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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)

**ANNOUNCEMENT
UPDATE ON THE ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

Reference is made to the announcement of the Company dated 31 March 2020 in relation to the unaudited consolidated annual results of the Group for the year ended 31 December 2019 (the “**Announcement**”). Capitalised terms used herein, unless otherwise defined, shall have the same meanings as those defined in the Announcement.

AUDITOR’S AGREEMENT ON THE 2019 ANNUAL RESULTS

The Company is pleased to announce that, on 9 April 2020, the auditing process of the consolidated results of the Group for the year ended 31 December 2019 (the “**2019 Annual Results**”) has been completed and the Company’s auditor (the “**Auditor**”), BDO Limited, has agreed on the 2019 Annual Results (including the financial figures in respect of the Group’s consolidated statement of comprehensive income and consolidated balance sheet and the related notes thereto) as set out in the Announcement in accordance with Rule 13.49(2) of the Listing Rules. The 2019 Annual Results contained in the Announcement remain unchanged.

EXTRACT OF THE AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the Auditor on the Group's consolidated financial statements for the year ended 31 December 2019:

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

As described in Note 40 to the consolidated financial statements, in May 2018, Hami Jiatai Mineral Resource Exploiture Limited ("**Hami Jiatai**"), a 95% indirectly owned subsidiary of the Company, acquired 100% equity interests in Shaanxi Jiahe Mineral Exploiture Limited ("**Shaanxi Jiahe**") from Xiaoyi Dajieshan Coal Industry Company Limited ("**Xiaoyi Dajieshan**") (referred to as the "**Acquisition**" in this report). The Acquisition was executed under the terms of the settlement agreement with Xiaoyi Dajieshan as settlement of the amount due from Xiaoyi Dajieshan. The consideration for the Acquisition, the assets and liabilities acquired and their respective fair values at acquisition date are detailed in Note 40 to the consolidated financial statements.

We were the incoming auditor of the Group's consolidated financial statements for the year ended 31 December 2018. Included in the acquisition consideration was an amount due from Xiaoyi Dajieshan to the Group of gross carrying amount of RMB52,600,000 of which an impairment provision of approximately RMB30,041,000 was recognised at 1 January 2018 and at the date of the Acquisition. The Group estimated the amount of impairment loss on the amount due from Xiaoyi Dajieshan with reference to the fair value of 100% equity interests of Shaanxi Jiahe. In our audit work on the impairment provision as at 1 January 2018 and as at the acquisition date, the Company was unable to provide us with relevant documents and explanations to support the assumptions used in the estimation of fair value of 100% equity interests ("**the Assumptions**"). We were therefore unable to satisfy ourselves that the impairment provision as at the date of the Acquisition was free from material misstatement, and whether any additional provision or reversal of provision was found necessary for the year ended 31 December 2018. Any adjustment to the impairment provision on the amount due from Xiaoyi Dajieshan as at the acquisition date would affect the acquisition consideration and the resulted goodwill arising from the Acquisition.

Among the assets acquired in the Acquisition, there were a mining right of fair value of approximately RMB15,320,000 and other receivables of fair value of approximately RMB18,231,000. In the estimation of these fair values, the directors of the Company have applied the Assumptions in the estimation. Due to the limitations in our scope of work on

the Assumptions as detailed in the paragraph immediately above, we were unable to satisfy ourselves whether the fair values of the mining right and the other receivables as at acquisition date were free from material misstatements.

Due to the limitations on our work on the measurement of the acquisition consideration, the mining right and the other receivables, we were also unable to satisfy ourselves whether the goodwill of the Acquisition of approximately RMB1,115,000 was appropriately stated at the acquisition date.

During the year ended 31 December 2018, impairment losses of approximately RMB17,770,000 and RMB1,115,000 were recognised by the Group on the carrying amounts of the other receivables acquired and the goodwill relating to the Acquisition, respectively. Due to the limitations on our work on the acquisition date measurement of the other receivables acquired and the goodwill, we were unable to satisfy ourselves whether these impairment losses recognised for the year ended 31 December 2018 were free from material misstatements.

In respect of the mining right, an impairment loss of approximately RMB10,207,000 was recognised for the year ended 31 December 2018, reducing the carrying amount to approximately RMB5,113,000 as at 31 December 2018. In our audit of the recoverable amount estimation of the mining right, we were not provided with the relevant documents and explanation supporting the assumption made by the directors in their estimation of the recoverable amount. As a result, we were unable to satisfy ourselves whether the carrying amount of the mining right of RMB5,113,000 as at 31 December 2018 and the impairment provision of mining right of approximately RMB10,207,000 recognised for the year ended 31 December 2018 were fairly stated.

Due to the limitations on our scope of work mentioned above, we qualified our opinion on the Group's consolidated financial statements for the year ended 31 December 2018. The above limitations in our audit work remained unresolved in our audit of the Group's consolidated financial statements for the year ended 31 December 2019.

As detailed in Note 33 to the consolidated financial statements, on 24 December 2019, Hami Jiatai and an independent third party (the "**Purchaser**") entered into a sale and purchase agreement, pursuant to which Hami Jiatai has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire equity interests of Shaanxi Jiahe for a consideration of RMB10,000,000. The disposal was not complete and the Group retained its control over Shaanxi Jiahe as at 31 December 2019. The assets and liabilities of Shaanxi Jiahe were classified as assets and liabilities held for sale in accordance with HKFRS 5 "Non-Current Assets Held For Sale and Discontinued Operations". In accordance with HKFRS 5, immediately before the initial classification of these assets and related liabilities as disposal group held for sale, all the assets and liabilities in the disposal group were remeasured under their respective accounting policies. Reversal of impairment loss of approximately RMB1,795,000 on the mining right was resulted and recognised as mentioned in Note 16 to the consolidated financial statements. However, we were not provided with the relevant documents and explanation supporting the assumption made by the directors in their estimation of the recoverable amount. As a result, we were unable to satisfy ourselves whether an additional impairment loss or reversal of impairment loss is required and whether the amount of reversal of impairment loss was fairly stated.

Upon the classification of the disposal group as held for sale, a fair value loss on the disposal group of RMB9,191,000 was recognised for the year ended 31 December 2019. Any adjustment to the reversal of impairment loss on the mining right mentioned in the preceding paragraph found necessary would affect the fair value loss on the disposal group recognised.

Any adjustment to the carrying amount of mining right as at 31 December 2018 found necessary would have an impact on the reversal of impairment provision on mining right and fair value loss on the disposal group recognised for the year ended 31 December 2019. Our audit opinion is also modified for the possible effect of the above limitation in audit work on the comparability of the current period's figures and the corresponding figures.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's “Code of Ethics for Professional Accountants” (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

BOARD'S VIEW AND AUDIT COMMITTEE'S VIEW ON THE QUALIFIED OPINION

The Board, through the Audit Committee, noted that the consolidated financial statements of the Company for the year ended 31 December 2019 is subject to a qualified opinion (the “**Qualified Opinion**”) of the Auditor, which is made on bases which are substantially similar to those as set out in the Potential Qualified Opinion contained in the Announcement. The Board's view and the Audit Committee's view on the Qualified Opinion remain unchanged.

PROCEDURES ON PRELIMINARY RESULTS ANNOUNCEMENT BY THE AUDITOR

BDO Limited, the Company's independent auditors, 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 BDO Limited 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 issued by HKICPA and consequently no assurance has been expressed by BDO Limited on the Announcement and this announcement.

By order of the Board
Huili Resources (Group) Limited
Xiang Siying
Chairlady

Hong Kong, 9 April 2020

As at the date of this announcement, the executive Directors are Ms. Wang Qian and Mr. Zhou Jianzhong; the non-executive Director is Mr. Cao Ye; and the independent non-executive Directors are Ms. Xiang Siying, Ms. Huang Mei and Mr. Chan Ping Kuen.