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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)

**SUPPLEMENTAL ANNOUNCEMENT
RELATING TO ANNUAL RESULTS OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2018**

References are made to the announcement (the “**Annual Results Announcement**”) of Huili Resources (Group) Limited (the “**Company**”) dated 29 March 2019 and the annual report (the “**Annual Report**”) of the Company for the year ended 31 December 2018. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Annual Results Announcement.

VALUATION OF SHAANXI JIAHE

As disclosed in the Annual Results Announcement and the Annual Report, the Company appointed an independent valuer to carry out the valuation of Shaanxi Jiahe as at the date of transfer back of Shaanxi Jiahe (the “**Initial Valuation**”) and as at 31 December 2018 (the “**Subsequent Valuation**”) respectively. The differences in key assumptions for the valuations include the following:–

- (a) the discount rate increased from approximately 16% as at the date of acquisition of Shaanxi Jiahe to approximately 17% as at 31 December 2018. As the discount rate was derived based on certain parameters, including without limitation, the beta ratio (being a measure of the volatility of a security as compared with the market) and the debt-to-equity ratio, the value for each of the parameters as at the date of acquisition differs from that as at 31 December 2018, resulting in a difference in discount rate for such valuation dates;

- (b) the forecasted price during the forecasted production period, which was derived with reference to publicly available information, changed from the range of approximately RMB271 per gram to approximately RMB339 per gram for the Initial Valuation, to the range of approximately RMB279 per gram to approximately RMB307 per gram for the Subsequent Valuation, mainly due to the difference in the valuation date; and
- (c) the ratio of administrative expense to sales increased from approximately 2.5% for the Initial Valuation to 7.8% for the Subsequent Valuation, being an adjustment based on the Company's review of financial forecast of Project Huangjinmei completed in March 2019. The review reflected that, as compared to the production costs, the administrative expenses were relatively less elastic to the production scale of the mines and the reduction in the estimated production scale would result in a relatively smaller decrease in the administrative expenses.

UPDATE AND THE BOARD'S VIEW ON THE QUALIFIED OPINION

In connection with Assumption 1, being one of the matters which gave rise to the qualified opinion as set forth in the independent auditor's report issued by BDO Limited (the "**Auditor**") dated 29 March 2019 (the "**Auditor's Report**"), the Company expects that, with the cooperation of the current owner of the exploration rights of Mine 2 (the "**Current Owner**") and the fulfilment of applicable requirements/procedures, the Transfer may be completed by the second half of 2019 the earliest after the applicable requirements/procedures have been complied with, and if so, Mine 2 will be able to meet the legal requirements to commence production by 30 September 2020. As at the date of this announcement, the Company has also entered into a non-exclusive agent agreement to engage an independent consulting firm to advise on the possible disposal of Shaanxi Jiahe and assist in sourcing potential buyers.

Regarding Assumption 2, the Company is pleased to announce that, as at the date of this announcement, the relevant parties in respect of the non-operating receivables and the non-operating payables of Shaanxi Jiahe have concluded a set-off arrangement for such receivables and payables. Upon the execution of such agreement, the non-operating receivables and the non-operating payables of Shaanxi Jiahe have been respectively fully recovered and settled.

Referring to paragraphs (a) and (b) under the section headed "Basis for Qualified Opinion" in the Auditor's Report, the Company expects that the qualifications relating to the sufficiency of impairment provision on the receivable from Xiaoyi Dajieshan as at 31 December 2017 and the fair value of the mining rights and other receivables of Shaanxi Jiahe acquired at the date of acquisition and the goodwill then generated are not expected to be carried forward to the year ending 31 December 2019, but such qualifications would have a possible effect on the comparability of the figures for the year ending 31 December 2019, and the corresponding figures.

Referring to paragraph (c) under the section headed “Basis for Qualified Opinion” in the Auditor’s Report, taking into account the above and the current status of implementation of the measures by the Company to resolve the qualified opinion as detailed in the Annual Report, the Company expects that the qualified opinion may no longer be applicable to the Company for the financial year ending 31 December 2019 when the Transfer is completed, but such qualification would have a possible effect on the comparability of the figures for the year ending 31 December 2019, and the corresponding figures. Nevertheless, the Company is of the view that such measures are adequate for addressing the Auditor’s concerns, and as long as such concerns are resolved, the audit qualifications will not recur in the Company’s audited accounts.

By Order of the Board
Huili Resources (Group) Limited
Xiang Siying
Chairman

Hong Kong, 11 June 2019

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