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滙力集團
HUILI GROUP

Huilu Resources (Group) Limited

滙力資源(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1303)

ISSUE OF NEW SHARES UNDER GENERAL MANDATE

THE SUBSCRIPTION

On 25 September 2024 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 85,819,957 Subscription Shares at the Subscription Price in the total sum of HK\$38,618,981, equivalent to HK\$0.45 per Subscription Share.

The Subscription Shares to be allotted and issued under Subscription represent (i) approximately 4.3% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.1% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Completion). The Subscription Price in the total sum of HK\$38,618,981 will be settled and satisfied by the Subscriber with the Company at Completion by setting-off against the principal amount and the accrued interest up to the date of the Subscription Agreement of HK\$37,360,000 and HK\$1,258,981, respectively, of the Promissory Note.

The Subscription Shares will be allotted and issued under the General Mandate.

WARNING

The Subscription is subject to satisfaction of the conditions precedent in the Subscription Agreement and thus the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

References are made to the announcements (the “**Announcements**”) of the Company dated 29 December 2023 and 24 January 2024 respectively, in relation to, among others, the Acquisition. Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Announcements.

SUBSCRIPTION AGREEMENT

On 25 September 2024 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 85,819,957 Subscription Shares at the Subscription Price in the total sum of HK\$38,618,981, equivalent to HK\$0.45 per Subscription Share.

The principal terms of the Subscription Agreement are set out below:

Date : 25 September 2024

Parties : (i) The Company; and
(ii) The Subscriber

As at the date of this announcement, the Subscriber is the holder of (i) the Promissory Note with an outstanding principal amount of HK\$37,360,000; and (ii) 156,600,000 Shares, representing approximately 7.8% of the total issued Shares of the Company. Save as disclosed above, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, neither the Subscriber nor its associates hold or are interested in any Share or other securities of the Company. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Subscriber is an Independent Third Party.

Subscription Shares

The Subscription Shares to be allotted and issued under the Subscription represent (i) approximately 4.3% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.1% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Completion).

Subscription Price

The Subscription Price in the total sum of HK\$38,618,981, equivalent to HK\$0.45 per Subscription Share, represents:

- (i) a discount of approximately 6.25% to the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on 25 September 2024, being the date of the Subscription Agreement; and
- (ii) a discount of approximately 5.26% to the average of the closing prices per Share of HK\$0.475 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreement.

The aggregate nominal value of the 85,819,957 Subscription Shares will be HK\$8,581,995.70. The net issue price per Subscription Share (after deduction of professional fees and all related expenses) is approximately HK\$0.448. The Subscription Price was arrived at after arm's length negotiation between the Company and the Subscriber with reference to the recent market prices of the Shares and current market conditions. The Directors consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion is subject to fulfilment or waiver of the conditions precedent set out below:

- (i) the Listing Committee of the Stock Exchange having granted approval for the listing of and permission to deal in the Subscription Shares;
- (ii) the Company having obtained all necessary approvals and permissions in relation to the Subscription;
- (iii) the representations and warranties of the Company under the Subscription Agreement having remained true and accurate and not misleading, and there being no matters, facts, or circumstances which constitute or are likely to constitute a breach of such representations and warranties; and
- (iv) the representations and warranties of the Subscriber under the Subscription Agreement having remained true and accurate and not misleading, and there being no matters, facts, or circumstances which constitute or are likely to constitute a breach of such representations and warranties.

The Company may at any time notify the Subscriber in writing to waive compliance with the condition precedent (iv) above. The Subscriber may at any time notify the Company in writing to waive compliance with the condition precedent (iii) above. The conditions precedent set out in (i) and (ii) above are incapable of being waived. The Company shall use its best efforts to ensure that the conditions precedent set out in (i), (ii) and (iii) above are fulfilled as soon as practicable. The Subscriber shall use its best efforts to ensure that the condition precedent set out in (iv) above fulfilled as soon as practicable.

If the conditions precedent set out above are not satisfied on or before 31 December 2024, the Subscription Agreement shall terminate and neither of the Company nor the Subscriber shall have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach of the Subscription Agreement.

As at the date of this announcement, none of the conditions precedent have been satisfied.

Settlement and satisfaction of the Subscription Price

The Subscription Price in the total sum of HK\$38,618,981 will be settled and satisfied by the Subscriber at the Completion by setting-off against the principal amount and the accrued interest up to the date of the Subscription Agreement of HK\$37,360,000 and HK\$1,258,981, respectively, of the Promissory Note. The Promissory Note was issued by the Company to the Subscriber on 24 January 2024 for the purpose of settlement of the Consideration for the Acquisition. The Promissory Note in the principal amount of HK\$37,360,000 carries interest at the interest rate of 5% per annum from the date of the issue of the Promissory Note and has a maturity date being the date falling 5 years from the date of issuance of the Promissory Note. At the Completion, the Subscriber shall also waive all interest accrued on the Promissory Note after the date of the Subscription Agreement.

Ranking of the Subscription Shares

The Subscription Shares will rank, upon issue, *pari passu* in all respect with the Shares in issue on the date of the allotment and issue of the Subscription Shares.

Completion

Completion will take place within 15 Business Days after the conditions precedent in the Subscription Agreement have been fulfilled or waived (or such other date as may be agreed between the Company and the Subscriber in writing).

Application for listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

General mandate

The Subscription Shares will be allotted and issued under the general mandate (the “**General Mandate**”) of the Company granted to the Directors by resolution of the Shareholders passed at the annual general meeting (the “**AGM**”) of the Company held on 14 June 2024, subject to the limit of up to 20% of the then issued share capital of the Company as at the date of the AGM. Under the General Mandate, the Company is authorised to issue up to 388,797,600 new Shares, representing 20% of then issued share capital of the Company as at the date of the passing of the resolution at the AGM. As at the date of this announcement, 73,333,333 new Shares had been issued under the General Mandate on 24 July 2024 and 315,464,267 new Shares remain available under the General Mandate. Accordingly, the allotment and issue of the Subscription Shares are not subject to the approval of the Shareholders.

INFORMATION OF 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; and (iv) mining, ore processing and sale of lead and zinc products in the PRC.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND THE USE OF PROCEEDS

The Promissory Note carries interest at the interest rate of 5% per annum and interest shall be paid annually in arrears on 31 December of each year after the date of issue of the Promissory Note which has a maturity date falling 5 years from the date of issuance of the Promissory Note (i.e. 23 January 2029). As at the date of this announcement, the outstanding principal amount of the Promissory Note (together with interest accrued) amounted to HK\$38,618,981 and it is expected that the Company will incur additional finance costs in the form of interest expenses of approximately HK\$8,096,373 from the date of this announcement until the maturity date of the Promissory Note. The redemption of the Promissory Note as at the date of this announcement or upon maturity will reduce the amount of available cash and capital resources of the Group.

As the Subscription Price of HK\$38,618,981 for the Subscription Shares under the Subscription Agreement will be satisfied by setting off against the Promissory Note in the principal amount and the accrued interest up to the date of the Subscription Agreement of HK\$38,618,981, there will be no cash proceeds from the Subscription.

The Directors believe that the Subscription, in which the Subscription Price will be set-off against the principal amount and the accrued interest up to the date of the Subscription Agreement of the Promissory Note, will be beneficial to the Group as it will alleviate the impact on the Company’s cash flow position were the Promissory Note to be redeemed by the Company. Additionally, it will enable the Group to allocate its scarce cash resources to the Group’s growth of coal supply chain management business. As such, the Directors are of the view that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITY OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company had not conducted any other equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon the allotment and issue of the Subscription Shares (assuming that there will be no change in the issued share capital of the Company between the date of this announcement up to the Completion) are set out below:

Shareholder	As at the date of this announcement		Immediately upon the allotment and issue of the Subscription Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Sky Circle International Limited (<i>Note 1</i>)	521,000,000	25.83	521,000,000	24.77
Feng Yuantao	306,522,040	15.19	306,522,040	14.57
Prosper Union Holdings Limited (<i>Note 2</i>)	137,792,017	6.83	137,792,017	6.55
Subscriber	156,600,000	7.76	242,419,957	11.53
Other public Shareholders	895,407,276	44.39	895,407,276	42.58
Total	<u>2,017,321,333</u>	<u>100.00</u>	<u>2,103,141,290</u>	<u>100.00</u>

Notes:

1. Mr. Cui Yazhou (“**Mr. Cui**”) is the legal and beneficial owner of the entire issued share capital of Sky Circle International Limited which holds 521,000,000 shares of the Company, and thus Mr. Cui is deemed to be interested in such shares of the Company under the SFO.
2. Mr. Ye Xin (“**Mr. Ye**”) is the legal and beneficial owner of the entire issued share capital of Prosper Union Holdings Limited which holds 137,792,017 shares of the Company, and thus Mr. Ye is deemed to be interested in such shares of the Company under the SFO.

WARNING

The Subscription is subject to satisfaction of the conditions precedent in the Subscription Agreement and thus the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Completion”	the completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement
“Subscriber”	Mr. Bong Chin Chung
“Subscription”	the subscription by the Subscriber from the Company of the Subscription Shares pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement entered into between the Company and the Subscriber dated 25 September 2024 in relation to the Subscription
“Subscription Price”	the total sum of HK\$38,618,981, equivalent to HK\$0.45 per Subscription Share
“Subscription Share(s)”	85,819,957 new Shares to be subscribed by the Subscriber at the Subscription Price and to be allotted and issued by the Company pursuant to the Subscription Agreement

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

Hong Kong, 25 September 2024

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.