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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) FULFILMENT OF ALL RESUMPTION CONDITIONS;
(II) RESUMPTION OF TRADING; AND
(III) CLOSURE OF REGISTER OF MEMBERS**

FULFILMENT OF ALL RESUMPTION CONDITIONS

Reference is made to the announcement of the Company dated 8 June 2018 in relation to the Resumption Conditions imposed by the Stock Exchange on the Company. As at the date of this announcement, the Company has fulfilled all the Resumption Conditions to the satisfaction of the Stock Exchange.

RESUMPTION OF TRADING

Trading in the Shares has been suspended on the Stock Exchange from 9:00 a.m. on 28 March 2018. Since all the Resumption Conditions have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Friday, 11 January 2019.

(I) BACKGROUND

At the request of Huili Resources (Group) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”), trading in the shares of the Company (the “**Shares**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) was suspended from 9:00 a.m. on 28 March 2018.

Reference is made to the announcement of the Company dated 8 June 2018 (the “**Resumption Conditions Announcement**”) in relation to the conditions imposed by the Stock Exchange on the Company in respect of the resumption of trading in the Shares on the Stock Exchange (the “**Resumption Conditions**”) and the announcements of the Company dated 27 March 2018, 30 April 2018, 31 May 2018, 15 June 2018, 17 July 2018, 14 August 2018, 17 August 2018, 14 September 2018, 19 October 2018, 6 November 2018, 19 November 2018 (collectively, the “**Announcements**”). Unless otherwise stated, capitalised terms used in this announcement shall have the same meaning as those defined in the Announcements.

As stated in the Resumption Conditions Announcement, the Stock Exchange has imposed the following resumption conditions:

- (i) complete an appropriate independent investigation to address the audit issues identified by the Auditors (the “**First Resumption Condition**”);
- (ii) publish the outstanding financial results under the Listing Rules and address any audit qualifications (the “**Second Resumption Condition**”); and
- (iii) inform the market of all material information for shareholders and investors to appraise the Company’s position, including the implications of the audit issues identified by the Auditors to the Group’s assets, financial and operational position (the “**Third Resumption Condition**”).

(II) FULFILMENT OF ALL RESUMPTION CONDITIONS

The Company is pleased to announce that as at the date of this announcement, the Company has fulfilled all the Resumption Conditions to the satisfaction of the Stock Exchange.

A. **The First Resumption Condition – Completion of the Independent Investigation**

Reference is made to the announcement of the Company dated 17 August 2018 (the “**Update Announcement**”) in relation to, among other things, the summary of key findings of the Independent Investigation and update on fulfilment of Resumption Conditions.

As mentioned in the Update Announcement, the Independent Investigation Firm has completed all the procedures for the Independent Investigation, and the Board and the Special Investigation Committee have reviewed the key findings of the Independent Investigation and provided their views in respect of such key findings. Following completion of the Independent Investigation, the first Resumption Condition has been fulfilled.

Internal Control Review and Follow-up Actions by the Company

Separately, the Company has engaged APAC Compliance Consultancy and Internal Control Services Limited (the “**Internal Control Adviser**”) to conduct an internal control review covering bank payment and receipts process and acceptance bills management process of the Group for the period from 1 January 2018 to 31 August 2018 (the “**Review Period**”) in connection with the Group’s operation in both Hong Kong and China (the “**Internal Control Review**”).

As at the date of this announcement, the Internal Control Adviser has already completed its evaluation on the existing policies for the Group’s bank receipts and payment processes, identified certain gaps on design effectiveness and proposed recommendations for improvement on gaps identified.

Upon completion of the Internal Control Review, a Board meeting was held on 27 September 2018 (the “**September Board Meeting**”) to discuss the findings by, and recommendations of, the Internal Control Adviser. It was noted that, despite certain gaps and exceptions identified by the Internal Control Adviser which the Company has promptly enhanced by fine-tuning its practices, the findings of the Internal Control Review did not reveal any material internal control deficiencies or any material irregularities over the payment procedures (including the approval process).

At the September Board Meeting, the Board approved (1) all recommendations proposed by the Internal Control Adviser; and (2) the amendments to the financial management system manual of the Group (collectively, the “**New Measures**”), both with immediate effect from the date of the September Board Meeting. Details of the major gaps identified in the Internal Control Review and the relevant New Measures are summarized below:–

Area	Major gaps identified	Relevant New Measures
<i>Policy and procedures</i>	Policy and procedures do not cover areas of custody and record of receipts, payment approval and acceptance bills management in sufficient detail.	The financial management system manual of the Group has been amended to cover the areas identified in the Internal Control Review.
<i>Bills management</i>	<ul style="list-style-type: none"> (i) Certain paper bills received were not taken to the issuers to verify authenticity. (ii) Documentation for checking the appropriateness and authenticity of bills are not available. (iii) Bills register is not maintained. (iv) Certain bills were not presented on the maturity date. 	<ul style="list-style-type: none"> (i) All papers bills received will be taken to the issuers to verify authenticity. (ii) Documentation for checking the appropriateness and authenticity of bills will be filed for record. (iii) Bills register is maintained by the cashier and reviewed by finance manager. (iv) Bills will be presented for settlement on the maturity date and evidence of communication with the bank will be filed for record.
<i>Payment Execution</i>	Payment approvers did not sign with date on all payment request forms for certain payments. Some approvals were obtained after execution of the payment.	<ul style="list-style-type: none"> (i) Approver will sign with date on the payment request form. (ii) Prior to all payments, all original advice/vouchers will be obtained, duly signed or stamped by the person-in-charge and verification personnel, and approved by relevant approvers. (iii) All approvals for payments will be formally recorded in writing.

Area	Major gaps identified	Relevant New Measures
<i>Accounting Vouchers</i>	<ul style="list-style-type: none"> (i) Certain accounting vouchers are prepared and reviewed by the same finance manager. (ii) The nature and reasons for the transaction are not always stated. (iii) As accounting journal date of some receipts and payments did not match with the fundflow date, certain receipts and payments may not be recorded in a timely manner. 	<ul style="list-style-type: none"> (i) Preparation and approval of accounting vouchers will be done by separate individuals for segregation of duties. (ii) Clear description of transaction nature and reason has to be stated in the accounting voucher. (iii) Accounting journal date should match with the fundflow date, to ensure that receipts and payments are recorded in a timely manner.
<i>Bank Reconciliation</i>	The finance manager will conduct monthly checks to ensure each bank ledger balance matches with the bank statement balance, but documentation of the review is not available.	Finance manager will sign on the monthly bank statement as evidence of the review.

Going forward, the Company will conduct a progress review of the operation of the New Measures six months from the effective date of the New Measures (the “**Progress Review**”) to evaluate whether such measures have been properly implemented and whether any further refinements should be made. The Company also intends to continue to engage the Internal Control Adviser to conduct (i) the Progress Review in respect of the bank payment and receipts process and acceptance bills management process of the Group; and (ii) an annual internal control review on the Group’s overall risk management and internal control systems.

B. The Second Resumption Condition – Publication of Outstanding Financial Results and Addressing Audit Qualifications

References are made to the Company’s announcements dated 10 December 2018 in relation to the annual results of the Group for the year ended 31 December 2017 (the “**2017 Annual Results Announcement**”) and the interim results of the Group for the six months ended 30 June 2018 (the “**2018 Interim Results Announcement**”) respectively.

The 2017 Annual Results and the 2018 Interim Results were published by the Company on 10 December 2018.

Impairment provision against receivables due from Xiaoyi Dajieshan

As described in the 2017 Annual Results Announcement, based on the results indicated in the valuation report issued by an independent third party valuer (the “**Valuation Report**”), the Group set aside an impairment provision of RMB30,041,000 against the receivables due from Xiaoyi Dajieshan of RMB52,600,000 at 31 December 2017 (the “**Impairment Provision**”). The impairment assessment was made with reference to the fair value of 100% equity interests of Shaanxi Jiahe, which, according to the Valuation Report, was valued at RMB13,159,000 as at 31 December 2017. On this basis, the Group set aside the Impairment Provision of RMB30,041,000, being the difference between carrying amount of receivable balance (RMB52,600,000) and the aggregated amount of the fair value of 100% equity interest of Shaanxi Jiahe (RMB13,159,000) and the amount due by Shaanxi Jiahe to the Group (RMB9,400,000).

The consolidated financial statements of the Company for the year ended 31 December 2017 had been subject to the qualified opinion of the Auditors, on the basis as set out in the section headed “Extracts of the Independent Auditor’s Report” in the 2017 Annual Results Announcement. The matters which gave rise to the qualified opinion related to the following two key assumptions in determining the fair value of the equity interest in Shaanxi Jiahe and hence the recoverable amount of the receivable from Xiaoyi Dajieshan as discussed in the section headed “Transfer back of Shaanxi Jiahe” in the 2017 Annual Results Announcement:

- (i) whether the title of the exploration rights of Mine 2 (the “**Relevant Exploration Rights**”) will be transferred to Shaanxi Jiahe at no additional charges and, if so, whether Mine 2 will meet the legal requirements to commence commercial operation by 30 September 2020; and
- (ii) whether Shaanxi Jiahe’s non-operating receivables due from certain independent third parties amounted to RMB17,770,000 (the “**Non-Operating Receivables**”) will be fully recoverable in the near future.

Based on the information provided by the Company’s PRC legal counsel, the relevant legal requirements to commence production include: (1) obtaining Mining Licence; and (2) obtaining Safety Production Licence. In accordance with the relevant PRC laws, the Company shall submit the application documents to the Department of Natural Resources of Shaanxi Province (陝西省自然資源廳), and the Company will get the approval within 27 working days upon the application being accepted. Following the issuance of Mining Licence, the Company shall apply to the Department of Emergency Management of Shaanxi Province (陝西省應急管理廳) for Safety Production Licence, and it will take up to another 55 working days for the Company to obtain the Safety Production Licence upon the application being accepted.

Details in relation to the mines under Project Huangjinmei

Project Huangjinmei is a gold mine in Huangjinmei Mine Area, Ningshan County, Shaanxi (陝西省寧陝縣黃金美礦區金礦) and the ores reserve available for extraction include those ore bodies included in Mine 1 and Mine 2 of Project Huangjinmei. Such reserve originally was under one exploration right but was thereafter split into one mining permit (Mine 1) and one exploration right (Mine 2) during the permit/licence application process. Set out below is a summary of Mine 1 and Mine 2:

Mine	Type of ore under exploration/mining	Type of licence and permits on hand	Permit expiry date (month/year)	Exploration Area (km ²)	Current status of operation
Mine 1	Gold ore	Mining Permit	February 2021	0.1209	Conducting feasibility study, environmental impact appraisal and safety pre-assessment to obtain environmental impact appraisal and safety assessment approval.
Mine 2	Gold ore	Exploration Permit	October 2019	0.34	Applying for mining permit (including metallurgical testing, formulating development and utilisation scheme).

As at the date of this announcement, Shaanxi Jiahe owns the mining right of Mine 1.

In respect of Mine 2, pursuant to the agreements in relation to the acquisition of the 100% equity interest in Shaanxi Jiahe by the Group in 2013 (the “**2013 Agreements**”), the current owner of the exploration rights of Mine 2 (the “**Current Owner**”) agreed to (a) cause the exploration rights of Mine 2 to be transferred to Shaanxi Jiahe; or (b) cause the mining rights of Mine 2 to be registered in the name of Shaanxi Jiahe; or (c) cause the mining rights of Mine 2 to be combined with the mining rights of Mine 1 currently held by Shaanxi Jiahe (the “**Transfer**”).

As the Current Owner was more familiar with tenements and had already launched the procedures for application of mining rights in Shaanxi Province, it had been arranging for application of mining permit of Mine 2 with a view to cause the mining rights of Mine 2 to be registered in the name of Shaanxi Jiahe pursuant to the 2013 Agreements (i.e. scenario (b) of the Transfer); but since the Current Owner has shifted its business focus to offshore mines in recent years, the momentum for preparation for the mining rights application slowed down. Further, as the Company had disposed Shaanxi Jiahe to Xiaoyi Dajieshan in 2015 to realize its investment, it had not pushed for completion of the Transfer during the period when Shaanxi Jiahe ceased to be a subsidiary of the Company. However, as Shaanxi Jiahe has become a 95%-owned subsidiary of the Group since May 2018, the Company has taken various measures with a view to complete of the Transfer as soon as practicable. To expedite the Transfer process, the Board and the Company propose to adopt the alternative approach by procuring the transfer of exploration rights of Mine 2 to Shaanxi Jiahe (i.e. scenario (a) of the Transfer), and Shaanxi Jiahe will thereafter continue with the application for the mining permit.

Views of the Board and Measures Taken by the Company

1) The Relevant Exploration Rights Assumption

Regarding the concerns raised by the Auditors on the assumption relating to the Relevant Exploration Rights, having considered the information available to the Board, including without limitation, the 2013 Agreements, the technical report issued by the Company's PRC independent technical adviser in October 2018 (the "**Technical Report**") and discussions with and information provided by the Company's PRC legal adviser, the Board considers that:

- (i) based on the Technical Report, the production plan of Mine 2 is technically feasible subject to the grant of mining rights by the Department of Natural Resources of Shaanxi Province;
- (ii) based on information provided by the Company's PRC legal counsel, the 2013 Agreements and the Current Owner's obligations thereunder as described above are legally binding and enforceable under the PRC laws;

- (iii) according to the interview by the Company and the Auditors with the representative of the Department of Natural Resources of Shaanxi Province, with the cooperation of the Current Owner, either title transfer of exploration rights or mining rights is legally feasible under the PRC laws provided that the applicable requirements/procedures have been complied with; based on information provided by the Department of Natural Resources of Shaanxi Province at the interview and the “Handling Guide” published on the Shaanxi Government Service Network, such applicable requirements/procedures include (1) submitting an application for transfer of exploration rights – it will take approximately 25 working days for approval upon the application being accepted; and (2) following the grant of the approval for transfer of exploration rights, submitting an application for modification of registration on exploration rights – the Company will obtain the new exploration licence within 25 working days upon the application being accepted; and
- (iv) pursuant to the 2013 Agreements, the Current Owner agreed to transfer 100% of the interest in Shaanxi Jiahe and the shareholders loans owing by Shaanxi Jiahe to Hami Jiatai Mineral Resource Exploitation Limited* (哈密市佳泰礦產資源開發有限責任公司) for the total consideration of RMB50 million; and as part of the obligations of the Current Owner, the Current Owner agreed to cause the Transfer. As the Group has fully settled the consideration for the transfer of Shaanxi Jiahe under the 2013 Agreements, no additional charges shall be required for the transfer of the Relevant Exploration Rights to Shaanxi Jiahe under the 2013 Agreements.

Immediately after the Settlement in May 2018, Shaanxi Jiahe has become an indirect 95%-owned subsidiary of the Company. Since then, the Group has proactively taken various measures to procure the Transfer, including without limitation, (i) to consult its PRC legal counsel from time to time on the procedures to enforce the Transfer; and (ii) to instruct its PRC legal counsel to contact the Current Owner to discuss on the Transfer and the applicable requirements/procedures involved in such Transfer.

The Company will also take the following proactive measures to safeguard the assets of Shaanxi Jiahe, including without limitation, (i) to maintain contact and hold meetings with the Current Owner from January 2019 to discuss and resolve any potential technical issues of the Transfer and to keep track of the progress of the Transfer; (ii) to develop Project Huangjinmei and engage mine construction company or identify potential cooperative parties to jointly develop Project Huangjinmei as and when appropriate; and (iii) to consider any potential offers from interested buyers for the disposal of Shaanxi Jiahe if the terms are commercially viable and such disposal is in the interests of the Company and the Shareholders as a whole. The Company will re-assess the value of assets of Shaanxi Jiahe based on the latest development of the above.

The Company expects that, with the cooperation of the Current Owner, the approval for the Transfer may be completed based on the timeframe as elaborated above after the applicable requirements/procedures have been complied with. In the event that the Current Owner does not cooperate to procure completion of the Transfer, the Company intends to take legal actions to enforce its rights under the 2013 Agreements against the Current Owner.

Having considered the above, and based on the expected timeframe to conduct the Transfer and complete legal requirements to commence production as illustrated above, the Company and the Board expect to complete the Transfer earliest by the first half of 2019, and Mine 2 will be able to meet the legal requirements to commence production by the third quarter of 2020.

2) *The Non-Operating Receivables Assumption*

Regarding the concerns raised by the Auditors on the assumption relating to the Non-Operating Receivables, the Company considers that, as the amount of non-operating payables of Shaanxi Jiahe due to a group of independent third parties exceeds the amount of the Non-Operating Receivables due from the same group of independent third parties, if a set-off arrangement can be agreed upon by Shaanxi Jiahe and the relevant independent third parties, no impairment is required for the Non-Operating Receivables.

As at the date of this announcement, the Company has instructed its PRC legal counsel to liaise with the relevant group of independent third parties to negotiate for the said set-off arrangement in respect of the Non-Operating Receivables and the non-operating payables of Shaanxi Jiahe.

Having considered the above, the Board expects that the Non-Operating Receivables and the non-operating payables would be fully recoverable and settled respectively earliest by the first quarter of 2019.

The audit committee of the Company (the “**Audit Committee**”) also shares the views of the Board on the two assumptions. Having considered the current status of implementation of the measures by the Company to address the Auditors’ concerns as at the date of this announcement, the Audit Committee considers that such measures may take some time to complete and the qualified opinion may possibly continue to apply to the Company for the financial year ended 31 December 2018. Nevertheless, the Audit Committee is of the view that such measures are adequate for addressing the Auditor’s concerns and as long as such concerns are resolved based on the measures set out above, the audit qualifications will not recur in the Company’s audited accounts.

Based on the above, the Company has also fulfilled the Second Resumption Condition.

The Company will use its best endeavour to complete the Transfer and recover/settle the Non-Operating Receivables and the non-operating payables of Shaanxi Jiahe in due course and assess the progress of the above based on latest development of negotiation with the Current Owner from time to time. Further announcement(s) will be made by the Company as and when appropriate to keep the shareholders informed of the material developments in the above matters.

C. The Third Resumption Condition – Inform the market of all material information

Having made such enquiry with respect to the Company as is reasonable in the circumstances, the Directors confirm that to the best of their knowledge, information and belief, save as disclosed in this announcement, there is no other material information that needs to be disclosed pursuant to any of the requirements set out in the Listing Rules, nor are there any other matters that need to be brought to the attention of the shareholders and potential investors of the Company, and the Directors are not aware of any other inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as at the date of this announcement.

(III) RESUMPTION OF TRADING

Trading in the Shares has been suspended on the Stock Exchange from 9:00 a.m. on 28 March 2018. Since all the Resumption Conditions have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Friday, 11 January 2019.

(IV) CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the “AGM”) will be held at 11:30 a.m. on Wednesday, 30 January 2019 at Room 2805, 28/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 25 January 2019 to Wednesday, 30 January 2019, both days inclusive, during which period no transfer of the Shares can be registered. In order to be eligible to attend and vote at the AGM, 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 Thursday, 24 January 2019.

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

Hong Kong, 10 January 2019

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. Xiang Siying and Ms. Huang Mei.