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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY
INVOLVING THE ISSUE OF CONSIDERATION SHARES
UNDER GENERAL MANDATE**

THE SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 29 May 2023 (after trading hours), the Purchaser (a direct wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendor in respect of the Acquisition. Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to acquire, and the Vendor has agreed to sell the Sale Share, representing the entire issued share capital of the Target Company, at a Consideration of HK\$41,847,000. The Consideration shall be satisfied by the Company by the allotment and issue of 167,388,000 Consideration Shares to the Vendor at the Issue Price of approximately HK\$0.25 per Consideration Share upon Completion.

The Consideration Shares represent (i) approximately 10.33% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.37% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there will be no change in the share capital of the Company prior to the Completion).

The Consideration Shares will be allotted and issued under the General Mandate and are not subject to the approval of the Shareholders. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when allotted and issued, shall rank *pari passu* with the Shares in issue.

Upon Completion, the Group will be interested in the entire issued share capital of the Target Company and the Target Company will become an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, Zhuhai Margaux is wholly-owned by the Target Company and Shanxi Margaux is wholly-owned by Zhuhai Margaux. As such, the financial information of the Target Group will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a disclosable transaction on the part of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment or waiver (as the case may be) of the relevant conditions, therefore the Acquisition may or may not proceed. Accordingly, the Acquisition may or may not materialise and Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 29 May 2023 (after trading hours), the Purchaser (a direct wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendor in respect of the Acquisition. Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to acquire, and the Vendor has agreed to sell the Sale Share, representing the entire issued share capital of the Target Company, at a Consideration of HK\$41,847,000. The Consideration shall be satisfied by the Company by the allotment and issue of 167,388,000 Consideration Shares to the Vendor at the Issue Price of approximately HK\$0.25 per Consideration Share upon Completion.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below:

Date : 29 May 2023 (after trading hours of the Stock Exchange)

Parties : (i) The Vendor; and

(ii) The Purchaser

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser agreed to acquire, and the Vendor agreed to sell the Sale Share, representing the entire issued share capital of the Target Company. The Vendor shall also transfer the Vendor's Loan to the Purchaser (or its designated entity) at the nominal consideration of RMB1 at Completion.

Consideration

The Consideration of the Acquisition, being HK\$41,847,000, shall be satisfied by the Company by the allotment and issue of 167,388,000 Consideration Shares to the Vendor under the General Mandate at the Issue Price of approximately HK\$0.25 per Consideration Share upon Completion.

The Consideration was determined based on arm's length negotiations between the Purchaser and the Vendor with reference to, among others, the preliminary valuation of the Target Group based on the financial position as at 31 March 2023 (without taking into account of the Vendor's Loan to be transferred to the Purchaser (or its designated entity) at the nominal consideration of RMB1 at Completion) of approximately RMB37,700,000 (equivalent to approximately HK\$41,847,000) conducted by an independent third party valuer using market approach.

The Consideration Shares

Issue Price

The Consideration Shares will be issued at the Issue Price of approximately HK\$0.25 per Share, which represents:

- (i) a discount of approximately 12.3% to the closing price of HK\$0.285 per Share as quoted on the Stock Exchange as at the date of the Sale and Purchase Agreement;
- (ii) a discount of approximately 5.3% over the average closing price of approximately HK\$0.264 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the Sale and Purchase Agreement.

Number of Consideration Shares

The Consideration Shares represent (i) approximately 10.33% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.37% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there will be no change in the share capital of the Company prior to the Completion).

Ranking

The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with the Shares in issue.

General Mandate to issue the Consideration Shares

The Consideration Shares will be allotted and issued pursuant to the General Mandate. Under the General Mandate, the Directors are allowed to allot and issue up to 20% of the total number of the issued Shares. The maximum number of Shares that can be issued under the General Mandate is 324,000,000 Shares. As at the date of this announcement, the Company has not allotted and issued any Shares pursuant to the General Mandate and the General Mandate is sufficient for the allotment and issue of the Consideration Shares.

Application for Listing

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Conditions precedent

Completion is conditional upon and subject to the satisfaction (or waiver, as the case may be) of the following conditions:

- (1) the Purchaser being satisfied with the results of the due diligence review conducted in relation to the Acquisition;
- (2) the Listing Committee granting the listing of and the permission to deal in the Consideration Shares;
- (3) all necessary consents and approvals required to be obtained on the part of the Vendor and the Target Group in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained;
- (4) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained; and

- (5) the representations and warranties of the Vendor in the Sale and Purchase Agreement remaining true and accurate and not misleading, and there being no events, facts or circumstances that constitute a breach of the Vendor's representations and warranties in the Sale and Purchase Agreement in relation to the Vendor and/or the Target Group.

The Purchaser may at its absolute discretion at any time waive in writing any of the conditions (1) and (5) above and such waiver may be made subject to such terms and conditions as may be determined by the Purchaser. Other than conditions (1) and (5), all other conditions set out above cannot be waived. If any of the conditions set out in the Sale and Purchase Agreement have not been satisfied (or as the case may be, waived) on or before 30 June 2023 (or such later date as may be agreed between the Vendor and the Purchaser in writing), the Sale and Purchase Agreement shall cease and determine.

Completion

Completion shall take place on the Completion Date after fulfilment (or waiver, as the case may be) of all the conditions precedent under the Sale and Purchase Agreement.

Upon Completion, the Group will be interested in the entire issued share capital of the Target Company and the Target Company will become an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, Zhuhai Margaux is wholly-owned by the Target Company and Shanxi Margaux is wholly-owned by Zhuhai Margaux. As such, the financial information of the Target Group will be consolidated into the financial statements of the Group.

INFORMATION ON THE PARTIES

The Group

The Company is an investment holding company.

The Group is principally engaged in (i) the trading of coal; (ii) provision of coal processing services; (iii) coal service supply chain; (iv) financial services; and (v) mining, processing and sale of nickel, copper, lead and zinc products in the PRC.

The Vendor

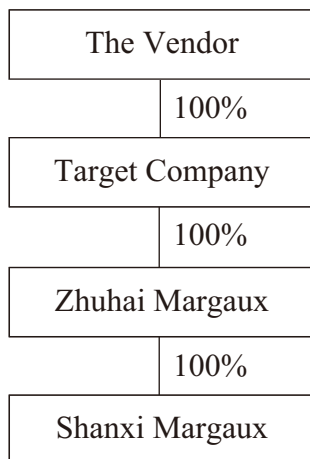
The Vendor is a merchant.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as of the date of this announcement, the Vendor is an Independent Third Party.

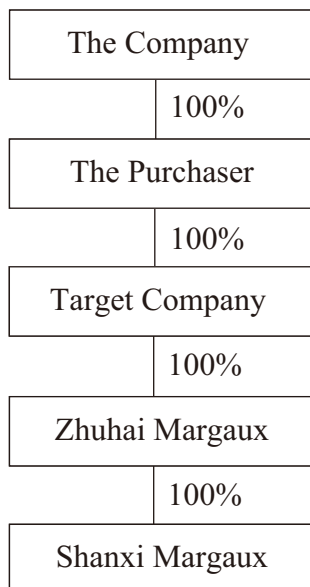
The Target Group

Shareholding Structure of the Target Group

Set out below is the shareholding structure of the Target Group as at the date of this announcement:



Set out below is the shareholding structure of the Target Group immediately after Completion:



The Target Company

The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. The Company is the holding company of Zhuhai Margaux.

Zhuhai Margaux

Zhuhai Margaux is a company established in the PRC with limited liability and is principally engaged in investment holding. The Company is the holding company of Shanxi Margaux.

Shanxi Margaux

Shanxi Margaux is a company established in the PRC with limited liability and is principally engaged in (i) supply chain management services; (ii) machinery and equipment leasing; and (iii) general cargo storage services. Shanxi Margaux is currently the supplier for the supply chain management services of the Group.

Set out below is the unaudited consolidated financial information of the Target Group for the two financial years ended 31 December 2021 and 31 December 2022:

	For the year ended 31 December 2021		For the year ended 31 December 2022	
	<i>Equivalent to approximately</i>		<i>Equivalent to approximately</i>	
	<i>RMB'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>
	(unaudited)		(unaudited)	
Revenue	260,215	312,258	25,106	30,127
Profit/(loss) before income tax	657	788	(879)	(1,034)
Profit/(loss) after income tax	493	592	(1,450)	(1,718)

Based on the unaudited consolidated management accounts of the Target Group, the consolidated net asset value of the Target Group as at 31 March 2023 was approximately RMB2,956,000 (equivalent to approximately HK\$3,281,000).

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 1,620,000,000 Shares in issue. The following table sets out the shareholding structure of the Company as at the date of this announcement and immediately upon Completion and the allotment and issue of the Consideration Shares (assuming there will be no change in the share capital of the Company prior to the Completion):

Shareholder	As at the date of this announcement		Immediately upon the allotment and issue of Consideration Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Sky Circle International Limited (<i>Note 1</i>)	441,000,000	27.22	441,000,000	24.67
Affinitiv Mobile Ventures Limited (<i>Note 2</i>)	320,000,000	19.75	320,000,000	17.90
Prosper Union Holdings Limited (<i>Note 4</i>)	74,361,117	4.59	74,361,117	4.16
Vendor	–	–	167,388,000	9.37
Other public shareholders	784,638,883	48.44	784,638,883	43.90
Total	<u>1,620,000,000</u>	<u>100.00</u>	<u>1,787,388,000</u>	<u>100.00</u>

1. Mr. Cui Yazhou (“**Mr. Cui**”), the chairman of the Board and an executive Director, is the legal and beneficial owner of the entire issued share capital of Sky Circle International Limited which holds 441,000,000 shares of the Company, and thus Mr. Cui is deemed to be interested in such shares of the Company under the SFO.
2. Affinitiv Mobile Ventures Limited is wholly-owned by China Huarong Overseas Investment Holdings Co., Limited which is wholly-owned by Huarong Overseas Chinese Asset Management Co., Limited. Huarong Zhiyuan Investment & Management Co., Limited held 91% of equity interests of Huarong Overseas Chinese Asset Management Co., Limited. Huarong Zhiyuan Investment & Management Co., Limited is wholly-owned by China Huarong Asset Management Co., Limited.
3. Mr. Ye Xin (“**Mr. Ye**”), an executive Director is the legal and beneficial owner of the entire issued share capital of Prosper Union Holdings Limited which holds 74,361,117 shares of the Company, and thus Mr. Ye is deemed to be interested in such shares of the Company under the SFO.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and the Group is principally engaged in (i) the trading of coal; (ii) provision of coal processing services; (iii) coal service supply chain; (iv) financial services; and (v) mining, processing and sale of nickel, copper, lead and zinc products in the PRC.

The Board believes that given that the Target Group is principally engaged in the activities set out above, the Acquisition is in line with the development strategy of the Group to strengthen its existing trading of coal business and supply chain management services and its presence and provision of services in the coal industries in the PRC. Furthermore, the Acquisition will allow the Group to utilise the synergies created by the acquisition of the Target Group and create long-term and strategic growth opportunities for the Group.

Therefore, the Board is of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a disclosable transaction on the part of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment or waiver (as the case may be) of the relevant conditions, therefore the Acquisition may or may not proceed. Accordingly, the Acquisition may or may not materialise and Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Acquisition”	the acquisition of the Sale Share by the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors

“Business Day”	any day (excluding Saturday, Sunday or public or statutory holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Huili Resources (Group) Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange (stock code: 1303)
“Completion”	the completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date within 10 Business Days after the fulfilment (or waiver, as the case may be) of all the conditions precedent under the Sale and Purchase Agreement or such other date as the Vendor and the Purchaser may agree in writing
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Acquisition, being HK\$41,847,000 which will be satisfied by the allotment and issue of the Consideration Shares
“Consideration Shares”	the 167,388,000 new Shares to be allotted and issued to the Vendor, subject to the terms and conditions under the Sale and Purchase Agreement, at the Issue Price credited as fully paid to satisfy the Consideration
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting on 10 June 2022 to allot and issue up to 324,000,000 Shares, representing 20% of the then total number of Shares on the date of passing such resolution
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected (as defined under the Listing Rules) with the Company and connected person(s) of the Company
“Issue Price”	approximately HK\$0.25 per Consideration Share

“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	Surplus Plan Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 29 May 2023 and entered into between the Purchaser and the Vendor in respect of the Acquisition
“Sale Share”	being 1 ordinary share, representing the entire issued share capital of the Target Company, which is legally and beneficially owned by the Vendor as at the date of this announcement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shanxi Margaux”	Shanxi Margaux Supply Chain Management Company Limited* (山西瑪高供應鏈管理有限公司), a company established in the PRC and a wholly-owned subsidiary of Zhuhai Margaux
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Margaux Investment Limited, a company incorporated in Hong Kong with limited liability
“Target Group”	the Target Company, Zhuhai Margaux and Shanxi Margaux, collectively
“Vendor”	Mr. Feng Yuantao, the beneficial owner of the Sale Share
“Vendor’s Loan”	all debts owing by Zhuhai Margaux to the Vendor at Completion, which is RMB14,000,959 as at the date of this announcement

“Zhuhai Margaux”	Zhuhai Margaux Investment Company Limited* (珠海瑪高投資有限公司), a company established in the PRC and a wholly-owned subsidiary of the Target Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For ease of reference and unless otherwise specified in this announcement, sums in RMB in this announcement have been translated, for the purpose of illustration only, into HK\$ on the basis of RMB1.00 = HK\$1.11. This does not mean that HK\$ could be converted into RMB, or vice versa, based on such exchange rate.

By order of the Board
Huili Resources (Group) Limited
Cui Yazhou
Chairman

Hong Kong, 29 May 2023

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

* *For identification purposes only*