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CHINA BILLION RESOURCES LIMITED

中富資源有限公司

(incorporated in the Cayman Islands with limited liability)

(stock code: 274)

SETTLEMENT AGREEMENT AND PROPOSED ISSUE OF NEW SHARES UNDER GENERAL MANDATE

On 31 August 2020, the Company entered into the Tung Settlement Agreement with Ms. Tung for the settlement of the amount owed by the Company under the Relevant Bonds and the Wu Settlement Agreement, being HK\$9,951,528.08. Subject to the fulfilment of conditions precedent described below, such amount is to be settled in full by the Company by the issue and allotment of 70,789,074 Settlement Shares to Ms. Tung at HK\$0.14058 per Share on or before 30 September 2020.

The Settlement Shares will be issued under general mandate granted to the Directors by the Shareholders at the Company's annual general meeting held on 12 June 2020 and represent approximately 6.73% of the total number of Shares in issue as at the date of this announcement and approximately 6.30% of the total number of Shares in issue as enlarged by the issue of the Settlement Shares.

INTRODUCTION

Reference is made to the announcement of the Company dated 27 March 2020 in relation to the Wu Settlement Agreement between the Company and Mr. Wu in relation to the settlement of the Reference Bonds issued by the Company to Mr. Wu which was due on 23 May 2019.

On 30 June 2020, the Company entered into the Supplemental Agreement with Mr. Wu to extend the final settlement date of the remaining outstanding amount under the Wu Settlement Agreement to 30 September 2020. On 20 August 2020, the Company received a transfer form signed by Mr. Wu as transferor and Ms. Tung as transferee whereby Mr. Wu assigned to Ms. Tung all his rights under the Reference Bonds (as amended by the Wu Settlement Agreement) with respect to the entire outstanding amount of HK\$9,951,528.08 (comprising outstanding principal of HK\$9,832,993.37 and accrued and unpaid interest of HK\$118,534.71 up to 12 June 2020) ("**Settlement Sum**"). To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, each of Mr. Wu and Ms. Tung is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

On 31 August 2020, the Company and Ms. Tung entered into the Tung Settlement Agreement in relation to the settlement of the Settlement Sum.

PRINCIPAL TERMS OF THE TUNG SETTLEMENT AGREEMENT

The Company and Ms. Tung have agreed that,

- (a) subject to the fulfilment of conditions precedent described below, the Settlement Sum is to be settled in full by the issue and allotment by the Company to Ms. Tung of 70,789,074 Settlement Shares, credited as fully paid, at HK\$0.14058 per Share; and
- (b) if the issue of Settlement Shares does not take place on or before 30 September 2020 (or any other date as may be agreed by the parties), the Settlement Sum will accrue interest at the rate of 10% per annum from (and inclusive of) 13 June 2020 to the date of actual repayment in full.

Settlement Shares

The 70,789,074 Settlement Shares represents approximately 6.73% of the total number of Share in issue as at the date of this announcement and approximately 6.30% of the total number of Share in issue as enlarged by the issue of Settlement Shares.

The issue price of HK\$0.14058 per Settlement Share is determined by the parties on arm's length negotiation by reference to a 10% discount to the average closing price per Share for the five trading days immediately preceding the date of the Tung Settlement Agreement. The issue price represents:

- (i) a discount of approximately 8.12% over the closing price of HK\$0.153 per Share as quoted on the Stock Exchange on the date of the Tung Settlement Agreement; and
- (ii) a discount of 10% over the average closing price of HK\$0.1562 per Share as quoted on the Stock Exchange for the five trading days immediately preceding the date of the Tung Settlement Agreement.

Based on the closing price of HK\$0.153 per Share on 31 August 2020, being the date of the Tung Settlement Agreement, the Settlement Shares have a market value of approximately HK\$10,830,728.32. The aggregate nominal value of the Subscription Shares is HK\$707,890.74.

Conditions Precedent

The issue and allotment of Settlement Shares are conditional upon:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Settlement Shares; and
- (ii) (to the extent applicable) the Company having obtained all necessary approval with respect to the transactions contemplated under the Tung Settlement Agreement (including the issue of Settlement Shares).

Completion

Completion of the issue and allotment of Settlement Shares is to take place within 10 business days after satisfaction of all conditions precedent above.

IMPACT ON THE SHAREHOLDING OF THE COMPANY

The shareholding of the Company as at the date of this announcement and immediately upon issue of the Settlement Shares is as follows (assuming there is no other change to the share capital of the Company other than the issue of Settlement Shares):

	As at the date of this announcement		Immediately upon issue of the Settlement Shares	
	Shares in the Company	Approximately %	Shares in the Company	Approximately %
Ms. Tung	-	-	70,789,074	6.30%
Substantial shareholders				
Mr. Wang Tao <i>(note)</i>	170,723,489	16.22%	170,723,489	15.20%
Ms. Wang Juan	165,101,665	15.69%	165,101,665	14.70%
Public shareholders	716,599,154	68.09%	716,599,154	63.80%
Total	1,052,424,308	100.00%	1,123,213,382	100.00%

note: 27,300,000 Shares are held by Mr. Wang Tao beneficially and 143,423,489 Shares are held by Chunda International Technology Development Co., Limited, which is a company wholly-owned by Mr. Wang Tao.

INFORMATION ON THE GROUP AND REASONS FOR AND BENEFITS OF THE SETTLEMENT ARRANGEMENT

The Company is an investment holding company. The Group is principally engaged in (i) gold mining, exploration and trading of gold products in the PRC; (ii) provision of money lending services in Hong Kong; and (iii) trading of coal in the PRC.

In view of the cash and cash equivalents of the Group, the settlement arrangement contemplated under the Tung Settlement Agreement can reduce the indebtedness of the Group without incurring significant cash outflow. In view of the above, the Directors are of the view that the terms of the Tung Settlement Agreement are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and its shareholders as a whole.

GENERAL MANDATE

The Settlement Shares will be issued pursuant to the general mandate to allot, issue and deal with Shares granted to the directors of the Company by resolution of its shareholders passed at the Company's annual general meeting held on 12 June 2020. Such general mandate has not been utilised prior to entering into the Tung Settlement Agreement.

EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

Save as disclosed below, the Company has not conducted any equity fund raising activities in the 12 months immediately preceding the date of the Tung Settlement Agreement:

Date of announcement	Fund raising activity	Amount of fund raised (approximately)	Intended use of the proceeds	Actual use of the proceeds
23 October 2019, 6 November 2019	Private placement of Shares under general mandate	HK\$28 million	For settlement with a creditor of the Company	There is no actual cash inflow into the Company as the issuance of Shares was to settle the indebtedness of the Company
27 November 2019, 4 December 2019	Private placement of Shares under general mandate	HK\$36.5 million (net proceeds)	For repayment of existing indebtedness and as general working capital of the Group	All of the net proceeds have been utilised as intended

DEFINITIONS

The following defined terms are used in this announcement:

“Company”	China Billion Resources Limited, a company incorporated in the Cayman Islands with limited liability, shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wu”	Mr. Wu Yuexin
“Ms. Tung”	Ms. Tung Yuen Ling
“Relevant Bonds”	the convertible bonds issued by the Company to Mr. Wu on 24 May 2016 in the principal amount of HK\$13,970,030.14, which matured on 23 May 2019 (upon which the rights to conversion ceased) and part of the amount due thereunder has been repaid by the Company
“Settlement Shares”	70,789,074 Shares to be issued by the Company to Ms. Tung in accordance with the terms of the Tung Settlement Agreement
“Share(s)”	ordinary shares of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Supplemental Agreement”	the agreement dated 30 June 2020 entered into between the Company and Mr. Wu to extend the final settlement date set out in the Wu Settlement Agreement
“Tung Settlement Agreement”	the agreement dated 31 August 2020 entered into between the Company and Ms. Tung in relation to the settlement of the Settlement Sum and issue of the Settlement Shares
“Wu Settlement Agreement”	the agreement dated 27 March 2020 (as amended and supplemented by the Supplemental Agreement) entered into between the Company and Mr. Wu in relation to the settlement of debt owed by the Company to Mr. Wu under the Relevant Bonds

By order of the board of directors of
China Billion Resources Limited
Qiao Bingya
Chairman of the Board and Chief Executive Officer

Hong Kong, 31 August 2020

As at the date of this announcement, the Board comprises:

Executive directors:

Mr. Qiao Bingya
*(Chairman of the Board and
Chief Executive Officer)*
Mr. Xie Qiangming
Mr. Zhang Yiwen

Non-executive director:

Mr. Sun Aimin

Independent non-executive directors:

Mr. Cai Jianhua
Mr. Ho Wing Chung
Mr. Yan Xiaotian