

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Huili Resources (Group) Limited (the “Company”), you should at once hand this circular, together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**PROPOSED ADOPTION OF SHARE OPTION SCHEME AND
TERMINATION OF EXISTING SHARE OPTION SCHEME;
GENERAL MANDATES TO ISSUE NEW SHARES
AND TO BUY-BACK SHARES;
RE-ELECTION OF DIRECTORS;
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of the Company to be held at Room 2805, 28/F., Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong at 11:30 a.m. on Friday, 28 May 2021 is set out on pages 29 to 34 of this circular.

A form of proxy for use at the annual general meeting is enclosed herewith. Whether or not you are able to attend the meeting in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not later than 11:30 a.m. on Wednesday, 26 May 2021, or not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting (if applicable). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

23 April 2021

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	4
Proposed adoption of the Share Option Scheme and termination of the Existing Share Option Scheme	5
General mandates to issue new Shares and to buy-back Shares	8
Re-election of Directors	9
Annual general meeting	10
Closure of Register of Members	10
Responsibility statement	10
Recommendation	11
Other information	11
Appendix I — Explanatory Statement	12
Appendix II — Details of Directors to be re-elected at the AGM	15
Appendix III — Summary of the principal terms of the Share Option Scheme	18
Notice of Annual General Meeting	29

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“2020 AGM”	the annual general meeting of the Company held on 27 May 2020
“AGM”	the annual general meeting of the Company to be held at Room 2805, 28/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong at 11:30 a.m. on Friday, 28 May 2021, notice of which is set out on pages 29 to 34 of this circular, or any adjournment thereof
“Articles of Association”	the articles of association of the Company as amended, supplemented or otherwise modified from time to time
“Board”	the board of Directors
“Business Day(s)”	any day on which the Stock Exchange is open for the business of dealing in securities listed thereon
“Buy-back Mandate”	the proposed general mandate to buy-back Shares to be granted to the Directors at the AGM
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Company”	Huili Resources (Group) Limited, a company incorporated in Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1303)
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Eligible Participant(s)”	<ul style="list-style-type: none">(a) any directors, whether executive or non-executive and whether independent or not, of any member of the Group or any Invested Entity;(b) any full time or part time employees of any member of the Group or any Invested Entity;(c) any shareholders of any member of the Group or any Invested Entity or any holders of any securities issued by any member of the Group or any Invested Entity;

DEFINITIONS

- (d) any business or joint venture partners of any member of the Group or any Invested Entity;
- (e) any contractors, agents, representatives, suppliers or producers of goods or services, licensors or landlords in any area of business of any member of the Group or any Invested Entity;
- (f) any customers, licensees (including any sub-licensees), distributors or tenants (including any sub-tenants) in any area of business of any member of the Group or any Invested Entity; and
- (g) any consultants or advisers to any area of business or business development of any member of the Group or any Invested Entity.

“Existing Share Option Scheme”	the existing share option scheme adopted by the Company on 16 December 2011
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Invested Entity”	any entity in which the Group holds any equity interest
“Issue Mandate”	the proposed general mandate to issue Shares to be granted to the Directors at the AGM
“Latest Practicable Date”	16 April 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Notice”	the notice convening the AGM as set out on pages 29 to 34 of this circular
“Offer”	the offer of the grant of an Option under the Share Option Scheme
“Offer Date”	the date on which an Offer(s) is/are made to an Eligible Participant(s)

DEFINITIONS

“Option(s)”	any option(s) to be granted to Eligible Participant(s) to subscribe for Share(s) under the Share Option Scheme
“Option Period”	in respect of any particular Option, the period to be determined and notified by the Directors to the grantee thereof at the time of making an Offer provided that such period shall not exceed the period of ten (10) years from the date of the grant of the particular Option but subject to the provisions for early termination thereof contained herein
“PRC” or “China”	The People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Scheme Mandate Limit”	has the meaning ascribed to it under paragraph (e) of Appendix III set out on page 20 of this circular
“Share Option Scheme”	the share option scheme which is proposed to be adopted by the Company at the AGM, the principal terms of which are set out in Appendix to this circular
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs
“%”	per cent



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)

Executive Directors:

Ms. Wang Qian

Mr. Zhou Jianzhong

Non-Executive Director:

Mr. Cao Ye

*Registered office and principal
place of business in Hong Kong:*

Room 2805, 28/F.,

Harbour Centre,

25 Harbour Road, Wanchai,

Hong Kong

Independent Non-Executive Directors:

Ms. Xiang Siying (*Chairlady*)

Ms. Huang Mei

Mr. Chan Ping Kuen

23 April 2021

To the Shareholders

Dear Sir or Madam,

**PROPOSED ADOPTION OF SHARE OPTION SCHEME AND
TERMINATION OF EXISTING SHARE OPTION SCHEME;
GENERAL MANDATES TO ISSUE NEW SHARES
AND TO BUY-BACK SHARES;
RE-ELECTION OF DIRECTORS;
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to give you the Notice and to provide you with information regarding the ordinary resolutions to be proposed at the AGM relating to (i) the proposed adoption of the Share Option Scheme; (ii) the granting to the Directors of the Issue Mandate and the Buy-back Mandate; (iii) the re-election of Directors; and (iv) the re-appointment of ZHONGHUI ANDA CPA Limited as auditors of the Company.

LETTER FROM THE BOARD

PROPOSED ADOPTION OF THE SHARE OPTION SCHEME AND TERMINATION OF THE EXISTING SHARE OPTION SCHEME

Termination of the Existing Share Option Scheme

The Existing Share Option Scheme was adopted pursuant to written resolutions of all the then Shareholders passed on 16 December 2011 and would expire on 15 December 2021. The Existing Share Option Scheme is the only share option scheme adopted by the Company as at the Latest Practicable Date. For illustration purpose, the maximum number of Shares which may be issued upon exercise of all options to be granted under the existing scheme mandate limit of the Existing Share Option Scheme is 162,000,000 Shares. As at the Latest Practicable Date, there were no outstanding options granted under the Existing Share Option Scheme. The Company has no intention to grant any additional options under the Existing Share Option Scheme from the Latest Practicable Date to the date of the AGM.

Pursuant to the terms of the Existing Share Option Scheme, the Existing Share Option Scheme could be terminated by ordinary resolution in general meeting and in such event no further options will be offered or granted, but in all other respects the provisions of the Existing Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Existing Share Option Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Existing Share Option Scheme.

The Existing Share Option Scheme was adopted more than nine years ago. The Board is of the view that it is appropriate to terminate the Existing Share Option Scheme and to adopt the Share Option Scheme to conform with the current Chapter 17 of the Listing Rules as the Existing Share Option Scheme will expire in around 6 months after the date of the AGM. The Board is of the view that the Share Option Scheme could better accommodate the Group's long term business development plan and strategies and incentivise persons who have contributed or will contribute to the Group. The Board also considers that the Share Option Scheme, which is in compliance with the current Chapter 17 of the Listing Rules, will enable the Company to offer meaningful incentive to attract and retain quality personnel that are valuable to the development of the Group. In addition, for the ease of administration, the Board also considers it unnecessary to keep two share option schemes that serve similar purposes at the same time. Therefore, at the AGM, ordinary resolutions will be proposed to the Shareholders to terminate the Existing Share Option Scheme and to adopt the Share Option Scheme.

Adoption of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant Options to select Eligible Participants as incentives or rewards for their contribution or potential contribution to the Group and to enable the Group to recruit and retain high-calibre persons and attract human resources that are valuable to the Group or the Invested Entity. In determining whether a person has contributed or will contribute to the Group, the Group will take into account, among other things, whether contribution has been made to or will be made

LETTER FROM THE BOARD

to the Group in terms of operation, financial performance, prospects, growth, reputation and image of the Group. A summary of the principal terms of the Share Option Scheme is set out in the Appendix III to this circular.

At the AGM, an ordinary resolution will be proposed for the Company to approve and adopt the Share Option Scheme, which will take effect on the date of its adoption at the AGM subject to the Stock Exchange granting approval for the listing of and dealing in the Shares to be issued and allotted pursuant to the exercise of Options in accordance with the terms and conditions of the Share Option Scheme.

Although the rules of the Share Option Scheme does not prescribe any specified minimum period for which an option must be held or specified performance target which must be achieved before an Option can be exercised, the Board believes that the ability for the Board to prescribe at its discretion a minimum period for which an Option must be held or performance target which must be achieved before an Option can be exercised and the requirement for a minimum exercise price (which is summarised in paragraph (d) in the Appendix III to this circular) of the Share Option Scheme will serve to protect the value of the Shares and encourage Eligible Participants to acquire proprietary interests in the Company which will increase in value in line with the contribution by the Eligible Participants to the Company, so as to achieve the purpose of the Share Option Scheme. No trustee will be appointed under the Share Option Scheme.

The Board considers that it is not appropriate to state the value of all Options that can be granted under the Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the option value have not been determined. Such variables include the exercise price, exercise period, vesting period (if any), and other relevant factors (if any). The Board believes that any calculation of the value of any Options which might have been granted as at the Latest Practicable Date would be based on a number of speculative assumptions and therefore not only would such calculation be meaningful or representative, but it could also potentially be misleading to the Shareholders.

As at the Latest Practicable Date, there were 1,620,000,000 Shares in issue. Assuming no further Shares will be issued or buy-back between the Latest Practicable Date and the date of approval of the Share Option Scheme at the AGM, the maximum number of Shares that may fall to be issued and allotted upon exercise in full of the Options which may be granted under the Share Option Scheme would be 162,000,000 Shares.

None of the Directors is and will be trustee of the Share Option Scheme. With respect to the operation of the Share Option Scheme, the Company will, where applicable, comply with the relevant requirements under Chapter 17 of the Listing Rules.

A copy of the Share Option Scheme will be available for inspection at the Company's principal place of business in Hong Kong at Room 2805, 28/F., Harbour Centre, No. 25 Harbour Road, Wan Chai, Hong Kong for a period of 14 days before the date of the AGM, and at the AGM.

LETTER FROM THE BOARD

Eligible Participants under the Share Option Scheme

The Share Option Scheme intends to cover Eligible Participants including (i) any directors, whether executive or non-executive and whether independent or not, of the Group or any Invested Entity; (ii) any full time or part time employees of the Group or any Invested Entity; (iii) any shareholders of any members of the Group or any Invested Entity or any holders of any securities issued by any member of the Group or any Invested Entity and; (iv) any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub-tenants) of the Group or any Invested Entity.

The Board considers that it is necessary to ensure the scope of participants under the Share Option Scheme is wide enough to cover those individuals and entities, which are not the directors or employees of the Group but able to contribute to the Group and allow the Company to have flexibility to provide incentive and reward to these parties as the Company considers commercially appropriate and beneficial to the Group.

In the event that any shareholder of any members of the Group or any Invested Entity or any holder of securities issued by any member of the Group or any Invested Entity is able to contribute to the Group or any Invested Entity by being a long-term strategic investor or partner of the Group or any Invested Entity or by introducing potential business opportunities to the Group or any Invested Entity, the Share Option Scheme can align the interest of the Group and these external parties and provide incentive and reward for the participation and involvement in promoting the business of the Group or any Invested Entity.

The Group's and Invested Entity's operations will from time to time rely on business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub-tenants) of the Group or an Invested Entity. The Share Option Scheme could provide an incentive and reward for their contribution to the Group or an Invested Entity and their loyalty in having a sustainable business relationship with the Group or an Invested Entity.

The Company considers that a threshold for the percentage of equity interest held by the member of the Group in an Invested Entity should not be set in the Share Option Scheme as the contribution of an Invested Entity to the Group may not be only by way of dividend distribution. An Invested Entity may contribute to the Group by other ways such as business cooperation and introduction of customers or suppliers or potential business opportunities to the Group. When considering the grant of Options to an Eligible Participant of an Invested Entity, the Board will consider the contribution or potential contribution of such Eligible Participant of an Invested Entity to the Group and may set vesting period or vesting conditions such as quantifiable key performance indicators to ensure that the grant of Options to an Eligible Participant of an Invested Entity will be beneficial to the Group.

LETTER FROM THE BOARD

The Company will issue relevant announcement(s) to disclose reasons and benefits for the grant in the event that any Options are granted to the Eligible Participants of any Invested Entity.

The Board will consider the merits of each grant on a case-by-case basis. The scope of Eligible Participants as set out in the Share Option Scheme allows the flexibility for the Board to exercise their discretion in case these individuals or entities made or will make significant contributions to or have an important role in the growth of the Group.

GENERAL MANDATES TO ISSUE NEW SHARES AND TO BUY-BACK SHARES

The Company's existing general mandates to issue and buy-back Shares were approved by the Shareholders at the 2020 AGM. From the 2020 AGM to the Latest Practicable Date, no existing general mandates were utilised. The existing general mandates which have not been utilised will lapse at the conclusion of the AGM.

Accordingly, ordinary resolutions will be proposed at the AGM to grant to the Directors general mandates authorising them, inter alia, (a) to exercise the power of the Company to allot, issue and deal with new Shares not exceeding 20% of the issued Shares as at the date of the passing of such resolution; (b) to buy-back Shares not exceeding 10% of the issued Shares as at the date of the passing of such resolution; and (c) subject to the passing of the proposed ordinary resolutions to approve the Issue Mandate and the Buy-back Mandate at the AGM, to extend the Issue Mandate by the number of Shares bought back under the Buy-back Mandate.

The Issue Mandate and the Buy-back Mandate shall remain in effect until the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws of the Cayman Islands to be held, or until revoked, renewed or varied by an ordinary resolution of the shareholders in general meeting, whichever occurs first.

As at the Latest Practicable Date, there were 1,620,000,000 Shares in issue. Subject to the passing of the ordinary resolutions to approve the Issue Mandate and the Buy-back Mandate at the AGM and on the basis that no further Shares will be issued or buy-back between the Latest Practicable Date and the date of the AGM, the Company would be allowed to issue up to a maximum of 324,000,000 Shares under the Issue Mandate (assuming the Buy-back Mandate has not been utilised) and to buy-back up to a maximum of 162,000,000 Shares under the Buy-back Mandate.

The Directors have no present intention to exercise the Issue Mandate to issue and allot Shares and to exercise the Buy-back Mandate to buy-back Shares.

An explanatory statement providing all the information required under the Listing Rules regarding the Buy-back Mandate is set out in Appendix I to this circular.

LETTER FROM THE BOARD

RE-ELECTION OF DIRECTORS

Pursuant to article 84(1) of the Articles of Association, at each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three the number nearest to but not less than one third) shall retire from office by rotation, provided that every Directors shall be subject to retirement at an annual general meeting at least once every three years. In accordance with the above provisions, Ms. Xiang Siying (“**Ms. Xiang**”), Mr. Chan Ping Kuen (“**Mr. Chan**”) and Mr. Zhou Jianzhong (“**Mr. Zhou**”) will retire from office and, being eligible, offer themselves for re-election at the AGM.

The nomination committee of the Company (the “**Nomination Committee**”) has reviewed the structure and composition of the Board, the confirmations and disclosures given by the Directors, the qualifications, skills and experience, time commitment and contribution of the retiring Directors with reference to the nomination principles and criteria set out in the Company’s board diversity policy and the Company’s corporate strategy and the independence of all independent non-executive Directors.

Ms. Xiang and Mr. Chan are existing independent non-executive Directors. Ms. Xiang and Mr. Chan, being the independent non-executive Directors eligible for re-election at the AGM, has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules.

Ms. Xiang holds Bachelor’s Degree in Agriculture Economics from China Agriculture University (now known as China Agriculture University) in 1986 and Master’s Degree in Finance and Economics from Zhongnan University of Economics, Finance and Laws, China as well as The Research Institute of Finance and Economics of China in 1988. Ms. Xiang also holds a Master Degree in Business Administration from London Business School in 1999. She is a currently a consultant for CDH Investments and has had a long career in investment, banking and financial advisory services.

Mr. Chan has over 10 years of experience in the mining and material trading industry. Mr. Chan is currently the trading director of Ares Asia Limited, being a company listed on the Stock Exchange (stock code: 645), is responsible for coal, iron ore and rice imports to China, and is and has had a long career in iron ore and coal trading business.

Ms. Xiang and Mr. Chan have demonstrated the ability to provide an independent view on the Company’s matters in different perspectives and his/her presence in the Board contributes to the diversity of the Board.

The Board is of the view that Ms. Xiang and Mr. Chan are able to continue to fulfill their role as an independent non-executive Directors and thus recommends them for re-election at the AGM. Further, the Board is also of the view that Ms. Xiang and Mr. Chan meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The Nomination Committee and the Board therefore recommended the re-election of all the retiring Directors at the AGM.

LETTER FROM THE BOARD

Brief biographical and other details of the retiring Directors offering themselves for re-election at the AGM, which are required to be disclosed under the Listing Rules, are set out in Appendix II to this circular.

ANNUAL GENERAL MEETING

The Notice is set out on pages 29 to 34 of this circular at which resolutions will be proposed, inter alia, to re-elect Directors, to re-appoint auditors and to approve the grant of the Issue Mandate and the Buy-back Mandate.

A form of proxy for use at the AGM is enclosed herewith. Whether or not you propose to attend the AGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 11:30 a.m. on Wednesday, 26 May 2021, or not less than 48 hours before the time fixed for holding any adjourned meeting (if applicable). Completion and return of the form of proxy will not prevent you from attending and voting at the AGM or any adjourned meeting thereof (as the case may be) should you wish to do so, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll (except where the resolution relates purely to a procedural or administrative matter which may be voted on by a show of hands) and accordingly, all resolutions proposed at the AGM will be taken by poll. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, none of the Shareholders is required to abstain from voting on the ordinary resolutions to be proposed at the AGM pursuant to the Listing Rules and/or the Articles of Association.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021, both days inclusive, in order to determine the entitlement to attend the AGM. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 24 May 2021.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the proposals referred to in this circular are all in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the relevant ordinary resolutions to be proposed at the AGM.

OTHER INFORMATION

Your attention is also drawn to the information as set out in the appendices to this circular.

Yours faithfully,
By order of the Board of
HUILI RESOURCES (GROUP) LIMITED
Xiang Siying
Chairlady

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide the requisite information to you for your consideration of the Buy-back Mandate.

1. LISTING RULES RELATING TO THE BUY-BACK OF SHARES

The Listing Rules permit companies whose primary listings are on the Stock Exchange to buy-back their securities on the Stock Exchange and any other stock exchange on which securities of the company are listed and such exchange is recognised by the Securities and Futures Commission of Hong Kong subject to certain restrictions. Among such restrictions, the Listing Rules provide that the shares of such company must be fully paid up and all buy-back of shares by such company must be approved in advance by an ordinary resolution of shareholders, either by way of a general mandate or by specific approval of a particular transaction.

2. NUMBER OF SHARES WHICH MAY BE BUY-BACK

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,620,000,000 fully paid up Shares of HK\$0.10 each. Subject to the passing of the ordinary resolution to approve the Buy-back Mandate at the AGM and on the basis that no further Shares will be issued or buy-back between the Latest Practicable Date and the date of the AGM, the Company would be allowed under the Buy-back Mandate to buy-back up to a maximum of 162,000,000 fully paid up Shares, representing 10% of the issued share capital of the Company as at the date of passing of the ordinary resolution, during the period ending on the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable laws to be held; or (iii) the passing of an ordinary resolution by the Shareholders in a general meeting prior to the next annual general meeting of the Company revoking or varying the authority given to the Directors.

3. REASONS FOR BUY-BACK

The Directors believe that the Buy-back Mandate is in the best interests of the Company and the Shareholders. Such buy-back may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the value of the net assets and/or earnings per Share and will only be made when the Directors believe that such buy-back will benefit the Company and the Shareholders as a whole.

4. FUNDING OF BUY-BACK

Buy-back by the Company must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws and regulations of the Cayman Islands. A listed company may not buy-back its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any buy-back by the Company may be made out of funds which would otherwise be available for dividend or distribution, or out of the Company's share premium account or out of an issue of new shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital.

On the basis of the financial position as at 31 December 2020 (being the date of the Company's latest audited accounts) and taking into account the current working capital position, the Directors consider that, if the Buy-back Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Company. However, the Directors do not propose to exercise the Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

5. DISCLOSURE OF INTEREST

None of the Directors, nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates nor any directors of such associates, have any present intention to sell any Shares to the Company or its subsidiaries under the Buy-back Mandate if such is approved by the Shareholders at the AGM.

No core connected person of the Company has notified the Company that he/she/it has a present intention to sell any Shares to the Company, or has undertaken not to do so, in the event that the Buy-back Mandate is approved by the Shareholders.

6. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange that if they shall exercise the power of the Company to make buy-back pursuant to the Buy-back Mandate, they will exercise the same in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

7. SHARE PRICES

The highest and lowest prices at which the Shares were traded on the Stock Exchange during each of the twelve months preceding the Latest Practicable Date were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2020		
April	0.290	0.133
May	0.160	0.160
June	0.260	0.135
July	0.160	0.160
August	0.134	0.075
September	0.560	0.067
October	0.280	0.158
November	0.158	0.125
December	0.160	0.120
2021		
January	0.150	0.150
February	0.150	0.130
March	0.395	0.145
April (Up to the Latest Practicable Date)	0.320	0.189

8. SHARE BUY-BACK MADE BY THE COMPANY

There have been no buy-back by the Company, or any of its subsidiaries, of any Shares in the six months immediately preceding the Latest Practicable Date (whether on the Stock Exchange or otherwise).

9. THE TAKEOVERS CODE AND MINIMUM PUBLIC FLOAT

If a Shareholder's proportionate increases as a result of the Directors exercising the powers of the Company to buy-back Shares pursuant to the Buy-back Mandate, such increase will be treated as an acquisition of voting rights for the purpose of Rule 32 of the Takeovers Code.

As at the Latest Practicable Date, to the best information, belief and knowledge of the Directors, (1) Mr. Guo Jianzhong together with Sky Circle International Limited (which was wholly owned by Mr. Guo Jianzhong as at the Latest Practicable Date) (collectively "**Guo & Sky Circle**"), were interested in 454,958,702 Shares (approximately 28.08% of the issued share capital of the Company); (2) Affinitiv Mobile Ventures Ltd ("**Affinitiv Mobile**"), which was indirectly owned by China Huarong Asset Management Co., Ltd. as at the Latest Practicable Date, was interested in 320,000,000 Shares (approximately 19.75% of the issued share capital of the Company); and (3) Legend Vantage Limited ("**Legend Vantage**"), which was owned by Mr. Li Guangrong and Ms. Gao Miaomiao as at the Latest Practicable Date, was interested in 188,638,883 Shares (approximately 11.64% of the issued share capital of the Company). Save as aforesaid, no other Shareholder held more than 10% of the issued share capital of the Company as at the Latest Practicable Date. In the event that the Buy-back Mandate is exercised in full, the shareholdings of Guo & Sky Circle, Affinitiv Mobile and Legend Vantage would increase to approximately 31.20%, 21.95% and 12.94% of the issued share capital of the Company respectively. Accordingly, on the basis that no further Shares are issued or buy-back and there is no change in shareholding structure, an exercise of the Buy-back Mandate in full would give rise to an obligation on Guo & Sky Circle to make a mandatory general offer under the Takeovers Code. However, the Directors have no present intention to exercise the Buy-back Mandate which would render any Shareholder or any other persons obliged to make a mandatory general offer under the Takeovers Code.

The Directors are also aware that the Listing Rules prohibit a company from making buy-back on the Stock Exchange if the result of the buy-back would be that less than 25% (or such other prescribed minimum percentage as determined by the Stock Exchange) of the issued share capital would be in the hands of the public. The Directors have no present intention to exercise the Buy-back Mandate to such an extent that would result in the Company failing to comply with the public float requirements under Rule 8.08 of the Listing Rules.

The biographical details of the Directors proposed to be re-elected at the AGM are set out as follows:

EXECUTIVE DIRECTOR

Mr. Zhou Jianzhong

Mr. Zhou, aged 47, has over 20 years of experience in the construction and engineering management field. Mr. Zhou joined the Group in May 2017 and is currently the legal representatives of Hami Jinhua, Hami Jiatai and Shaanxi Jiahe, responsible for general operations of the Company's mines in the PRC. From 2008 to 2017, Mr. Zhou held the position of the general manager and executive director of Shanxi Zi Feng Technology Company Limited* (山西紫峰科技有限公司) responsible for corporate management and technical services in respect of lands involved in various projects. During the period from 1998 to 2008, Mr. Zhou was an engineer at China Railway 17th Bureau Group Co., Ltd. (中鐵十七局集團建築公司). Mr. Zhou obtained a bachelor's degree in industrial and civil architecture from Hebei University of Architecture (河北建築科技學院) and certificate of completion of postgraduate course of Road and railway construction from 石家莊鐵道學院 (Shijiazhuang Tiedao University). Mr. Zhou is a constructor (一級建造師) recognized by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) in 2008. Mr. Zhou was appointed as an executive Director on 11 March 2019.

Saved as aforesaid, as at the Latest Practicable Date, Mr. Zhou did not hold positions with the Company and other members of the Group and did not have any relationship with any directors, senior management or substantial or controlling Shareholders of the Company or its subsidiaries or any of their respective associates. He did not have, and was not deemed to have any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations which is required to be disclosed under Part XV of the SFO and did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Zhou has entered into a service contract with the Company for a term of three years, and is subject to retirement by rotation and is eligible for re-election at the general meetings of the Company in accordance with the Articles of Association. Mr. Zhou does not receive any monthly Director's fee and/or salary but will be entitled to receive a discretionary bonus. The emolument was determined by the Board with reference to his experience, duties and responsibilities in the Company, the current market rate and the Group's remuneration policy.

Save as disclosed, there is no other information that needs to be disclosed pursuant to any of the requirements as set out in Rules 13.51(2)(h) to (v) of the Listing Rules and any other matters that need to be brought to the attention of the Shareholders and the Stock Exchange in relation to the re-election of Mr. Zhou.

INDEPENDENT NON-EXECUTIVE DIRECTORS**Ms. Xiang Siying**

Ms. Xiang, aged 58, holds Bachelor's Degree in Agriculture Economics from China Agriculture University (now known as China Agriculture University) in 1986 and Master's Degree in Finance and Economics from Zhongnan University of Economics, Finance and Laws, China as well as The Research Institute of Finance and Economics of China in 1988. Ms. Xiang also holds a Master Degree in Business Administration from London Business School in 1999. She is currently a consultant for CDH Investments ("CDH") and has had a long career in investment, banking and financial advisory services. From June 2010 to April 2016, Ms. Xiang had worked for CDH as an executive director; and before that from March 2004 to June 2010 she worked for China International Capital Corporation in its Direct Investment Department and Investment Banking Department as an executive director. Prior to returning China in early 2004, Ms. Xiang was an investment officer of Global Manufacturing and Service Department and East Asia and Pacific Department of International Finance Corporation ("IFC"), the World Bank Group, in Washington DC from August 1996 to March 2004, and before that Ms. Xiang was an investment analyst of IFC's representative office in China. From July 1988 to July 1991 Ms. Xiang served as an officer of Ministry of Agriculture China, in its Department of World Bank Agriculture Project Management and Department of Rural Reform Research and Farm Management. Ms. Xiang also held the position as the independent non-executive director of Titan Petrochemicals Group Limited, a company listed on the Stock Exchange with stock code 1192, from July 2015 to July 2018. Currently, Ms. Xiang has been the independent non-executive director of China Ocean Industry Group Limited, a company listed on the Stock Exchange with stock code 651 since May 2008.

Saved as aforesaid, as at the Latest Practicable Date, Ms. Xiang does not hold positions with the Company and other members of the Group and does not have any relationship with any directors, senior management or substantial or controlling Shareholders of the Company or its subsidiaries or any of their respective associates. She does not have, and is not deemed to have any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations which is required to be disclosed under Part XV of the SFO and did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

There is no service contract between the Company and Ms. Xiang. Her annual director's remuneration was approximately HK\$600,000 with reference to her role, level of experience and contribution to the Group.

There is no other information that needs to be disclosed pursuant to any of the requirements as set out in Rules 13.51(2)(h) to (v) of the Listing Rules and any other matters that need to be brought to the attention of the Shareholders and the Stock Exchange in relation to the re-election of Ms. Xiang.

Mr. Chan Ping Kuen

Mr. Chan, aged 35, has over 10 years of experience in the mining and material trading industry. Mr. Chan is currently the trading director of Ares Asia Limited, being a company listed on the Stock Exchange (stock code: 645), is responsible for coal, iron ore and rice imports to China. From April 2011 to March 2013, Mr. Chan held the position of assistant manager of trading department in Best Power Holdings (HK) Ltd., responsible for trading of iron ore and coal. From February 2009 to January 2011, Mr. Chan joined Hangpo Investment (Macau) Group Co., Ltd. as the assistant trading manager, responsible for procurement and coal, iron ore and manganese trading transactions. Mr. Chan obtained a bachelor's degree in accounting from Jinan University in 2009. Mr. Chan was appointed as an independent non-executive Director on 11 March 2019.

Save as aforesaid, as at the Latest Practicable Date, Mr. Chan did not hold positions with the Company and other members of the Group and did not have any relationship with any directors, senior management or substantial or controlling Shareholders of the Company or its subsidiaries or any of their respective associates. He did not have, and was not deemed to have any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations which is required to be disclosed under Part XV of the SFO and did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Chan has entered into a service contract with the Company for a term of three years, and is subject to retirement by rotation and is eligible for re-election at the general meetings of the Company in accordance with the Articles of Association. Mr. Chan's remuneration is HK\$120,000 per annum. The emolument was determined by the Board with reference to his experience, duties and responsibilities in the Company as well as the current market rate. Mr. Chan has confirmed that he meets the independence criteria as set out in Rule 3.13 of the Listing Rules.

Save as disclosed, there is no other information that needs to be disclosed pursuant to any of the requirements as set out in Rules 13.51(2)(h) to (v) of the Listing Rules and any other matters that need to be brought to the attention of the Shareholders and Stock Exchange in relation to the re-election of Mr. Chan.

The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

(a) PURPOSE OF THE SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to provide incentives and/or rewards to Eligible Participants for their contributions to, and continuing efforts to promote the interests of, the Group and to enable the Group to recruit and retain high-calibre persons and attract human resources that are valuable to the Group or the Invested Entity.

(b) ADMINISTRATION OF THE SHARE OPTION SCHEME

The Share Option Scheme shall be subject to the administration of the Board whose decision on all matters arising in relation to this Scheme or its interpretation or effect shall (save as otherwise provided herein, including but not limited to (a) the Scheme Mandate Limit; (b) the grant of Options to any of the substantial Shareholder (as defined in the Listing Rules) of the Company, an independent non-executive Director, connected persons (as defined in the Listing Rules) of the Company or any of their respective associates in certain circumstances, and any changes in the terms thereof; (c) the adjustment to be made in the event of any alternation in the capital structure of the Company; (d) the cancellation of Options; (e) the alternation and termination of the Share Option Scheme, and in the absence of manifest error) be final and binding on all persons who may be affected thereby.

(c) GRANT AND ACCEPTANCE OF OPTIONS

Subject to the terms of the Share Option Scheme, the Board may, in its absolute discretion, invite any Eligible Participant to take up Options to subscribe for Shares at a price calculated in accordance with paragraph (d) below, provided that no such grant shall be made if a prospectus is required to be issued under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) or any applicable laws or if such grant will result in the breach by the Company or the Directors of any applicable securities laws and regulations in any jurisdiction.

Eligible Participants include the following persons:

- (a) any directors, whether executive or non-executive and whether independent or not, of any member of the Group or any Invested Entity;
- (b) any full time or part time employees of any member of the Group or any Invested Entity;
- (c) any shareholders of any member of the Group or any Invested Entity or any holders of any securities issued by any member of the Group or any Invested Entity;
- (d) any business or joint venture partners of any member of the Group or any Invested Entity;

- (e) any contractors, agents, representatives, suppliers or producers of goods or services, licensors or landlords in any area of business of any member of the Group or any Invested Entity;
- (f) any customers, licensees (including any sub-licensees), distributors or tenants (including any sub-tenants) in any area of business of any member of the Group or any Invested Entity; and
- (g) any consultants or advisers to any area of business or business development of any member of the Group or any Invested Entity.

An offer of the grant of an Option shall be made to Eligible Participants in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of twenty-one (21) days inclusive of, from the date upon which it is made provided that no such offer shall be open for acceptance after the earlier of the 10th anniversary of the Adoption Date or the termination of the Share Option Scheme or the Eligible Participant to whom such offer is made has ceased to be an Eligible Participant.

A non-refundable nominal consideration of HK\$1.00 is payable by the grantee upon acceptance of an Option. An Option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Option duly signed by the Eligible Participant together with the said consideration of HK\$1.00 is received by the Company.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in such number of Shares as represents a board lot for the time being for the purpose of trading on the Stock Exchange or an integral multiple thereof.

(d) EXERCISE OF OPTIONS AND PRICE OF SHARES

An Option may be exercised in whole or in part by the grantee giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given. Within thirty (30) days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate of the Company's auditors or independent financial advisers, the Company shall allot and issue the relevant Shares to the grantee (or his legal personal representative(s)) credited as fully paid.

Holders of the Options are not entitled to voting, dividend, transfer and other rights of the holders of the Shares, including those arising on a liquidation of the Company, save as otherwise provided herein or under the relevant laws or the memorandum of association of the Company and the Articles of Association in effect from time to time. Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the Articles of Association for the time being in force and will rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which the Option is duly exercised or, if that

date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an Option shall not carry voting rights until the name of the grantee has been duly entered onto the register of members of the Company as the holder thereof.

The subscription price for Shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the Offer Date, which must be a Business Day; (ii) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) Business Days immediately preceding the Offer Date; and (iii) the nominal value of the Share on the Offer Date.

Where a relevant Option is to be granted under paragraph (f) or (g), for the purposes of (i) and (ii) above, the date of the Board meeting at which the grant was proposed shall be taken to be the Offer Date for such relevant Option, and the provisions of the immediate preceding paragraph above shall apply mutatis mutandis.

(e) MAXIMUM NUMBER OF SHARES AVAILABLE FOR ISSUE

- (i) Subject to the Listing Rules, the overall limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30 per cent. of the relevant class of Shares in issue from time to time. No Options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in this limit being exceeded.
- (ii) Subject to the limit mentioned in (e)(i) above, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the Shares in issue as at the date of the approval of the Share Option Scheme (the “**Scheme Mandate Limit**”), unless Shareholders’ approval has been obtained pursuant to sub-paragraphs (iii) and (iv) below. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (iii) Subject to the limit mentioned in (e)(i) above, the Company may refresh the Scheme Mandate Limit at any time subject to approval of the Shareholders in general meeting, provided that the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of passing the relevant resolution. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in

accordance with such schemes or exercised Options) will not be counted for the purpose of calculating this limit. The Company must send a circular to the Shareholders containing such information as required under the Listing Rules.

- (iv) Subject to the limit mentioned in (e)(i) above, the Company may also seek separate approval of the Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to Eligible Participants specifically identified by the Company before such approval is sought. The Company must send a circular to the Shareholders containing a generic description of the specified Eligible Participants, the number and terms of Options to be granted, the purpose of granting Options to the specified Eligible Participants with an explanation as to how the terms of the Options serve such purpose and such other information as required under the Listing Rules.

**(f) GRANT OF OPTIONS TO A DIRECTOR, CHIEF EXECUTIVE OR
SUBSTANTIAL SHAREHOLDER OF THE COMPANY OR ANY OF THEIR
RESPECTIVE ASSOCIATES**

Any grant of Options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate who is the grantee of the Options). Where Options are proposed to be granted to a substantial Shareholder (as defined in the Listing Rules) of the Company or an independent non-executive Director or any of their respective associates and if such grant would result in the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted (including Options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person (i) representing in aggregate over 0.1 % of the total issued Shares; and (ii) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million, then the proposed grant must be subject to the approval of Shareholders taken on a poll in a general meeting. The grantee, his associates and all core connected persons of the Company must abstain from voting in favour of the proposed grant at such general meeting except that any such person(s) may vote against the relevant resolution(s) at the general meeting, provided that his/her/its intention to do so has been stated in the circular referred to in the paragraph below.

A circular containing the following information shall be despatched to the Shareholders together with the notice of the relevant general meeting:

- (i) details of the number and terms of the Options (including the subscription price) to be granted to the relevant grantee, which must be fixed before the general meeting, and the date of the meeting of the Board for proposing such further grant should be taken as the Offer Date for the purpose of calculating the subscription price (and the aforesaid shall apply mutatis mutandis to a proposed change in the terms of an Option previously granted, where applicable);

- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a relevant grantee) to the independent Shareholders as to voting; and
- (iii) such other information as required under the Listing Rules.

Any change in the terms of Options granted to a substantial Shareholder (as defined in the Listing Rules) or an independent non-executive Director, or any of their respective associates must be approved by Shareholders in a general meeting.

(g) MAXIMUM ENTITLEMENT OF EACH ELIGIBLE PARTICIPANT

The total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Participant or grantee (including exercised and outstanding options) in any twelve (12)-month period up to the date of grant shall not exceed 1% of the Shares in issue. Where it is proposed that any offer is to be made to an Eligible Participant (or where approximate, an existing grantee) which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the twelve (12)-month period up to and including the relevant date of grant to exceed such limit, such offer and any acceptance thereof must be conditional upon Shareholders' approval in general meeting with such Eligible Participant (or where appropriate, an existing grantee) and his, her or its close associates (or his, her or its associates if the Eligible Participant is a connected person) abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Eligible Participant or grantee, the number and terms of options to be granted (and options previously granted) to such Eligible Participant, the information required under the Listing Rules. The number and terms (including the subscription price) of options to be granted to such Eligible Participant must be fixed before the date on which Shareholders' approval is sought and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(h) TIME OF EXERCISE OF OPTIONS

Subject to the terms of the Share Option Scheme, an Option may be exercised in whole or in part at any time during the period to be determined and notified by the Directors to the grantee thereof at the time of making an Offer provided that such period shall not exceed the period of ten (10) years from the date of the grant of the particular Option but subject to the provisions for early termination of the Share Option Scheme (the "**Option Period**").

There is no specified minimum period under the Share Option Scheme for which an Option must be held or the performance target which must be achieved before an Option can be exercised under the terms of the Share Option Scheme.

(i) RESTRICTIONS ON THE TIME OF GRANT OF OPTIONS

Grant of Options may not be made:

- (1) after inside information has come to the knowledge of the Company until it has been announced pursuant to the requirements of the Listing Rules; and
- (2) during the period commencing from one month immediately preceding the earlier of:
 - (a) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
 - (b) the deadline for the Company to publish its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcements.

(j) RIGHTS ARE PERSONAL TO GRANTEES

An Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any Option or enter into any agreement so to do.

**(k) RIGHTS ON CESSATION OF EMPLOYMENT OR DIRECTORSHIP BY
VOLUNTARY RESIGNATION OR DISMISSAL**

If the grantee of an Option is an employee or a director of the Group or an Invested Entity and ceases to be an Eligible Participant by reason of voluntary resignation or dismissal or upon expiration of his term of directorship (unless immediately renewed upon expiration), or by termination of his employment or directorship on one or more of the grounds that he or she has been guilty of persistent or serious misconduct, bankruptcy, insolvency, composition with his or her creditors generally or conviction of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee, the Group or the Invested Entity into disrepute) or any other ground(s) on which the Group or the Invested Entity would be entitled to terminate his or her employment or directorship pursuant to any applicable law, his or her Option (to the extent not already exercised) will lapse on the date of cessation of his or her employment or directorship.

(l) RIGHTS ON DEATH

If the grantee of an Option ceases to be an Eligible Participant by reason of his or her death before exercising the Options in full and none of the events referred to in paragraph (k) above as ground for termination of his or her Options arises, his or her personal representative(s) may exercise the Option (to the extent not already exercised) within a period

of six months following the date of death (or such longer period as the Board may determine), failing which it will lapse. If any of the events referred to in paragraph (p) to (r) below occurs during such period, his or her personal representative(s) may exercise the Option pursuant to paragraphs (p) to (r) respectively.

(m) RIGHTS ON CESSATION OF EMPLOYMENT OR DIRECTORSHIP BY REASON OF ILL-HEALTH OR RETIREMENT

If the grantee of an Option is an employee or a director of the Group or an Invested Entity and ceases to be an employee or a director by reason of ill-health or in case of an employee, retirement in accordance with his or her contract of employment, he or she may exercise the Option (to the extent not already exercised) within a period of six months following the date of such cessation, failing which it will lapse. The date of cessation shall be the last day on which the grantee is actually at work with the Group whether salary is paid in lieu of notice or not. If any of the events referred to in paragraph (p) to (r) below occurs during such period, he or she may exercise the Option pursuant to paragraphs (p) to (r) respectively.

(n) RIGHTS ON CESSATION FOR OTHER REASONS

If the grantee of an Option who is an employee or a director of the Group or an Invested Entity ceases to be an Eligible Participant for any reason other than the reasons set out in paragraphs (l) and (m) above, his or her Option (to the extent not already exercised) will lapse on the date of cessation.

(o) RIGHTS ON BREACH OF CONTRACT

If the grantee of an Option who is a business or joint venture partner, contractor, agent or representative, consultant, adviser, supplier, producer or licensor, customer, licensee (including any sub-licensee) or distributor, landlord or tenant (including sub-tenant) of the Group or an Invested Entity ceasing to be an Eligible Participant by reason of breach of contract entered into between such Eligible Participant and the Group or an Invested Entity, in the absolute determination of the Board, the Option shall lapse on the date of the Board's determination and not be exercisable.

(p) RIGHTS ON A GENERAL OFFER

In the event of a general offer being made to all Shareholders (or all such holders other than the offeror and/or person controlled by the offeror and/or any person acting in concert (as defined in the Takeovers Code) with the offeror) and such offer becomes or is declared unconditional during the Option Period of the relevant Option, the grantee (or his or her personal representative(s)) shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within thereafter and up to the close of such offer.

(q) RIGHTS ON WINDING UP

In the event a notice is given by the Company to its members to convene an extraordinary general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as it despatches such notice to each member of the Company give notice thereof to all grantees and any grantee (or his or her personal representative(s) may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price in respect of the relevant Option (such notice shall be received by the Company no later than five (5) Business Days prior to the proposed general meeting)) exercise the Option (to the extent not already exercised) either to its full extent or to the extent that he or she may specify in his or her notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the grantee credited as fully paid.

(r) RIGHTS ON RECONSTRUCTION, COMPROMISE OR ARRANGEMENT

If a compromise or arrangement between the Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice to the grantee on the same date as it despatches the notice to each member or creditor of the Company to summon a meeting to consider such a compromise or arrangement, and thereupon the grantee (or his or her personal representative(s)) may by notice in writing to the Company accompanied by a remittance of the full amount of the subscription price in respect of which the notice is given (such notice shall be received by the Company no later than five (5) Business Days prior to the proposed meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in the notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed general meeting allot and issue such number of Shares to the grantee credited as fully paid.

(s) CANCELLATION OF OPTIONS

The Board shall be entitled for the following causes to cancel any Option granted but not exercised by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the “**Cancellation Date**”):

- (i) the grantee commits or permits or attempts to commit or permit a breach of paragraph (j) in respect of that or any other Option or any terms or conditions attached to the grant of that or any other Option;
- (ii) the grantee consents to the cancellation of the Option in writing; or
- (iii) the grantee has, in the sole opinion of the Board, conducted himself/herself/itself in any manner whatsoever to the detriment of or prejudicial to the interests of the Group.

The Option which has not been exercised shall be deemed to have been cancelled with effect from the Cancellation Date. No compensation shall be payable upon any such cancellation. Where the Company cancels Options and issues new ones to the same holder of the Option, the issue of such new Options may only be made under a scheme with available unissued options (excluding the cancelled Options) within the Scheme Mandate Limit.

(t) EFFECT OF ALTERATIONS TO SHARE CAPITAL

In the event of any alteration in the capital structure of the Company by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction while any Option remains exercisable), such corresponding alterations (if any) will be made in (i) the numbers or nominal amount of Shares subject to any Option so far as such Option remains unexercised and/or (ii) the subscription price per Share as the auditors or independent financial advisers for the time being of the Company shall at the request of the Company or any grantee certify in writing to be in their opinion fair and reasonable, provided that any such alterations shall satisfy the requirements set forth in Rule 17.03(13) of the Listing Rules and/or the note thereto and the supplementary guidance on Rule 17.03(13) of the Listing Rules issued by the Stock Exchange on 5 September 2005 and any future guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time and be made on the basis that the grantee shall have the same proportion of the issued share capital of the Company to which he or she was entitled before such alteration and the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as possible the same as (but not greater than) it was before such event, but so that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. Save in the case of a capitalisation issue, the auditors or independent financial advisers for the time being of the Company must confirm to the Directors in writing that such adjustment(s) satisfy the aforesaid requirements.

(u) RANKING OF SHARES

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the Option is exercised and accordingly will entitle the holders of Shares to participate in all dividends or other distributions paid or made on or after the date on which the Option is exercised other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment.

(v) DURATION OF THE SHARE OPTION SCHEME

The Share Option Scheme shall continue in force for the period commencing from the Adoption Date, which is expected to be the date of the AGM, and expiring at the close of business on the date which falls ten (10) years after the Adoption Date, after such period no further Options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in respect of any Options granted before its expiry or termination but not yet exercised.

(w) ALTERATIONS TO THE TERMS OF THE SHARE OPTION SCHEME

- (i) The provisions relating to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Eligible Participants without the prior approval of Shareholders in a general meeting.
- (ii) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of Options granted must be approved by Shareholders, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iii) The amended terms of the Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (iv) Any change to the authority of the Directors or the administrator of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in a general meeting.

(x) CONDITIONS OF THE SHARE OPTION SCHEME

The Share Option Scheme is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in any Shares which may fall to be issued by the Company pursuant to the exercise of Options in accordance with the terms and conditions of this Scheme; and
- (ii) the passing of an ordinary resolution at a general meeting of the Company to adopt the Share Option Scheme.

(y) LAPSE OF OPTIONS

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in paragraphs (k) to (r); and
- (iii) the date of the commencement of the winding-up of the Company.

(z) TERMINATION

The Company by an ordinary resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options granted prior to such termination.

Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme and (if applicable) Options that become void or non-exercisable as a result of the termination must be disclosed in the circular to Shareholders seeking approval of any subsequent share option scheme to be established after such termination.

(aa) MISCELLANEOUS

The terms of the Share Option Scheme (and any other schemes adopted by the Company from time to time) shall be in accordance with the requirements set out in Chapter 17 of the Listing Rules.

The Company will comply with the relevant statutory requirements and the Listing Rules from time to time in force on a continuing basis in respect of the Share Option Scheme and any other schemes of the Company.

Any dispute arising in connection with the number of Shares of an Option and any of the matters referred to in paragraph (t) above shall be referred to the decision of the auditors or the independent financial advisers of the Company who shall act as experts and not as arbitrators and whose decision, in the absence of manifest error, shall be final and conclusive.



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)

NOTICE IS HEREBY GIVEN that the annual general meeting (the “**Annual General Meeting**”) of Huili Resources (Group) Limited (the “**Company**”) will be held at 11:30 a.m. on Friday, 28 May 2021 at Room 2805, 28/F., Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong for the following purposes:

ORDINARY RESOLUTIONS

1. To receive, consider and adopt the audited consolidated financial statements of the Company and its subsidiaries and the reports of the directors and auditors of the Company for the year ended 31 December 2020.
2. (A) To re-elect Ms. Xiang Siying as an independent non-executive director of the Company;
(B) To re-elect Mr. Chan Ping Kuen as an independent non-executive director of the Company;
(C) To re-elect Mr. Zhou Jianzhong as an executive director of the Company; and
(D) To authorise the board of directors of the Company to fix the directors’ remuneration.
3. To appoint ZHONGHUI ANDA CPA Limited as the auditors of the Company and to authorise the board of directors of the Company to fix their remuneration.
4. As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions of the Company:
 - (A) “**THAT:**
 - (a) subject to sub-paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to issue, allot and deal with additional shares of the Company and to make or grant offers, agreements and options, including warrants, bonds, notes and debentures convertible into shares of

NOTICE OF ANNUAL GENERAL MEETING

the Company which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, the memorandum and articles of association of the Company and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), be and is hereby generally and unconditionally approved;

- (b) the approval in sub-paragraph (a) above shall be in addition to any authorisation given to the directors of the Company and shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, notes and debentures convertible into shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the total number of shares of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in sub-paragraph (a) above, otherwise than (i) pursuant to a Rights Issue (as hereinafter defined); or (ii) any issue of shares of the Company on the exercise of rights of subscription or conversion under the terms of any warrants or similar rights issued by the Company or any bonds, notes, debentures and securities which are convertible into shares of the Company; or (iii) an issue of shares of the Company under any share option scheme or similar arrangement providing for the grant to employees (including directors) of the Company and/or any of its subsidiaries of the rights to subscribe for shares of the Company; or (iv) an issue of shares of the Company in lieu of the whole or part of a dividend on share in accordance with the articles of association of the Company, shall not exceed 20 per cent of the total number of shares of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of the Cayman Islands to be held; or
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

NOTICE OF ANNUAL GENERAL MEETING

“**Rights Issue**” means an offer of shares of the Company open for a period fixed by the directors of the Company to the holders of shares of the Company whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the law of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong).”

(B) “**THAT:**

- (a) subject to sub-paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to buy-back shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Listing Rules or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the approval in sub-paragraph (a) of this resolution shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors of the Company on behalf of the Company during the Relevant Period to procure the Company to purchase its securities at a price determined by the directors of the Company;
- (c) the total number of shares of the Company to be bought back by the Company pursuant to the approval in sub-paragraphs (a) and (b) above shall not exceed 10 per cent of the total number of issued shares of the Company as at the date of passing this resolution, and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of the Cayman Islands to be held; or

NOTICE OF ANNUAL GENERAL MEETING

(iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

(C) “**THAT**, conditional upon resolutions numbered 4(A) and 4(B) as set out in the notice convening this meeting being passed, the total number of shares of the Company which are bought back by the Company under the authority granted to the directors of the Company pursuant to and in accordance with the said resolution numbered 4(B) above shall be added to the total number of shares that may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the directors of the Company pursuant to and in accordance with the resolution numbered 4(A) as set out in the notice convening this meeting.”

5. “**THAT**:

- (a) To consider conditional upon the Stock Exchange granting the listing of and permission to deal in the shares of the Company (the “**Share(s)**”) falling to be allotted and issued pursuant to the share option scheme (the “**Share Option Scheme**”), the terms of which are set out in the document marked “A” which has been produced to this meeting and signed by the chairman of this meeting for the purpose of identification, the rules of the Share Option Scheme be and are hereby approved and adopted and the Directors be and are hereby authorised to grant options and to allot, issue and deal in the Shares as may be required to be allotted and issued upon the exercise of any option granted thereunder and to take all such steps as they may consider necessary or expedient to implement the Share Option Scheme; and
- (b) the existing share option scheme of the Company which was adopted by the Company on 16 December 2011 (the “**Existing Share Option Scheme**”) be terminated upon the Share Option Scheme becoming unconditional such that no further options will be granted under the Existing Share Option Scheme but in all other respects the provisions of the Existing Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance

NOTICE OF ANNUAL GENERAL MEETING

with the provisions of the Existing Share Option Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Existing Share Option Scheme.”

By order of the Board of
HUILI RESOURCES (GROUP) LIMITED
Xiang Siying
Chairlady

Hong Kong, 23 April 2021

Registered Office and Principal Place of Business in Hong Kong:
Room 2805, 28/F.,
Harbour Centre,
25 Harbour Road, Wanchai,
Hong Kong

Notes:

- (1) The register of members of the Company (the “**Register of Members**”) will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021, both days inclusive, during which period no transfer of the shares of the Company 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 and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Monday, 24 May 2021.
- (2) A shareholder entitled to attend and vote at the meeting may appoint one or more than one proxy to attend and to vote instead of him. A proxy need not be a shareholder of the Company.
- (3) In the case of joint holders of any share, any one of such persons may vote at the said meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders is present at the said meeting, personally or by proxy, that one of the said persons so present whose name stands first on the Register of Members in respect of such share shall alone be entitled to vote in respect thereof.
- (4) In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 11:30 a.m. on Wednesday, 26 May 2021, or not less than 48 hours before the time appointed for holding any adjourned meeting (if applicable). Completion and return of the form or proxy will not preclude shareholders from attending and voting in person at the meeting or any adjournment thereof should they so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

If tropical cyclone warning signal no. 8 or above is hoisted or “extreme conditions” caused by super typhoons or a black rainstorm warning signal is in force at 7:00 a.m. on Friday, 28 May 2021, the meeting will be postponed and further announcement for details of alternative meeting arrangements will be made. The meeting will be held as scheduled even when tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force. You should make your own decision as to whether you would attend the meeting under bad weather conditions and if you should choose to do so, you are advised to exercise care and caution.

NOTICE OF ANNUAL GENERAL MEETING

PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING

The health of our shareholders, staff and stakeholders is of paramount importance to us. In view of the ongoing Novel Coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the Annual General Meeting to protect attending shareholders, staff and stakeholders from the risk of infection including, but not limited to:

- (i) compulsory body temperature checks will be conducted for every shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue;
- (ii) the Company encourages each attendee is mandatorily required to wear a surgical face mask throughout the meeting and inside the meeting venue, and to maintain a safe distance between seats; and
- (iii) no refreshment will be served, and there will be no corporate gift.

In addition, the Company reminds all shareholders that physical attendance in person at the meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting instead of attending the meeting in person, by completing and return the proxy form attached to this document. Shareholders who choose to do so should take action as soon as possible to ensure the proxy instructions reach our share registrar not less than 48 hours before the time fixed for holding the Annual General Meeting.

If any shareholder chooses not to attend the meeting in person but has any question about any resolution or about the Company, or has any matter for communication with the board of directors of the Company, he/she is welcome to send such question or matter in writing to our registered office or to our email at enquiry@huili.hk. If any shareholder has any question relating to the meeting, please contact Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong as follows:

Tricor Investor Services Limited

Level 54, Hopewell Centre 183 Queen's Road East, Hong Kong

Email: is-enquiries@hk.tricorglobal.com

Tel: (852) 2980 1333

Fax: (852) 2810 8185

Shareholders are in any event asked (a) to consider carefully the risk of attending the Annual General Meeting, which will be held in an enclosed environment; (b) to follow any requirements or guidelines of the Hong Kong Government relating to COVID-19 in deciding whether or not to attend the Annual General Meeting; and (c) not to attend the Annual General Meeting if they have contracted or are suspected to have contracted COVID-19 or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19.