal”	the sale of (i) the Sale Equity; and (ii) the rights to the entire debts in the aggregate amount of RMB9,400,000 due from Shaanxi Jiahe to the Group, by Hami Jiatai to DaJieShan pursuant to the Disposal Agreement for a total consideration of RMB57,400,000
“Disposal Agreement”	the Disposal Agreement dated 18 December 2015 and entered into between Hami Jiatai and DaJieShan in relation to the Disposal
“Group”	the Company and its subsidiaries
“Hami Jiatai”	Hami Jiatai Mineral Resource Exploitation Limited* (哈密市佳泰礦產資源開發有限責任公司), a company established in the PRC with limited liability, and an indirect 95%-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huili Runce”	Huili Runce Investment Consultation (Beijing) Limited* (滙力潤策投資諮詢(北京)有限公司), a company established in the PRC with limited liability, and a wholly-owned subsidiary of the Company
“Independent Third Party(ies)”	party(ies) who, together with his/her ultimate beneficial owner(s), is/are persons independent of the Company and its connected persons (within the meaning of the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	the entire equity interest of Shaanxi Jiahe which was then disposed by Hami Jiatai to DaJieShan pursuant to the Disposal Agreement

“Sale Loan”	the debts in the amount of RMB3,100,000 due from Shaanxi Jiahe to Hami Jiatai which were then assigned by Hami Jiatai to DaJieShan pursuant to the Disposal Agreement
“Shaanxi Jiahe”	Shaanxi Jiahe Mineral Exploitation Limited* (陝西佳合礦業開發有限公司), a company established in the PRC with limited liability
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By Order of the Board
Huili Resources (Group) Limited
Li Xiaobin
Chairman

Hong Kong, 31 May 2018

* *for identification purpose only*

As at the date of this announcement, the executive Directors are Mr. Li Xiaobin, Ms. Wang Qian, Mr. Liu Huijie and Ms. Jia Dai and the independent non-executive Directors are Mr. Cao Shiping, Ms. Sun Zhili and Ms. Xiang Siying.