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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)

- (1) PROPOSED CAPITAL REORGANISATION**
(2) OPEN OFFER ON THE BASIS ON TWO OFFER SHARES
FOR EVERY ONE REORGANISED SHARE
HELD ON THE OPEN OFFER RECORD DATE
(3) ISSUE OF SETTLEMENT SHARES AND SETTLEMENT
CONVERTIBLE BONDS
UNDER DEBT SETTLEMENT AGREEMENTS
AND
(4) APPLICATION FOR WHITEWASH WAIVER

Financial adviser to the Company



ASIAN CAPITAL
(CORPORATE FINANCE) LIMITED
卓亞(企業融資)有限公司

CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation which will be put forward to the Shareholders for their approval at the EGM. The Capital Reorganisation will entail the Capital Reduction, the Capital Cancellation, the Share Consolidation, the increase in authorised Share capital and the Share Premium Reduction.

* For identification purposes only

OPEN OFFER

Subject to the Capital Reorganisation becoming effective, the Board proposes that the Company makes the Open Offer on the basis of two (2) Offer Shares for every one (1) Reorganised Share held on the Open Offer Record Date by the Qualifying Shareholders. A total of 5,235,303,300 Offer Shares will be allotted and issued by the Company to the Qualifying Shareholders at the Offer Price of HK\$0.03 for each Offer Share and the gross proceeds to be raised from the issue of the Offer Shares is expected to be approximately HK\$157.1 million.

DEBT SETTLEMENT AGREEMENTS

Share Settlement Agreements

The Company has entered into the Share Settlement Agreements with the Share Settlement Creditors respectively, pursuant to which the Share Settlement Creditors have conditionally agreed to accept, and the Company has conditionally agreed to allot and issue, up to 9,692,022,458 Settlement Shares at the Settlement Share Price of HK\$0.05 each to the Share Settlement Creditors, in full and final settlement of the relevant outstanding debts, together with the accrued interest (where relevant), owed by the Company to the Share Settlement Creditors.

CB Settlement Agreements

The Company has entered into CB Settlement Agreements with the CB Settlement Creditors respectively, pursuant to which the CB Settlement Creditors have conditionally agreed to accept, and the Company has conditionally agreed to issue, the Convertible Bonds in the total principal amount of HK\$53,417,356.17, in full and final settlement of the relevant outstanding debts, together with the accrued interest, owed by the Company to the CB Settlement Creditors.

LISTING RULES IMPLICATIONS

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Creditor B, the Creditor C, the Creditor D, the Creditor G, the Creditor H, the Creditor I, the Creditor J, the Creditor K and the Creditor L, and their respective ultimate beneficial owner(s) did not hold any existing Shares and are independent third parties not connected with the Company or any of its connected persons as at the date of the Debt Settlement Agreements and up to the date of this announcement.

As at the date of this announcement, Mr. Long is the Company's chairman, an executive Director and a substantial Shareholder interested through Creditor A in 762,022,000 Shares, representing approximately 14.56% of the issued share capital of the Company. Each of the Investor, the Creditor A and the Creditor F is wholly and beneficially owned by Mr. Long. Therefore, each of Mr. Long, the Investor, the Creditor A and the Creditor F is a connected person of the Company pursuant to the Listing Rules.

As such the entering into each of the Underwriting Agreement, the Share Settlement Agreement A, the Share Settlement Agreement E, the Share Settlement Agreement F1 and the Share Settlement Agreement F2 constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and (apart from the Underwriting Agreement) subject to reporting, announcement and the independent Shareholders' approval requirements pursuant to the Listing Rules.

As all applicable percentage ratios in respect of the payment of the underwriting commission by the Company to the Investor are less than 25% and the total amount of the underwriting commission payable by the Company to the Investor is less than HK\$10,000,000, the payment of the underwriting commission is subject to reporting and announcement requirements but exempt from the independent Shareholders' approval requirement pursuant to Rule 14A.76(2)(b) of the Listing Rules.

In addition, as the Open Offer will increase the number of issued Reorganised Shares by more than 50%, the Open Offer is subject to approval by the Shareholders at the EGM by way of poll. Given there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Open Offer pursuant to the requirement of the Listing Rules.

TAKEOVERS CODE IMPLICATION

As at the date of this announcement, Mr. Long and parties acting in concert with him are interested in 762,022,000 Shares, representing approximately 14.56% of the total number of the Shares in issue. Immediately upon completion of the issue of the Offer Shares, the Settlement Shares and/or the Conversion Shares, Mr. Long and parties acting in concert with him will be interested in 6,604,519,234 Reorganised Shares, representing (a) approximately 37.65% of the total number of Reorganised Shares in issue immediately upon completion of the Capital Reorganisation and as enlarged by the issue of the Offer Shares and the Settlement Shares (assuming all Shareholders are Qualifying Shareholders and have taken up his/her/its entitlement under the Open Offer); and (b) approximately 36.53% of the total number of Reorganised Shares in issue immediately upon completion of the Capital Reorganisation and as enlarged by the issue of the Offer Shares, the Settlement Shares and the Conversion Shares (assuming all Shareholders are Qualifying Shareholders and have taken up his/her/its entitlement under the Open Offer).

In the event that none of the Qualifying Shareholders (apart from Star Sino International Limited) takes up his/her/its entitlement under the Open Offer and the Investor is called upon to take up all the Offer Shares under the Underwriting Agreement, Mr. Long and parties acting in concert with him will be interested in an aggregate 11,077,800,534 Reorganised Shares representing (a) approximately 63.15% of the total number of Reorganised Shares in issue immediately upon completion of the Capital Reorganisation as enlarged by the issue of the Offer Shares and the Settlement Shares; and (b) approximately 61.27% of the total number of Reorganised Shares in issue immediately upon completion of the Capital Reorganisation as enlarged by the issue of the Offer Shares, the Settlement Shares and the Conversion Shares.

Pursuant to Rule 26 of the Takeovers Code and in the absence of the Whitewash Waiver, as a result of the completion of the issue of the Settlement Shares and, if the Investor is called upon to take up the Offer Shares under the Underwriting Agreement, the Offer Shares, an obligation to make a mandatory general offer would be triggered on the part of Mr. Long and parties acting in concert with him for all the shares of the Company other than those already owned or agreed to be acquired by Mr. Long and parties acting in concert with him. In this respect, Mr. Long will make an application to the Executive under the Takeovers Code for the grant of the Whitewash Waiver to relieve them from their obligation to make a mandatory general offer as a result of the completion of the issue of the Settlement Shares and the Offer Shares which may be acquired by the Investor if it is called upon to take up the Offer Shares under the Underwriting Agreement, and such grant will be subject to, among other things, approval of the Independent Shareholders in respect of the Whitewash Waiver at the EGM by way of poll. If the Whitewash Waiver is not granted by the Executive or is not approved by the Independent Shareholders at the EGM, the Open Offer, the Underwriting Agreement and the transactions contemplated under the Debt Settlement Agreements will not proceed.

GENERAL

The EGM will be held, at which resolutions will be proposed to consider and, if thought fit, pass to approve, among other things, (i) the Capital Reorganisation; (ii) the Open Offer; (iii) the issue of the Settlement Shares and the Convertible Bonds under the Debt Settlement Agreements and the issue of the Conversion Shares pursuant to the Convertible Bonds; (iv) the Whitewash Waiver, and all these resolutions shall be voted by way of poll.

Mr. Long, his associates and parties acting in concert with him and those who are interested in and/or involved in the Underwriting Agreement, the Debt Settlement Agreements and the Whitewash Waiver will abstain from voting on the resolutions approving the Open Offer, the Debt Settlement Agreements and the Whitewash Waiver.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the Open Offer, the Debt Settlement Agreements and the Whitewash Waiver. An Independent Financial Adviser will be appointed in due course to advise the Independent Board Committee and the Independent Shareholders in relation to the recommendations to voting at the EGM on the resolutions in relation to the Open Offer, the Debt Settlement Agreements and the Whitewash Waiver. A further announcement will be made by the Company upon the appointment of the Independent Financial Adviser.

A circular containing, among other things, details of (i) the Capital Reorganisation; (ii) the Open Offer; (iii) the Debt Settlement Agreements; (iv) the Whitewash Waiver; (v) all the transactions contemplated thereunder; (vi) the letter from the Independent Board Committee; (vii) the letter from the Independent Financial Adviser; and (viii) a notice of the EGM, is expected to be despatched to the Shareholders on or before 6 January 2016.

CONDITIONS FOR RESUMPTION

On 14 December 2015, the Company received the approval from the Stock Exchange that the Resumption is allowed subject to the completion of the Capital Reorganisation, the Open Offer and the Debt Settlement Agreements.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended since 29 June 2011 and shall remain suspended until further notice.

The transactions contemplated under the Open Offer and the Debt Settlement Agreements are subject to the fulfillment of a number of conditions precedent, and therefore may or may not materialise. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

Trading in the shares of the Company will continue to be suspended until further notice. The release of this announcement does not necessarily indicate the shares of the Company will be resumed for trading. Accordingly, Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company. The Company will keep the public informed of the latest development by making further announcements when and as appropriate.

INTRODUCTION

References are made to the Company's announcements dated 10 April 2012, 14 December 2012, 5 February 2013, 28 February 2013, 1 April 2013, 23 May 2013, 27 June 2013, 1 October 2013, 1 November 2013, 4 December 2013, 31 December 2013, 29 January 2014, 28 February 2014, 26 March 2014, 16 May 2014, 19 June 2014, 24 July 2014, 3 October 2014, 7 January 2015, 23 March 2015, 30 April 2015, 29 May 2015, 30 June 2015 and 27 July 2015, respectively, regarding the progress on the Resumption. As stated in the Company's announcement dated 27 July 2015, the Company was exploring the possibility of negotiating with the Creditors with a view to resolving its going concern issue.

CAPITAL REORGANISATION

As at the date of this announcement, the existing authorised share capital of the Company is HK\$800 million, divided into 8,000 million Shares of HK\$0.10 each, of which 5,235,303,300 Shares were issued and credited as fully paid up in the amount of HK\$523,530,330.

The Board proposes to implement the Capital Reorganisation which will be subject to Shareholders' approval at the EGM. The Capital Reorganisation will entail the Capital Reduction, the Capital Cancellation, the Share Consolidation, the increase in authorised Share capital and the Share Premium Reduction with details as follows:

Capital Reduction

The nominal value of each issued Share shall be reduced from HK\$0.10 to HK\$0.005 by the reduction of HK\$0.095 for each issued Share. The credit balance arising from the Capital Reduction of HK\$497,353,813.50 will be applied in a manner as permitted by the Companies Law and other applicable laws to, including but not limited to, the setting off of part of the accumulated deficit of the Company.

Capital Cancellation

The existing 2,764,696,700 unissued Shares in the un-issued share capital of the Company of HK\$276,469,670 will, immediately after the completion of the Capital Reduction, be cancelled in its entirety resulting in the authorized share capital being reduced to the amount of the Company's issued share capital, namely HK\$26,176,516.50.

Share Consolidation

Immediately after the Capital Reduction and Capital Cancellation becomes effective, every two (2) Shares of HK\$0.005 each will be consolidated into one Reorganised Share of HK\$0.01 each. As a result, 5,235,303,300 issued shares of the Company of HK\$0.005 each will be consolidated into 2,617,651,650 issued Reorganised Shares of HK\$0.01 each.

Increase in Authorised Share Capital

Immediately after the Share Consolidation becomes effective, the Company proposes to increase the authorised share capital of the Company from HK\$26,176,516.50 to HK\$250,000,000 by the creation of 22,382,348,350 new Reorganised Shares.

Share Premium Reduction

The entire amount standing to the credit of the share premium account of the Company as at 30 June 2015, which amounted to approximately HK\$2,101,765,000, will be applied to set off against the accumulated deficit of the Company or in a manner otherwise permitted by the Companies Law, the Company's articles of association and other applicable laws.

Conditions precedent of the Capital Reorganisation

The effectiveness of the proposed Capital Reorganisation is conditional upon:

- (a) the passing of the necessary resolutions for (i) the Capital Reduction; (ii) the Capital Cancellation; (iii) the Share Consolidation; (iv) the increase in authorised Share capital; and (v) the Share Premium Reduction, by the Shareholders at the EGM;
- (b) approval of the Capital Reduction by the Grand Court of the Cayman Islands;
- (c) compliance with any conditions which the Grand Court may impose in relation to the Capital Reduction;
- (d) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Reorganised Shares in issue immediately upon the Capital Reorganisation becoming effective; and
- (e) registration by the Registrar of Companies in the Cayman Islands of the order of the Grand Court of the Cayman Islands confirming the Capital Reduction and the minute approved by the Grand Court containing the particulars required under the Companies Law with respect to the Capital Reduction.

Effects of the Capital Reorganisation

The following table sets out the effect of the Capital Reorganisation on the share capital of the Company before and after completion of the Capital Reorganisation:

	Before the Capital Reorganisation	After the Capital Reorganisation
Nominal value	HK\$0.10	HK\$0.01
Number of authorised shares	8,000,000,000	25,000,000,000
Authorised share capital	HK\$800,000,000	HK\$250,000,000
	divided into	divided into
	8,000,000,000	25,000,000,000
	Shares	Reorganised Shares
Number of issued and paid-up shares	5,235,303,300	2,617,651,650
Issued and paid-up share capital	HK\$523,530,330	HK\$26,176,516.50

Reasons for the Capital Reorganisation

Under the Companies Law, the Company is restricted in its ability to issue Shares at a price lower than their par value. The Capital Reorganisation will reduce the par value of the Shares, enable the re-capitalisation of the share capital of the Company and facilitate the issue of the Offer Shares, the Settlement Shares and the Conversion Shares. The issue of the Settlement Shares will enable the Company to discharge most of its liabilities while the issue of the Convertible Bonds which are convertible into Conversion Shares enable the rescheduling of the relevant debts for an additional three years. Such settlement together, with the funds to be raised from the Open Offer will improve the financial position of the Group. The Capital Reorganisation will also provide the Company with the flexibility to accommodate issue of new Reorganised Shares in the future when necessary.

Accordingly, the Directors are of the view that the implementation of the Capital Reorganisation is in the best interests of the Company and the Shareholders as a whole.

Further announcement(s) will be made to inform the Shareholders of the progress of the matter; including but not limited to the proposed timetable, as and when appropriate.

OPEN OFFER

Subject to the Capital Reorganisation becoming effective, the Board proposes that the Company makes the Open Offer on the basis of two (2) Offer Shares for every one (1) Reorganised Share held on the Open Offer Record Date by the Qualifying Shareholders. A total of 5,235,303,300 Offer Shares will be allotted and issued by the Company to the Qualifying Shareholders at the Offer Price of HK\$0.03 for each Offer Share and the gross proceeds to be raised from the issue of the Offer Shares is expected to be approximately HK\$157.1 million.

Issue statistics of the Open Offer

Basis of the Open Offer:	Two (2) Offer Shares for every one (1) Reorganised Share to be held on the Open Offer Record Date
Number of Shares in issue as at the date of this announcement:	5,235,303,300 Shares
Number of Reorganised Shares in issue upon the Capital Reorganisation becoming effective:	2,617,651,650 Reorganised Shares
Number of Offer Shares to be issued:	5,235,303,300 Offer Shares
Total number of Reorganised Shares in issue immediately upon completion of the Open Offer (without taking into account the issue of Settlement Shares and any Conversion Shares):	7,852,954,950 Reorganised Shares
Offer Price:	HK\$0.03 per Offer Share
Underwriter:	The Investor will underwrite the Open Offer on the fully underwritten basis
Number of Underwritten Shares fully underwritten by the Investor:	4,473,281,300 Offer Shares (after deducting the 762,022,000 Offer Shares to be taken up by Star Sino International Limited, a substantial Shareholder which is interested in 14.56% of the existing issued shares of the Company, as a Qualifying Shareholder pursuant to the irrevocable undertaking as described below)

Offer Shares

5,235,303,300 Offer Shares represent:

- (a) 100.00% of the existing issued share capital of the Company;
- (b) 200.00% of the issued share capital of the Company upon completion of the Capital Reorganisation;
- (c) approximately 66.67% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue of the Offer Shares;
- (d) approximately 29.84% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue of the Offer Shares and the Settlement Shares; and
- (e) approximately 28.96% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue of the Offer Shares, the Settlement Shares and the Conversion Shares.

Offer Price

The Offer Price being HK\$0.03 for each of the Offer Shares represents:

- (a) a discount of approximately 82.76% to the theoretical closing price of HK\$0.174 per Reorganised Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.087 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 83.66% to the average theoretical closing price of HK\$0.1836 per Reorganised Share as adjusted for the effect of the Capital Reorganisation based on the average closing price of HK\$0.0918 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and

- (c) a discount of approximately 84.36% to the average theoretical closing price of HK\$0.1918 per Reorganised Share as adjusted for the effect of the Capital Reorganisation based on the average closing price of HK\$0.0959 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

The Offer Price has been determined after arm's length negotiations between the Company and the Investor having regard to the financial position of the Company, the prolonged suspension of trading in the Shares on the Stock Exchange, the prevailing stock market conditions and the prospects of the business operations of the Group. In order to give incentive to the Shareholders to participate in the Open Offer, the Offer Price is fixed at a lower level than the Settlement Share Price and the Conversion Price.

Qualifying Shareholders

The Open Offer will only be available to the Qualifying Shareholders. The Company will send (i) the Offering Documents to the Qualifying Shareholders and (ii) the Offering Circular, for information only, to the Excluded Shareholders on or before the Posting Date.

To qualify for the Open Offer, the Shareholder must be registered as a member of the Company on the Open Offer Record Date and not be an Excluded Shareholder.

Rights of Excluded Shareholders

If, on the Open Offer Record Date, a Shareholder's address on the register of members of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Open Offer as the Offering Documents are not expected to be registered and/or filed under the applicable securities legislation of any jurisdictions outside Hong Kong.

In compliance with Rule 13.36(2) of the Listing Rules, the Board will make enquiries, to be based on legal advice, regarding the feasibility of extending the Open Offer to the overseas Shareholders, if any. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory bodies or stock exchanges in

that place, not to offer the Offer Shares to the Excluded Shareholders, the Open Offer will not be available to the overseas Shareholders. Accordingly, the Open Offer will not be extended to the Excluded Shareholders.

The Company will send the Offering Circular, for information only, to the Excluded Shareholders (if any) and will not send any Application Form in respect of the assured allotment of Offer Shares to the Excluded Shareholders. However, so long as the Excluded Shareholders are Independent Shareholders, they are entitled to vote on the resolution(s) in relation to the Open Offer at the EGM.

Share certificates for the fully paid Offer Shares and refund cheques

Subject to fulfillment of the conditions of the Open Offer, share certificates for all fully paid Offer Shares are expected to be posted to the Qualifying Shareholders who have successfully applied for, and paid for them, after the latest time for termination of the Underwriting Agreement, at their own risk.

No transfer of nil-paid entitlements, no application for excess Offer Shares

The invitation to subscribe for Offer Shares to be made to the Qualifying Shareholders will not be transferable. There will not be any trading in nil-paid entitlements on the Stock Exchange. The Company has also decided that the Qualifying Shareholders will not be entitled to subscribe for any Offer Share in excess of their respective assured entitlements. Considering that each Qualifying Shareholder will be given equal and fair opportunities to participate in the Company's future development by subscribing for their respective entitlements under the Open Offer, the Company considers it appropriate not to put in additional effort and costs to administer the excess application procedures. Any Offer Shares not taken up by the Qualifying Shareholders will be underwritten by the Investor.

Fractions of Offer Shares

Fractions of Offer Shares will not be allotted to Qualifying Shareholders and fractional entitlements will be rounded down to the nearest whole number of Offer Shares. Any Offer Shares created from the aggregation of fractions of Offer Shares will be aggregated and taken up by the Investor in accordance with the Underwriting Agreement.

Irrevocable Undertaking

As at the date of this announcement, Star Sino International Limited (being a substantial Shareholder and Creditor A, wholly and beneficially owned by Mr. Long) has irrevocably undertaken to each of the Company and the Investor as follows:

- (i) to take up and pay for the 762,022,000 Offer Shares which will constitute its assured entitlement of Offer Shares in respect of the Shares beneficially owned by it pursuant to the terms of the Open Offer or procure they are taken up and paid for on the terms of the Open Offer;
- (ii) that the Shares referred to in paragraph (i) above will remain registered in its name or beneficially owned by it at the close of business on the Open Offer Record Date as they are on the date of the Underwriting Agreement;
- (iii) to procure that the application for the aforesaid Offer Shares is lodged with the registrar of the Company, with payment in full therefor in cash (whether by cheque, bank cashier's order or such other form as the Company may approve), by no later than 4:00 p.m. on the Acceptance Date; and

if Creditor A should fail to comply with the undertakings given above, it has irrevocably authorised the Company in its discretion to treat the undertaking as its application for such 762,022,000 Offer Shares comprised in its assured entitlement on the terms of the Offering Documents (save as regards the time for acceptance and payment) and against payment therefor to allot and issue the same in its name and to procure the registration of the same in its name.

In the event that the Underwriting Agreement does not become unconditional in accordance with its terms, the undertaking given by Star Sino International Limited shall lapse.

The Underwriting Agreement

Date: 9 November 2015

Issuer: the Company

Underwriter: the Investor (being wholly and beneficially owned by Mr. Long)

- Underwritten Shares:** the Open Offer other than the 762,022,000 Offer Shares to be taken up by Star Sino International Limited as a Qualifying Shareholder pursuant to the irrevocable undertaking described above, i.e. 4,473,281,300 Underwritten Shares.
- Commission:** 3.0% of the aggregate Offer Price of the Underwritten Shares together with all costs, fees and out-of pocket expensed properly incurred by the Investor in connection with the underwriting of the Underwritten Shares and agreed in advance by the Company in writing but excluding sub-underwriting fees and expenses relating to the sub-underwriting.
- Fees and Expenses:** The Company shall pay all reasonable costs, charges and expenses (if any) howsoever of or incidental to the Open Offer and the arrangements hereby contemplated, printing and translation charges, any capital duty, the fees of the Company's auditors, solicitors and registrar, and the fees payable to the Stock Exchange, but excluding sub-underwriting fees and expenses relating to any sub-underwriting.

The underwriting commission rate is determined after arm's length negotiation between the Company and the Investor with reference to, among others, the existing financial position of the Company, the size of the Open Offer, the long suspension status of the Shares, the prevailing market rate for the underwriting commission. The Directors (other than the independent non-executive Directors) consider that the terms of the Underwriting Agreement including the underwriting commission rate are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Conditions precedent to the Underwriting Agreement

The Underwriting Agreement is subject to the following conditions:

- (i) the posting of copies of the Offering Documents to the Qualifying Shareholders on the Posting Date;
- (ii) the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the current listing of the Shares not having been withdrawn and no indication being received before 9:00 a.m. on the Settlement Date from the Stock Exchange to the

effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Open Offer or in connection with the terms of the Underwriting Agreement or for any other reason;

- (iii) resolutions being passed by the Shareholders in general meeting (other than those who are required to abstain from voting or to vote in favour of the relevant resolutions) as required by the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) (as revised) of the Cayman Islands, the Listing Rules and the Takeovers Code (as applicable) to approve the Share Capital Reorganisation, the issue of the Settlement Shares or (as the case may be) in respect of the Convertible Bonds and the Conversion Shares falling to be issued upon conversion thereof) pursuant to the Debt Settlement Agreements, the Offer Shares, and the Whitewash Waiver;
- (iv) the Executive (as defined in the Takeovers Code) granting the Whitewash Waiver and any other necessary consent and/or approval under the Takeovers Code;
- (v) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Reorganised Shares, the Offer Shares, the Settlement Shares and Conversion Shares and not having withdrawn or revoked such listing and permission on or before 9:00 a.m. on the Settlement Date;
- (vi) the Stock Exchange granting permission for the resumption of trading in the Reorganised Shares, the Offer Shares and the Settlement Shares on the Stock Exchange no later than the trading day on the Stock Exchange next following Completion and (to the extent that such permission is subject to conditions) the fulfilment all such conditions that needs to be fulfilled prior to Completion;
- (vii) the Capital Reorganisation becoming effective at or before the Long-stop Date; and
- (viii) completion of the Debt Settlement Agreements on the Settlement Date.

With respect to condition precedent (iii) above, in accordance with the requirements of the Listing Rules and the Takeovers Code, the relevant resolutions for the issue of the Settlement Shares, the Convertible Bonds and Conversion Shares falling to be issued upon conversion thereof pursuant to the Debt Settlement Agreements, the Offer Shares and the Whitewash Waiver are required to be approved by Independent Shareholders only. No Shareholder is required to abstain from voting on the Capital Reorganisation.

If the conditions (i) to (vii) above have not been satisfied on or before the Posting Date or in the event that the conditions (viii) have not been satisfied on or before 9:00 a.m. on the Settlement Date (or, in each case, such later date as the Investor and the Company may agree), all liabilities of the parties hereto shall cease and determine and neither party shall have any claim against the other (save in respect of any antecedent breaches and claims) save that all such reasonable costs, fees and other out-of-pocket expenses as have been properly incurred by the Investor in connection with the underwriting of the Underwritten Shares by the Investor (excluding the underwriting commission, sub-underwriting fees and related expenses) shall, to the extent agreed by the Company, be borne by the Company. Both the Company and the Investor will not waive the above conditions.

Termination of the Underwriting Agreement

The Investor may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company at any time prior to 9:00 a.m. on the Settlement Date if there occurs:

- (i) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
- (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the opinion of the Investor, acting reasonably, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Open Offer or make it inadvisable or inexpedient to proceed with the Open Offer.

If, at or prior to 9:00 a.m. on the Settlement Date:

- (i) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
- (ii) the Investor shall receive notification pursuant to, or shall otherwise become aware of, the fact that any of the representations, warranties or undertakings contained in under the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate, and the Investor shall, in its reasonable opinion, determine that any such untrue representation, warranty or undertaking represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Open Offer; or
- (iii) the Company shall, after any matter or event referred to in clause 8.3 of the Underwriting Agreement has occurred or come to the Investor's attention, fail promptly to send out any announcement or circular (after the despatch of the Offering Documents), in such manner (and as appropriate with such contents) as the Investor may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

the Investor shall be entitled (but not be bound) by notice in writing issued by the Investor to the Company to elect to treat such matter or event as releasing and discharging the Investor from its obligations under the Underwriting Agreement.

Given the Open Offer is subject to the Capital Reorganisation becoming effective, the Company will make further announcement(s) to inform the Shareholders of the proposed timetable of the Open Offer.

DEBT SETTLEMENT AGREEMENTS

As at the date of this announcement, the Company has entered into Debt Settlement Agreements with twelve Creditors to settle the relevant outstanding debts, together with the accrued interest (where relevant), owed by the Company to the Creditors. The debts to be settled under the Debt Settlement Agreements are listed as follows:

Share Settlement Agreement	Outstanding principal amount (HK\$)	Interest accrued up to the Cut-off Date (HK\$)	Total amount to be settled (HK\$)
Creditor A	139,191,200	19,162,624	158,353,824
Creditor B	85,000,000	11,702,055	96,702,055
Creditor C	30,000,000	4,130,137	34,130,137
Creditor D	18,000,000	2,478,082	20,478,082
Creditor E	42,906,804	9,429,207	52,336,011
Creditor F1	40,586,042	1,798,434	42,384,476
Creditor F2	20,000,000	–	20,000,000
Creditor G	37,510,000	1,971,803	39,481,803
Creditor H	10,000,000	1,313,973	11,313,973
Creditor I	8,942,600	478,162	9,420,762
Sub-total	432,136,646	52,464,477	484,601,123
CB Settlement Agreement			
Creditor J	36,300,000	1,881,633	38,181,633
Creditor K	13,310,000	660,030	13,970,030
Creditor L	1,210,000	55,693	1,265,693
Sub-total	50,820,000	2,597,356	53,417,356
Total	482,956,646	55,061,833	538,018,479

SHARE SETTLEMENT AGREEMENTS

Share Settlement Agreement A

Date: 9 November 2015

Parties:

- (i) the Company; and
- (ii) the Creditor A

Principal terms of the Share Settlement Agreement A

As set out in the Company's announcement dated 19 April 2011, Mr. Long as the Creditor A acquired the 2010 Convertible Bonds in the principal amount of HK\$139,191,200 and 762,022,000 Shares, representing approximately 14.56% of the issued share capital of the Company, from the previous substantial Shareholder. As at the date of this announcement, the Creditor A held the outstanding 2010 Convertible Bonds in the principal amount of HK\$139,191,200 and the interest accrued up to the Cut-off Date is in the amount of approximately HK\$19,162,624.

Pursuant to the Share Settlement Agreement A, subject to the conditions precedent set out in the section headed "Conditions precedent of the Debt Settlement Agreements" below, the Creditor A has agreed to accept, and the Company has agreed to allot and issue 3,167,076,482 Settlement Shares at the Settlement Share Price of HK\$0.05 per Settlement Share to the Creditor A, in full and final settlement of the 2010 Convertible Bonds, together with the accrued interest, held by the Creditor A.

Share Settlement Agreement B

Date: 9 November 2015

Parties:

- (i) the Company; and
- (ii) the Creditor B

Principal terms of the Share Settlement Agreement B

As at the date of this announcement, the Creditor B held the outstanding 2010 Convertible Bonds in the principal amount of HK\$85,000,000 and the interest accrued up to the Cut-off Date is in the amount of approximately HK\$11,702,055.

Pursuant to the Share Settlement Agreement B, subject to the conditions precedent set out in the section headed “Conditions precedent of the Debt Settlement Agreements” below, the Creditor B has agreed to accept, and the Company has agreed to allot and issue 1,934,041,095 Settlement Shares at the Settlement Share Price of HK\$0.05 per Settlement Share to the Creditor B, in full and final settlement of the 2010 Convertible Bonds, together with the accrued interest, held by the Creditor B.

Share Settlement Agreement C

Date: 9 November 2015

Parties:

- (i) the Company; and
- (ii) the Creditor C

Principal terms of the Share Settlement Agreement C

As at the date of this announcement, the Creditor C held the outstanding 2010 Convertible Bonds in the principal amount of HK\$30,000,000 and the interest accrued up to the Cut-off Date is in the amount of approximately HK\$4,130,137.

Pursuant to the Share Settlement Agreement C, subject to the conditions precedent set out in the section headed “Conditions precedent of the Debt Settlement Agreements” below, the Creditor C has agreed to accept, and the Company has agreed to allot and issue 682,602,739 Settlement Shares at the Settlement Share Price of HK\$0.05 per Settlement Share to the Creditor C, in full and final settlement of the 2010 Convertible Bonds, together with the accrued interest, held by the Creditor C.

Share Settlement Agreement D

Date: 23 November 2015

Parties:

- (i) the Company; and
- (ii) the Creditor D

Principal terms of the Share Settlement Agreement D

As at the date of this announcement, the Creditor D held the outstanding 2010 Convertible Bonds in the principal amount of HK\$18,000,000 and the interest accrued up to the Cut-off Date is in the amount of approximately HK\$2,478,082.

Pursuant to the Share Settlement Agreement D, subject to the conditions precedent set out in the section headed “Conditions precedent of the Debt Settlement Agreements” below, the Creditor D has agreed to accept, and the Company has agreed to allot and issue 409,561,643 Settlement Shares at the Settlement Share Price of HK\$0.05 per Settlement Share to the Creditor D, in full and final settlement of the 2010 Convertible Bonds, together with the accrued interest, held by the Creditor D.

Share Settlement Agreement E

Date: 9 November 2015

Parties:

- (i) the Company; and
- (ii) the Creditor E

Principal terms of the Share Settlement Agreement E

Mr. Long as the Creditor E has lent the Company the working capital loans in the total principal amount of approximately HK\$42,906,804 and the interest accrued up to the Cut-off Date is in the amount of approximately HK\$9,429,207. These loans are repayable within seven days upon receipt of written notice given by Mr. Long.

Pursuant to the Share Settlement Agreement E, subject to the conditions precedent set out in the section headed “Conditions precedent of the Debt Settlement Agreements” below, the Creditor E has agreed to accept, and the Company has agreed to allot and issue 1,046,720,224 Settlement Shares at the Settlement Share Price of HK\$0.05 per Settlement Share to the Creditor E, in full and final settlement of these outstanding working capital loans, together with the accrued interest, owed by the Company to the Creditor E.

Share Settlement Agreements F1 and F2

Date: 9 November 2015

Parties:

- (i) the Company; and
- (ii) the Creditor F

Principal terms of the Share Settlement Agreements F1 and F2

The Company owes Creditor F in respect of working capital loans borrowed in the total principal amount of approximately HK\$40,586,042 and the interest accrued up to the Cut-off Date is in the amount of approximately HK\$1,798,434. The earliest repayment date of these working capital loans is 31 December 2015. Creditor F also granted the Company another working capital loan facility in the principal amount of HK\$20,000,000 and a sum of HK\$10,675,000 has been drawn down by the Company. It is expected that the Company will utilise this facility in full before the Completion. The latest repayment date of this working capital loan facility is 30 September 2016.

Pursuant to the Share Settlement Agreement F1, subject to the conditions precedent set out in the section headed “Conditions precedent of the Debt Settlement Agreements” below, the Creditor F has agreed to accept, and the Company has agreed to allot and issue 847,689,528 Settlement Shares at the Settlement Share Price of HK\$0.05 per Settlement Share to the Creditor F, in full and final settlement of the outstanding working capital loans, together with the accrued interest, owed by the Company to the Creditor F.

Pursuant to the Share Settlement Agreement F2, the Creditor F has conditionally agreed to accept, and the Company has agreed to allot and issue up to 400,000,000 Settlement Shares at the Settlement Share Price of HK\$0.05 per Settlement Share to the Creditor F, in full and final settlement of the outstanding working capital loan facility that is drawn down by the Company and owing to the Creditor F as at close of business on the date immediately preceding the Completion Date.

Share Settlement Agreement G

Date: 9 November 2015

Parties:

- (i) the Company; and
- (ii) the Creditor G

Principal terms of the Share Settlement Agreement G

The Creditor G has lent the Company the working capital loan in the total principal amount of HK\$37,510,000 and the interest accrued up to the Cut-off Date is in the amount of approximately HK\$1,971,803. This loan will mature on 23 March 2018.

Pursuant to the Share Settlement Agreement G, subject to the conditions precedent set out in the section headed “Conditions precedent of the Debt Settlement Agreements” below, the Creditor G has agreed to accept, and the Company has agreed to allot and issue 789,636,054 Settlement Shares at the Settlement Share Price of HK\$0.05 per Settlement Share to the Creditor G, in full and final settlement of this outstanding working capital loan, together with the accrued interest, owed by the Company to the Creditor G.

Share Settlement Agreement H

Date: 9 November 2015

Parties:

- (i) the Company; and
- (ii) the Creditor H

Principal terms of the Share Settlement Agreement H

The Creditor H has lent the Company the working capital loan in the total principal amount of HK\$10,000,000 and the interest accrued up to the Cut-off Date is in the amount of approximately HK\$1,313,973. This loan will mature on 16 October 2016.

Pursuant to the Share Settlement Agreement H, subject to the conditions precedent set out in the section headed “Conditions precedent of the Debt Settlement Agreements” below, the Creditor I has agreed to accept, and the Company has agreed to allot and issue 226,279,452 Settlement Shares at the Settlement Share Price of HK\$0.05 per Settlement Share to the Creditor H in full and final settlement of this outstanding working capital loan, together with the accrued interest, owed by the Company to the Creditor H.

Share Settlement Agreement I

Date: 9 November 2015

Parties:

- (i) the Company; and
- (ii) the Creditor I

Principal terms of the Share Settlement Agreement I

The Company owes Creditor I in respect of working capital loan borrowed in the total principal amount of HK\$8,942,600 and the interest accrued up to the Cut-off Date is in the amount of approximately HK\$478,162. This loan will mature on 5 October 2016.

Pursuant to the Share Settlement Agreement I, subject to the conditions precedent set out in the section headed “Conditions precedent of the Debt Settlement Agreements” below, the Creditor I has agreed to accept, and the Company has agreed to allot and issue 188,415,241 Settlement Shares at the Settlement Share Price of HK\$0.05 per Settlement Share to the Creditor I, in full and final settlement of this outstanding working capital loan, together with the accrued interest, owed by the Company to the Creditor I.

Settlement Shares

The maximum of 9,692,022,458 Settlement Shares represent:

- (a) approximately 185.13% of the total number of Shares in issue as at the date of this announcement;
- (b) approximately 370.26% of the total number of Reorganised Shares in issue immediately upon completion of the Capital Reorganisation;

- (c) approximately 123.42% of the total number of Reorganised Shares in issue immediately upon completion of the Capital Reorganisation as enlarged by the issue of the Offer Shares;
- (d) approximately 55.24% of the total number of Reorganised Shares in issue immediately upon completion of the Capital Reorganisation as enlarged by the issue of the Offer Shares and the Settlement Shares; and
- (e) approximately 53.61% of the total number of Reorganised Shares in issue immediately upon completion of the Capital Reorganisation as enlarged by the issue of the Offer Shares, the Settlement Shares and the Conversion Shares.

Settlement Share Price

The Settlement Price being HK\$0.05 for each of the Settlement Shares represents:

- (a) a discount of approximately 71.26% to the theoretical closing price of HK\$0.174 per share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.087 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 72.77% to the average theoretical closing price of HK\$0.1836 per share as adjusted for the effect of the Capital Reorganisation based on the average closing price of HK\$0.0918 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and
- (c) a discount of approximately 73.93% to the average theoretical closing price of HK\$0.1918 per share as adjusted for the effect of the Capital Reorganisation based on the average closing price of HK\$0.0959 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

The Settlement Price were determined after arm's length negotiations between the Company and the Share Settlement Creditors having regard to the financial position of the Company, the pro-longed suspension of trading in the Shares on the Stock Exchange, the prevailing stock market conditions and the prospects of the business operations of the Group.

CB SETTLEMENT AGREEMENTS

CB Settlement Agreement J

Date: 9 November 2015

Parties:

(i) the Company; and

(ii) the Creditor J

Principal terms of the CB Settlement Agreement J

The Creditor J lent the Company the working capital loan in the total principal amount of HK\$36,300,000 and the interest accrued up to the Cut-off Date is in the amount of approximately HK\$1,881,633. This loan will mature on 18 June 2018.

Pursuant to the CB Settlement Agreement J, subject to the conditions precedent set out in the section headed “Conditions precedent of the Debt Settlement Agreements” below, the Creditor J has agreed to accept, and the Company has agreed to issue the Convertible Bonds in the principal amount of approximately HK\$38,181,633 to the Creditor J, in full and final settlement of this outstanding working capital loan, together with the accrued interest, owed by the Company to the Creditor J.

CB Settlement Agreement K

Date: 9 November 2015

Parties:

(i) the Company; and

(ii) the Creditor K

Principal terms of the CB Settlement Agreement K

The Creditor K lent the Company the working capital loan in the total principal amount of HK\$13,310,000 and the interest accrued up to the Cut-off Date is in the amount of approximately HK\$660,030. This loan will mature on 1 July 2018.

Pursuant to the CB Settlement Agreement K, subject to the conditions precedent set out in the section headed “Conditions precedent of the Debt Settlement Agreements” below, the Creditor K has agreed to accept, and the Company has agreed to issue the Convertible Bonds in the principal amount of approximately HK\$13,970,030 to the Creditor K, in full and final settlement of this outstanding working capital loan, together with the accrued interest, owed by the Company to the Creditor K.

CB Settlement Agreement L

Date: 9 November 2015

Parties:

- (i) the Company; and
- (ii) the Creditor L

Principal terms of the CB Settlement Agreement L

The Creditor L lent the Company the working capital loan in the total principal amount of HK\$1,210,000 and the interest accrued up to the Cut-off Date is in the amount of approximately HK\$55,693. This loan will mature on 15 July 2018.

Pursuant to the CB Settlement Agreement L, subject to the conditions precedent set out in the section headed “Conditions precedent of the Debt Settlement Agreements” below, the Creditor L has agreed to accept, and the Company has agreed to issue the Convertible Bonds in the principal amount of approximately HK\$1,265,693 to the Creditor L, in full and final settlement of this outstanding working capital loan, together with the accrued interest, owed by the Company to the Creditor L.

Principal terms of the Convertible Bonds

Issuer:	the Company
Total principal amount:	Approximately HK\$53,417,356 (including HK\$38,181,633 to the Creditor J, HK\$13,970,030 to the Creditor K and HK\$1,265,693 to Creditor L)
Authorised denomination:	HK\$1,000,000 or integral multiples

Status: The obligations of the Company arising under the Convertible Bonds constitute direct, unconditional, unsecured, unsubordinated obligations of the Company, and rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.

The Convertible Bonds are in registered and definitive form.

Interest rate: 10% per annum on the outstanding principal amount.

Maturity date: The third anniversary of the date of issue of the Convertible Bonds (the “**Maturity Date**”).

Subject as provided in the conditions of the Convertible Bonds, the outstanding principal amount of the Convertible Bonds shall, unless previously converted for the Conversion Shares, be repaid by the Company to the holder of the Convertible Bonds (the “**Bondholder(s)**”) on the Maturity Date.

The Convertible Bonds which are redeemed or to the extent converted will be cancelled.

Conversion period: The period commencing on the date of issue of the Convertible Bonds and expiring up to and including the date which is seven days prior to the Maturity Date (the “**Conversion Period**”).

Conversion rights: Bondholder(s) will have the right to convert in whole (or part in authorised denominations) of the principal amount of the Convertible Bonds into Conversion Shares at the initial conversion price of HK\$0.10 per Conversion Share (subject to adjustments) at any time during the Conversion Period.

Conversion Shares: Conversion Shares shall be allotted and issued by the Company, credited as fully paid, with effect from the date on which conversion rights are validly exercised by the Bondholders, and the Bondholders shall be entitled in respect of its Conversion Shares, to all dividends and other distributions, rights and entitlements on the record date which falls after the conversion date.

Assuming the conversion rights attached to the Convertible Bonds are exercised in full at the initial conversion price of HK\$0.10 per Conversion Share, 534,173,560 Conversion Shares will be allotted and issued by the Company to the CB Settlement Creditors (including 381,186,328 Conversion Shares to the Creditor J, 139,700,301 Conversion Shares to the Creditor K and 12,656,931 Conversion Shares to the Creditor L respectively).

Conversion Price: HK\$0.10 per Conversion Share (subject to adjustments upon occurrence of certain “Adjustment Events” as described below) (the “**Conversion Price**”)

Adjustment Events: The Conversion Price is subject to customary adjustment upon occurrence of, among other things, the following events:

- (i) consolidation, subdivision or reclassification of shares;
- (ii) capitalisation of profits or reserves;
- (iii) capital distribution;
- (iv) rights issues of shares or options over shares at a price which is less than 80% of the then market price of the shares;
- (v) issues of securities convertible into or exchangeable for or carry rights of subscription for shares at an total effective consideration per share less than 80% of the then market price of the shares;

- (vi) any modification of the rights of conversion or exchange or subscription attaching to securities in (iv) above resulting in total effective consideration per share being less than 80% of the then market price of the shares;
- (vii) issue of share for cash at less than 80% of the then market price of the shares; and
- (viii) issue shares for the acquisition of any asset at total effective consideration per share less than 80% of the then market price of the shares.

Transferability: The Convertible Bonds may be transferred in whole (or in authorised denomination) to any person, subject to compliance with the Listing Rules and the approval of the Shareholders in a general meeting if so required under, and in compliance with, the Listing Rules if such assignment and/or transfer is proposed to be made to a connected person of the Company.

Voting: A Bondholder shall not be entitled to attend or vote at any meetings of the Company by reason only of it being a Bondholder.

Listing: No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

Events of default: For so long as any Convertible Bonds remains outstanding, if any Event of Default occurs after the date of issue of the Convertible Bonds (but not any time earlier), the Bondholders will be entitled to give a notice in writing to the Company that the Convertible Bonds held by all Bondholders are, and the Convertible Bonds shall thereby forthwith become, immediately due and payable at its principal amount then outstanding. The Events of Default are of the types commonly adopted for convertible debt securities (including, for example, breaches of terms, delisting of Shares and insolvency events).

Other terms: The Company or any of its subsidiaries may at any time and from time to time repurchase the Convertible Bonds at any price as may be agreed in writing between the Company or such subsidiary and the relevant Bondholder. Any Convertible Bond so purchased shall forthwith be cancelled by the Company.

Conversion Shares

The total of 534,173,560 Conversion Shares represent:

- (a) approximately 10.20% of the total number of Shares in issue as at the date of this announcement;
- (b) approximately 20.41% of the total number of Reorganised Shares in issue immediately upon completion of the Capital Reorganisation;
- (c) approximately 6.80% of the total number of Reorganised Shares in issue immediately upon completion of the Capital Reorganisation as enlarged by the issue of the Offer Shares;
- (d) approximately 3.04% of the total number of Reorganised Shares in issue immediately upon completion of the Capital Reorganisation as enlarged by the issue of the Offer Shares and the Settlement Shares; and
- (e) approximately 2.95% of the total number of Reorganised Shares in issue immediately upon completion of the Capital Reorganisation as enlarged by the issue of the Offer Shares, the Settlement Shares and the Conversion Shares.

Conversion Price

The Conversion Price being HK\$0.10 for each of the Conversion Shares represents:

- (a) a discount of approximately 42.53% to the theoretical closing price of HK\$0.174 per share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.087 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 45.53% to the average theoretical closing price of HK\$0.1836 per share as adjusted for the effect of the Capital Reorganisation based on the average closing price of HK\$0.0918 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and

- (c) a discount of approximately 47.86% to the average theoretical closing price of HK\$0.1918 per share as adjusted for the effect of the Capital Reorganisation based on the average closing price of HK\$0.0959 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

The Conversion Price were determined after arm's length negotiations between the Company and the CB Settlement Creditors having regard to and the financial position of the Company, the pro-longed suspension of trading in the Shares on the Stock Exchange, the prevailing stock market conditions and the prospects of the business operations of the Group.

Conditions precedent of the Debt Settlement Agreements

Completion of the Debt Settlement Agreements is conditional upon:

- (a) resolutions being passed by the Shareholders in EGM (other than those who are required to abstain from voting or to vote in favour of the relevant resolutions) as required by the Companies Law, the Listing Rules and the Takeovers Code (as applicable) to approve the Capital Reorganisation, the issue of the Settlement Shares or (as the case may be) in respect of the Settlement Convertible Bonds and the Conversion Shares, pursuant to the Debt Settlement Agreements, the Offer Shares and the Whitewash Waiver;
- (b) the Executive (as defined in the Takeovers Code) granting the Whitewash Waiver and any other necessary consent and/or approval under the Takeovers Code;
- (c) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Reorganised Shares, the Offer Shares, the Settlement Shares and Conversion Shares having been obtained;
- (d) Stock Exchange granting permission for the resumption of trading in the Reorganised Shares, the Offer Shares and the Settlement Shares on the Stock Exchange no later than the trading day on the Stock Exchange next following Completion and (to the extent that such permission is subject to conditions) the fulfillment of all such conditions that needs to be fulfilled prior to Completion;

- (e) the Capital Reorganisation becoming effective at or before Completion; and
- (f) the Open Offer becoming unconditional in all respects (save as to any condition relating to the simultaneous completion of the Open Offer and the Debt Settlement Agreements).

With respect to condition precedent (a) above, in accordance with the requirements of the Listing Rules and the Takeovers Code, the relevant resolutions for the issue of the Settlement Shares, the Convertible Bonds and Conversion Shares falling to be issued upon conversion thereof pursuant to the Debt Settlement Agreements, the Offer Shares and the Whitewash Waiver are required to be approved by Independent Shareholders only. No Shareholder is required to abstain from voting on the Capital Reorganisation.

The Company shall use all reasonable endeavours to procure that the conditions precedent be fulfilled on or before the Long-stop Date (i.e. 31 May 2016 or such later date as the parties may agree) and each of the Creditors shall promptly provide all such information relating to it and its ultimate beneficial owners that the Company may require for the purpose of complying with disclosure and other requirements under applicable laws and the Listing Rules.

If the conditions precedent set out above are not fulfilled (except to the extent waived by the Company) on or before the Long-stop Date, the Debt Settlement Agreements shall terminate and none of the parties in respect of each Debt Settlement Agreement thereunder shall be liable to the other or have any claim against the other for damages, compensation or otherwise save and except any liability for antecedent breaches of either party. The Company will not waive conditions (a) and (b).

Completion of the Debt Settlement Agreements

Subject to the conditions precedent set out above having been satisfied or being satisfied as at Completion, Completion shall take place at the same time as the date of allotment of the Offer Shares at principal place of business of the Company in Hong Kong at the time (or such other time, date and place in Hong Kong as the Company may specify in writing). The Company may elect without any liability not to proceed with completion of any of the Debt Settlement Agreements if completion of any of the other Debt Settlement Agreements does not take place at the same time.

Other undertakings and consents

Under each Debt Settlement Agreement, amongst other things, the creditor that is party to that Debt Settlement Agreement has undertaken not to take steps to enforce its rights in relation to all or any part of the debt being settled at any time prior to the Long Stop Date or (if earlier) the termination of its Share Settlement Agreement, has agreed that the Company may enter into the other Debt Settlement Agreements and has given its consent to the Capital Reorganisation (including the Share Capital Reduction) regardless of whether or not completion takes place.

Termination Rights

Either party of a Debt Settlement Agreement may terminate the Debt Settlement Agreement if (i) a liquidator or receiver or other person carrying out any similar function is appointed in respect of all or substantively all assets or undertakings of the other party or its subsidiaries or if a winding up order is made or a resolution is passed for the winding up of that party or its subsidiaries; or (ii) any approval referred to in the conditions precedent that has been granted is subsequently withdrawn or revoked.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The changes in shareholding structure of the Company arising from the Capital Reorganisation, and the issue of the Offer Shares, the Settlement Shares and the Conversion Shares are set out in the following tables for illustrative purpose only.

Scenario A:

Assuming all the Qualifying Shareholders take up their respective entitlements to the Offer Shares under the Open Offer

Name of the Shareholders	Upon completion of the Capital Reorganisation		Upon completion of the Capital Reorganisation and the Open Offer		Upon completion of the Capital Reorganisation, the Open Offer and the issue of the Settlement Shares		Upon completion of the Capital Reorganisation, the Open Offer and the issue of the Settlement Shares and the Conversion Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Long (being Creditor E) and parties acting in concert with him								
Creditor A (Note 1)	381,011,000	14.56%	1,143,033,000	14.56%	4,310,109,482	24.57%	4,310,109,482	23.84%
Creditor E (Note 2)	-	-	-	-	1,046,720,224	5.97%	1,046,720,224	5.79%
Creditor F (Note 3)	-	-	-	-	1,247,689,528	7.11%	1,247,689,528	6.90%
The Investor (Note 4)	-	-	-	-	-	-	-	-
Sub total	381,011,000	14.56%	1,143,033,000	14.56%	6,604,519,234	37.65%	6,604,519,234	36.53%
Other Creditors (Share Settlement Agreement)								
Creditor B	-	-	-	-	1,934,041,095	11.02%	1,934,041,095	10.70%
Creditor C	-	-	-	-	682,602,739	3.89%	682,602,739	3.78%
Creditor D	-	-	-	-	409,561,643	2.33%	409,561,643	2.27%
Creditor G	-	-	-	-	789,636,054	4.50%	789,636,054	4.37%
Creditor H	-	-	-	-	226,279,452	1.29%	226,279,452	1.25%
Creditor I	-	-	-	-	188,415,241	1.07%	188,415,241	1.04%
Sub total	-	-	-	-	4,230,536,224	24.10%	4,230,536,224	23.41%
Other Creditors (CB Settlement Agreement)								
Creditor J	-	-	-	-	-	-	381,816,328	2.11%
Creditor K	-	-	-	-	-	-	139,700,301	0.77%
Creditor L	-	-	-	-	-	-	12,656,931	0.07%
Sub total	-	-	-	-	-	-	534,173,560	2.95%
Public Shareholders	2,236,640,650	85.44%	6,709,921,950	85.44%	6,709,921,950	38.25%	6,709,921,950	37.11%
Total	2,617,651,650	100.00%	7,852,954,950	100.00%	17,544,977,408	100.00%	18,079,150,968	100.00%

Scenario B:

Assuming none of the Qualifying Shareholders take up their respective entitlements to the Offer Shares under the Open Offer (other than Star Sino International Limited who has undertaken to take up its assured entitlement of 762,022,000 Offer Shares)

Name of the Shareholders	Upon Completion of the Capital Reorganisation		Upon Completion of the Capital Reorganisation and the Open Offer		Upon Completion of the Capital Reorganisation, the Open Offer and the issue of the Settlement Shares		Upon Completion of the Capital Reorganisation, the Open Offer and the issue of the Settlement Shares and the Conversion Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Long (being Creditor E) and parties acting in concert with him								
Creditor A (Note 1)	381,011,000	14.56%	1,143,033,000	14.56%	4,310,109,482	24.57%	4,310,109,482	23.84%
Creditor E (Note 2)	-	-	-	-	1,046,720,224	5.97%	1,046,720,224	5.79%
Creditor F (Note 3)	-	-	-	-	1,247,689,528	7.11%	1,247,689,528	6.90%
The Investor (Note 4)	-	-	4,473,281,300	56.96%	4,473,281,300	25.50%	4,473,281,300	24.74%
Sub total	381,011,000	14.56%	5,616,314,300	71.52%	11,077,800,534	63.15%	11,077,800,534	61.27%
Other Creditors (Share Settlement Agreement)								
Creditor B	-	-	-	-	1,934,041,095	11.02%	1,934,041,095	10.70%
Creditor C	-	-	-	-	682,602,739	3.89%	682,602,739	3.78%
Creditor D	-	-	-	-	409,561,643	2.33%	409,561,643	2.27%
Creditor G	-	-	-	-	789,636,054	4.50%	789,636,054	4.37%
Creditor H	-	-	-	-	226,279,452	1.29%	226,279,452	1.25%
Creditor I	-	-	-	-	188,415,241	1.07%	188,415,241	1.04%
Sub total	-	-	-	-	4,230,536,224	24.10%	4,230,536,224	23.41%
Other Creditors (CB Settlement Agreement)								
Creditor J	-	-	-	-	-	-	381,816,328	2.11%
Creditor K	-	-	-	-	-	-	139,700,301	0.77%
Creditor L	-	-	-	-	-	-	12,656,931	0.07%
Sub total	-	-	-	-	-	-	534,173,560	2.95%
Public Shareholders	2,236,640,650	85.44%	2,236,640,650	28.48%	2,236,640,650	12.75%	2,236,640,650	12.37%
Total	2,617,651,650	100.00%	7,852,954,950	100.00%	17,544,977,408	100.00%	18,079,150,968	100.00%

Notes:

- (1) Creditor A, Star Sino International Limited, is wholly and beneficially owned by Mr. Long.
- (2) Creditor E, being Mr. Long, is the executive Director.
- (3) Creditor F, Billion Glory Capital Investment Limited, is wholly and beneficially owned by Mr. Long.
- (4) Gain Faith Investments Limited, being the underwriter to the Open Offer, is wholly and beneficially owned by Mr. Long.

TAKEOVERS CODE IMPLICATIONS

As at the date of this announcement, Mr. Long and parties acting in concert with him are interested in 762,022,000 Shares, representing approximately 14.56% of the issued share capital of the Company. Upon the Capital Reorganisation becoming effective, Mr. Long and parties acting in concert with him will be interested in 381,011,000 Reorganised Shares, representing approximately 14.56% of the total number of Reorganised Shares then in issue. Immediately upon completion of the issue of the Offer Shares, the Settlement Shares and/or the Conversion Shares, Mr. Long and parties acting in concert with him will be interested in 6,604,519,234 Reorganised Shares (assuming all Shareholders are Qualifying Shareholders and have taken up his/her/its entitlement under the Open Offer), representing:

- (a) approximately 37.65% of the total number of Reorganised Shares in issue immediately upon completion of the Capital Reorganisation as enlarged by the issue of the Offer Shares and the Settlement Shares (assuming all the Shareholders are the Qualifying Shareholders and have taken up his/her entitlement under the Open Offer); and
- (b) approximately 36.53% of the total number of Reorganised Shares in issue immediately upon completion of the Capital Reorganisation as enlarged by the issue of the Offer Shares, the Settlement Shares and the Conversion Shares (assuming all the Shareholders are the Qualifying Shareholders and have taken up his/her entitlement under the Open Offer and full conversion of the Convertible Bonds at their initial conversion price).

In the event that none of the Qualifying Shareholders (apart from Star Sino International Limited) takes up his/her/its entitlement under the Open Offer and the Investor is called upon to take up all the Offer Shares under the Underwriting Agreement, immediately upon completion of the issue of the Offer Shares, the Settlement Shares and/or the Conversion Shares, Mr. Long and parties acting in concert with him will be interested in an aggregate 11,077,800,534 Reorganised Shares, representing:

- (a) approximately 63.15% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue of the Offer Shares and the Settlement Shares; and

- (b) approximately 61.27% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue of the Offer Shares, the Settlement Shares and the Conversion Shares.

Pursuant to Rule 26 of the Takeovers Code and in the absence of the Whitewash Waiver, as a result of the completion of the issue of the Settlement Shares and, if the Investor is called upon to take up the Offer Shares under the Underwriting Agreement, the Offer Shares, an obligation to make a mandatory general offer would be triggered on the part of Mr. Long and parties acting in concert with him for all the shares of the Company other than those already owned or agreed to be acquired by Mr. Long and parties acting in concert with him. In this respect, Mr. Long will make an application to the Executive under the Takeovers Code for the grant of the Whitewash Waiver to relieve them from their obligation to make a mandatory general offer as a result of the completion of the issue of the Settlement Shares and the Offer Shares which may be acquired by the Investor if it is called upon to take up the Offer Shares under the Underwriting Agreement, and such grant will be subject to, among other things, approval of the Independent Shareholders in respect of the Whitewash Waiver at the EGM by way of poll. If the Whitewash Waiver is not granted by the Executive or is not approved by the Independent Shareholders at the EGM, the Open Offer, the Underwriting Agreement and the transactions contemplated under the Debt Settlement Agreements will not proceed.

In the event that the aggregate shareholding of Mr. Long and parties acting in concert with him exceeds 50% of the issued share capital of the Company following the completion of the issue of the Offer Shares and the Settlement Shares, Mr. Long and parties acting in concert with him may increase their shareholding in the Company without incurring any further obligation to make a general offer under the Takeovers Code.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the date of this announcement, Mr. Long and parties acting in concert with him are interested in 762,022,000 Shares (representing approximately 14.56% issued share capital of the Company) and the outstanding 2010 Convertible Bonds in the principal amount of HK\$139,191,200. Save for the aforesaid Shares, 2010 Convertible Bonds, and entering into of the Underwriting Agreement, the Share Settlement Agreement A, the Share Settlement Agreement E, the Share Settlement Agreement F1 and the Share Settlement Agreement F2, as at the date of the Debt Settlement Agreements and up to and including the date of this announcement, none of Mr. Long or any parties acting in concert with him:

- (i) holds, controls or has direction over any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any securities in the Company;

- (ii) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (iii) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares, which might be material to the Open Offer, the Debt Settlement Agreements and/or the Whitewash Waiver;
- (iv) has any agreements or arrangements to which the Mr. Long or any party acting in concert with him is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Open Offer, the Debt Settlement Agreements and/or the Whitewash Waiver; and
- (v) has received any irrevocable commitment to vote for or against the Open Offer, the Debt Settlement Agreements or the Whitewash Waiver.

Save for entering into the Underwriting Agreement, the Share Settlement Agreement A, the Share Settlement Agreement E, the Share Settlement Agreement F1 and the Share Settlement Agreement F2, none of Mr. Long or parties acting in concert with him has dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible into any Shares during the six month period prior to the date of this announcement.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, none of the Creditor B, the Creditor C, the Creditor D, the Creditor G, the Creditor H, the Creditor I, the Creditor J, the Creditor K and the Creditor L, and their respective ultimate beneficial owner(s) is a party acting in concert with Mr. Long and none of them is a Shareholder.

REASONS AND BENEFITS FOR PROPOSED OPEN OFFER AND ENTERING INTO THE DEBT RESTRUCTURING AGREEMENTS

The Group is principally engaged in provision of beauty treatment and trading of cosmetic and skincare products in Hong Kong, and gold mining, exploration and trading of gold products in the PRC.

On 31 March 2010, the Company issued the 2010 Convertible Bonds in the total principal amount of HK\$895,191,200 as part of the consideration for the acquisition of the entire issued share capital of Westralian Resources. The 2010 Convertible Bonds which matured on 1 April 2013 bore no interest up to the maturity date. Trading in the Shares on the Stock Exchange has been suspended since 29 June 2011, constituted an event of default under the

2010 Convertible Bonds such that the Company is required to redeem them pursuant to the terms of the 2010 Convertible Bonds. Therefore, the 2010 Convertible Bonds has been reclassified as current liabilities since the financial year ended 31 December 2011.

As set out in the Company's audited annual report for the year ended 31 December 2014 (the "**2014 Annual Report**"), as the Group incurred a loss attributable to the owners of the Company of approximately HK\$602 million for the year ended 31 December 2014, and had net current liabilities and net liabilities of approximately HK\$484 million and HK\$282 million respectively as at 31 December 2014, the auditor of the Company has given a disclaimer opinion in respect of the material uncertainty relating to the going concern basis (the "**Going Concern Issue**").

In order to resolve the Going Concern Issue, after the arm's length negotiations between the Company and the Creditors, the Company entered into the Share Settlement Agreements with the Share Settlement Creditors and the CB Settlement Agreements with the CB Settlement Creditors by way of the issue of the Settlement Shares and the Convertible Bonds respectively. The debts that are the subject matter of the Share Settlement Agreement and the CB Settlement Agreement represent approximately 96.33% in value of the total debts of the Group as at the date of this announcement. In addition, the Board also proposes to conduct the Open Offer which will be fully underwritten by the Investor.

The Board believes that entering into of the Debt Settlement Agreements will reduce the indebtedness level of the Group and resolve the Going Concern Issue, and together with the proposed Open Offer, will strengthen the financial position of the Group. The Open Offer will provide the Group with new funds to enhance the Group's existing business and flexibility to make investments in any new business when suitable opportunity arise in the future. In addition, the Open Offer can give the Qualifying Shareholders the opportunities to maintain their pro rata shareholding interests in the Company and participate in the potential growth of the Company.

Having considered the factors above and the terms of the Underwriting Agreement (including the underwriting commission payable by the Company), the Directors (other than the Independent non-executive Directors) consider that the terms of the Debt Settlement Agreements and the Underwriting Agreement are on normal commercial terms and the entering into of the Debt Settlement Agreements and the Underwriting Agreement is in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS FROM THE OPEN OFFER

The gross proceeds from the Open Offer are approximately HK\$157.1 million, and the net proceeds from the Open Offer are estimated to be HK\$150.0 million, the net proceeds will be applied by the Company as follows:

- (i) approximately HK\$35.0 million as possible early redemption of the Convertible Bonds by the Company and settlement of current liabilities, and if such situation does not occur, such amount should be used as approximately HK\$20.0 million as future investments fund for possible potential merger and acquisition projects and HK\$15.0 million as working capital for the existing business of the Group;
- (ii) approximately HK\$45.0 million as capital investment in mining products segment;
- (iii) approximately HK\$33.0 million as future investments fund for possible potential merger and acquisition projects; and
- (iv) approximately HK\$37.0 million as working capital for the existing business of the Group.

STATUS OF THE OFFER SHARES, THE SETTLEMENT SHARES AND THE CONVERSION SHARES

The Settlement Shares and the Conversion Shares, which will be allotted and issued under a specific mandate to be sought from the Independent Shareholders at the EGM, and the Offer Shares will rank *pari passu* in all respects among themselves and with the Reorganised Shares of the Company in issue as at the date of allotment and issue of the Offer Shares, the Settlement Shares and the Conversion Shares, respectively, including the rights to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the date of allotment and issue of the Offer Shares, the Settlement Shares and the Conversion Shares, respectively.

LISTING APPLICATION

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Reorganised Shares, the Offer Shares, the Settlement Shares and the Conversion Shares.

Subject to the granting of the listing of, and permission to deal in, the Reorganised Shares, the Offer Shares, the Settlement Shares and the Conversion Shares on the Stock Exchange, the Reorganised Shares, the Offer Shares, the Settlement Shares and the Conversion Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Reorganised Shares, the Offer Shares, the Settlement Shares and the Conversion Shares on the Stock Exchange or under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second business day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company did not carry out any rights issue, open offer or other issue of equity securities for fund raising purpose or otherwise within the past 12 months immediately prior to the date of this announcement.

LISTING RULES IMPLICATIONS

To be best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Creditor B, the Creditor C, the Creditor D, the Creditor G, the Creditor H, the Creditor I, the Creditor J, the Creditor K and the Creditor L, and their respective ultimate beneficial owner(s) did not hold any existing Shares and are independent third parties not connected with the Company or any of its connected persons as at the date of the Debt Settlement Agreements and up to the date of this announcement.

As at the date of this announcement, Mr. Long is the Company's chairman, an executive Director and a substantial Shareholder interested through Creditor A in 762,022,000 Shares, representing approximately 14.56% of the total number of Shares in issue. Each of the Investor, the Creditor A and the Creditor F is wholly and beneficially owned by Mr. Long. Therefore, each of Mr. Long, the Investor, the Creditor A and the Creditor F is a connected person of the Company pursuant to the Listing Rules.

As such the entering into each of the Underwriting Agreement, the Share Settlement Agreement A, the Share Settlement Agreement E, the Share Settlement Agreement F constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and (apart from the Underwriting Agreement) subject to reporting, announcement and the independent Shareholders' approval requirements pursuant to the Listing Rules.

As all applicable percentage ratios in respect of the payment of the underwriting commission by the Company to the Investor are less than 25% and the total amount of the underwriting commission payable by the Company to the Investor is less than HK\$10,000,000, the payment of the underwriting commission is subject to reporting and announcement requirements but exempt from the independent Shareholders' approval requirement pursuant to Rule 14A.76(2)(b) of the Listing Rules.

In addition, as the Open Offer will increase the number of issued Reorganised Shares by more than 50%, the Open Offer is subject to approval by the Shareholders at the EGM by way of poll. Given there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Open Offer pursuant to the requirement of the Listing Rules.

GENERAL

The EGM will be held, at which resolutions will be proposed to consider and, if thought fit, pass to approve, among other things, (i) the Capital Reorganisation; (ii) the Open Offer; (iii) the issue of the Settlement Shares and the Convertible Bonds under the Debt Settlement Agreements and the issue of the Conversion Shares pursuant to the Convertible Bonds; and (iv) the Whitewash Waiver, and all these resolutions shall be voted by way of poll.

Mr. Long, his associates and parties acting in concert with him and those who are interested in and/or involved in the Open Offer, the Debt Settlement Agreements and the Whitewash Waiver will abstain from voting on the resolutions approving the Open Offer, the Debt Settlement Agreements and the Whitewash Waiver.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the Underwriting Agreement, the Debt Settlement Agreements and the Whitewash Waiver. An independent financial adviser will be appointed in due course to advise the Independent Board Committee and the Independent Shareholders in relation to the recommendations to voting at the EGM on the resolutions in relation to the Open Offer, the Debt Settlement Agreements and the Whitewash Waiver. A further announcement will be made by the Company upon the appointment of the Independent Financial Adviser.

A circular containing, among other things, details of (i) the Capital Reorganisation; (ii) the Open Offer; (iii) the Debt Settlement Agreements; (iv) the Whitewash Waiver; (v) all the transactions contemplated thereunder; (vi) the letter from the Independent Board Committee; (vii) the letter from the Independent Financial Adviser; and (viii) a notice of the EGM, is expected to be despatched to the Shareholders on or before 6 January 2016.

SECURITIES OF THE COMPANY

As at the date of this announcement, the Company has a total of 5,235,303,300 ordinary Shares of HK\$0.10 each in issue, and 2010 Convertible Bonds with outstanding principal amount of HK\$290,191,200. Saved as disclosed above, the Company has no other class of relevant securities in issue.

CONDITIONS FOR RESUMPTION

On 14 December 2015, the Company received the approval from the Stock Exchange that the Resumption is allowed subject to the completion of the Capital Reorganisation, the Open Offer and the Debt Settlement Agreements.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended since 29 June 2011 and shall remain suspended until further notice.

The transactions contemplated under the Open Offer and the Debt Settlement Agreements are subject to the fulfillment of a number of conditions precedent, and therefore may or may not materialise. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

Trading in the shares of the Company will continue to be suspended until further notice. The release of this announcement does not necessarily indicate the shares of the Company will be resumed for trading. Accordingly, Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company. The Company will keep the public informed of the latest development by making further announcements when and as appropriate.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acceptance Date”	latest time for acceptance and payment of the Open Offer
“acting in concert”	having the meaning ascribed thereto under the Takeovers Code
“Application Form(s)”	means the form(s) of application for the Offer Shares proposed to be issued to Qualifying Shareholders under the Open Offer in such usual form as may be agreed between the Company and the Investor
“associate(s)”	having the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“business day(s)”	a day (other than a Saturday, Sunday or day on which a typhoon signal No. 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks in Hong Kong are generally open for business
“Capital Cancellation”	the proposed cancellation of the unissued share capital of the Company in its entirety immediately after the Capital Reduction becoming effective
“Capital Reduction”	the proposed reduction of the nominal value of each Share from HK\$0.10 to HK\$0.005
“Capital Reorganisation”	the proposed capital Reorganisation which involves the Capital Reduction, the Capital Cancellation, the Share Consolidation, the increase in authorised Share capital and the Share Premium Reduction

“CB Settlement Agreement J”	the convertible bonds settlement agreement dated 9 November 2015 entered into between the Company and the Creditor J in relation to settlement of the outstanding loan in the principal amount of HK\$36,300,000 and the interest accrued up to the Cut-off Date in the amount of approximately HK\$1,881,633
“CB Settlement Agreement K”	the convertible bonds settlement agreement dated 9 November 2015 entered into between the Company and the Creditor K in relation to settlement of the outstanding loan in the principal amount of HK\$13,310,000 and the interest accrued up to the Cut-off Date in the amount of approximately HK\$660,030
“CB Settlement Agreement L”	the convertible bonds settlement agreement dated 9 November 2015 entered into between the Company and the Creditor L in relation to settlement of the outstanding loan in the principal amount of HK\$1,210,000 and the interest accrued up to the Cut-off Date in the amount of approximately HK\$55,693
“CB Settlement Agreements”	the CB Settlement Agreement J, the CB Settlement Agreement K and the CB Settlement Agreement L
“CB Settlement Creditors”	the Creditors J, the Creditors K and the Creditor L
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China” or “PRC”	the People’s Republic of China, but for the purposes of this announcement and for geographical reference only (unless otherwise indicated), excludes the Macao Special Administrative Region of the PRC, Hong Kong and Taiwan

“Circular”	the circular containing, among other things, details of (i) the Capital Reorganisation; (ii) the Open Offer; (iii) the Debt Settlement Agreements; (iv) the Whitewash Waiver; (v) all the transactions contemplated thereunder; (vi) the letter from the Independent Board Committee; (vii) the letter from the Independent Financial Adviser; and (viii) a notice of the EGM, to be despatched by the Company to the Shareholders
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	China Billion Resources Limited, a company incorporated in Cayman Island with limited liability, shares of which are listed on the Stock Exchange
“Completion”	completion of the Debt Settlement Agreements
“connected person(s)”	has the same meaning ascribed to it in the Listing Rules
“Conversion Price”	initially, HK\$0.10 per Conversion Share (subject to adjustments)
“Conversion Shares”	the Reorganised Shares that fall to be issued on exercise of conversion rights attached to the Settlement Convertible Bonds
“Convertible Bonds”	the unsecured 10% convertible bonds in the principal amount of HK\$53,417,356.17 with a term of three years to be issued by the Company to the CB Settlement Creditors pursuant to the terms of the CB Settlement Agreements
“Creditor A”	Star Sino International Limited, one of the Share Settlement Creditors and a company wholly and beneficially owned by Mr. Long
“Creditor B”	Successful Era Investments Limited, one of the Share Settlement Creditors and an independent third party

“Creditor C”	Premier Trend Capital Management Limited, one of the Share Settlement Creditors and an independent third party
“Creditor D”	Capital Mountain Investments Limited, one of the Share Settlement Creditors and an independent third party
“Creditor E”	Mr. Long, one of the Share Settlement Creditors
“Creditor F”	Billion Glory Capital Investment Limited, one of the Share Settlement Creditors and a company wholly and beneficially owned by Mr. Long
“Creditor G”	Oriental Hung Tai Investment Limited, one of the Share Settlement Creditors and an independent third party
“Creditor H”	Wang Bo, one of the Share Settlement Creditors and an independent third party
“Creditor I”	China United International Fortune Management Co., Limited, one of the Share Settlement Creditors and an independent third party
“Creditor J”	李鐵鍵, one of the CB Settlement Creditors and an independent third party
“Creditor K”	吳躍新, one of the CB Settlement Creditors and an independent third party
“Creditor L”	豆新虎, one of the CB Settlement Creditors and an independent third party
“Creditors”	the Share Settlement Creditors and CB Settlement Creditors
“Cut-off Date”	31 December 2015, or such later date the parties may agree for the purpose of determining the accrued interest up to the Cut-off Date under each of the Debt Settlement Agreements
“Debt Settlement Agreements”	the Share Settlement Agreements and the CB Settlement Agreements

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider, among others, the resolutions relative to the Capital Reorganisation, the Open Offer, the Debt Settlement Agreements, the Whitewash Waiver, and all the transactions contemplated thereunder
“Excluded Shareholder(s)”	overseas Shareholders to whom the Company considers it necessary or expedient not to offer the Offer Shares where, in the opinion of the Board (having made relevant and necessary enquiries), it would or might be unlawful or impracticable to offer the Offer Shares in such places on account of any legal or regulatory restrictions or special formalities in such places
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or his delegate
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, comprising Mr. Jin Shunxing, Mr. Chiang Tsung-Nien and Ms. Liu Shuang, all independent non-executive Directors
“Independent Financial Adviser”	an independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the recommendations to voting at the EGM on the resolutions in relation to the Open Offer, the Debt Settlement Agreements and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than (i) Mr. Long, his associates and parties acting in concert with him; and (ii) those Shareholders who are interested or involved in the Underwriting Agreement, the Debt Settlement Agreements and the Whitewash Waiver

“independent third party(ies)”	third party(ies) independent of the Company and its connected persons as defined under the Listing Rules
“Investor”	Gain Faith Investments Limited, a Hong Kong incorporated company and wholly and beneficially owned by Mr. Long
“Last Trading Day”	28 June 2011, being the last full trading day immediately before the suspension of trading in the Shares
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long-stop Date”	in respect of each Debt Settlement Agreement and the Underwriting Agreement, 31 May 2016 or such later date as the parties to that agreement may agree
“Mr. Long”	Mr. Long Xiaobo, the chairman of the Board and as at the date of this announcement a substantial Shareholder interested in 762,022,000 Shares, representing approximately 14.56% of the issued share capital of the Company and the 2010 Convertible Bonds in the principal amount of HK\$139,191,200
“Offering Circular”	the offering circular to be despatched to Shareholders on the Posting Date in connection with the Open Offer in such form as may be agreed between the Company and the Investor
“Offering Documents”	the Offering Circular and the Application Form
“Offer Price”	HK\$0.03 for each of the Offer Shares
“Offer Shares”	new Reorganised Shares to be allotted and issued under the Open Offer, being 5,235,303,300 new Reorganised Shares
“Open Offer”	the proposed issue of the Offer Shares on the basis of two (2) Offer Share for every one (1) Reorganised Share held by that Qualifying Shareholder on the Open Offer Record Date at the Offer Price

“Open Offer Record Date”	the date by reference to which entitlements under the Open Offer to be determined
“Posting Date”	the date for the despatch of the Offering Documents to the Qualifying Shareholders and the Offering Circular, for information only, to the Excluded Shareholders, to the extent legally and practically permissible
“Qualifying Shareholders”	the Shareholders, other than the excluded Shareholders (i.e. Shareholders whose address(es) as shown on the register of members is/are outside in a jurisdiction the laws of which may prohibit the making of the Open Offer to such Shareholders or otherwise require the Company to comply with additional requirements which are (in the opinion of the Directors) unduly onerous or burdensome), whose names appear on the register of members of the Company as at the close of business on the Open Offer Record Date
“Reorganised Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company upon the Capital Reorganisation becoming effective
“Resumption”	the resumption of trading in the shares of the Company on the Stock Exchange
“Settlement Date”	the third Business Day following the Acceptance Date (or such other time or date as the Investor and the Company may agree in writing as the date for settlement of the Open Offer)
“Settlement Share Price”	HK\$0.05 per Settlement Share
“Settlement Shares”	a maximum of 9,692,022,458 Reorganised Shares to be issued by the Company to the Share Settlement Creditors at the Settlement Share Price per Settlement Share pursuant to the Share Settlement Agreements
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)

“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company before the Capital Reorganisation
“Share Consolidation”	the consolidation of share(s) in the issued share capital of the Company whereby every two (2) Shares of nominal value of HK\$0.005 each will be consolidated into one (1) Reorganised Share of nominal value of HK\$0.01 upon the Capital Reduction becoming effective
“Share Premium Reduction”	the application of the credit arising from the reduction of par value above and the credit standing in the Company’s share premium account be applied towards offsetting the accumulated deficit of the Company as at the effective date of the reduction of par value, thereby reducing the accumulated deficit of the Company and transfer of the balance of credit (if any) to a distributable reserve account of the Company to be applied for such purposes as permitted by all applicable laws and the memorandum and articles of association of the Company and as the Board considers appropriate
“Share Settlement Agreement A”	the share settlement agreement dated 9 November 2015 entered into between the Company and the Creditor A in relation to the full and final settlement of the outstanding 2010 Convertible Bonds in the principal amount of HK\$139,191,200 and interest accrued up to the Cut-off Date in the amount of approximately HK\$19,162,624
“Share Settlement Agreement B”	the share settlement agreement dated 9 November 2015 entered into between the Company and the Creditor B in relation to the full and final settlement of the outstanding 2010 Convertible Bonds in the principal amount of HK\$85,000,000 and the interest accrued up to the Cut-off Date in the amount of approximately HK\$11,702,055

“Share Settlement Agreement C”	the share settlement agreement dated 9 November 2015 entered into between the Company and the Creditor C in relation to the full and final settlement of the outstanding 2010 Convertible Bonds in the principal amount of HK\$30,000,000 and the interest accrued up to the Cut-off Date in the amount of approximately HK\$4,130,137
“Share Settlement Agreement D”	the share settlement agreement dated 23 November 2015 entered into between the Company and the Creditor D in relation to the full and final settlement of the outstanding 2010 Convertible Bonds in the principal amount of HK\$18,000,000 and the interest accrued up to the Cut-off Date in the amount of approximately HK\$2,478,082
“Share Settlement Agreement E”	the share settlement agreement dated 9 November 2015 entered into between the Company and the Creditor E in relation to the full and final settlement of the outstanding working capital loans in the total principal amount of approximately HK\$42,906,804 and the interest accrued up to the Cut-off Date in the amount of approximately HK\$9,429,207
“Share Settlement Agreement F1”	the share settlement agreement dated 9 November 2015 entered into between the Company and the Creditor F in relation to the full and final settlement of the outstanding working capital loans in the total principal amount of approximately HK\$40,586,042 and the interest accrued up to the Cut-off Date is in the amount of approximately HK\$1,798,434
“Share Settlement Agreement F2”	the share settlement agreement dated 9 November 2015 entered into between the Company and the Creditor F in relation to the full and final settlement of the HK\$20,000,000 loan facility granted to the Company that is drawn down by the Company and owing to the Creditor F as at close of business on the date immediately preceding the Completion Date

“Share Settlement Agreement G”	the share settlement agreement dated 9 November 2015 entered into between the Company and the Creditor G in relation to the full and final settlement of the outstanding loan in the principal amount of HK\$37,510,000 and the interest accrued up to the Cut-off Date in the amount of approximately HK\$1,971,803
“Share Settlement Agreement H”	the share settlement agreement dated 9 November 2015 entered into between the Company and the Creditor H in relation to the full and final settlement of the outstanding working capital loan in the principal amount of HK\$10,000,000 and interest accrued up to the Cut-off Date in the amount of approximately HK\$1,313,973
“Share Settlement Agreement I”	the share settlement agreement dated 9 November 2015 entered into between the Company and the Creditor I in relation to the full and final settlement of the outstanding working capital loan in the principal amount of HK\$8,942,600 and interest accrued up to the Cut-off Date in the amount of approximately HK\$478,162
“Share Settlement Agreements”	the Share Settlement Agreement A, the Share Settlement Agreement B, the Share Settlement Agreement C, the Share Settlement Agreement D, the Share Settlement Agreement E, the Share Settlement Agreement F1, the Share Settlement Agreement F2, the Share Settlement Agreement G, the Share Settlement Agreement H and the Share Settlement Agreement I
“Share Settlement Creditors”	the Creditor A, the Creditor B, the Creditor C, the Creditor D, the Creditor E, the Creditor F, the Creditor G and the Creditor H
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Merger

“Underwriting Agreement”	the underwriting agreement dated 9 November 2015 entered into between the Company and the Investor in relation to the underwriting of the Offer Shares
“Underwritten Shares”	the total number of Offer Shares underwritten by the Investor pursuant to the terms of the Underwriting Agreement, being 4,473,281,300 Offer Shares
“Westralian Resources”	Westralian Resources Pty. Ltd., a company incorporated in Australia with limited liability and a wholly-owned subsidiary of the Company
“Whitewash Waiver”	a waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligations on the part of Mr. Long and parties acting in concert with him to make a general offer under Rule 26 of the Takeovers Code for all the shares of the Company not already owned or agreed to be acquired by Mr. Long and parties acting in concert with him as a results of the completion of the issue of the Offer Shares and the Settlement Shares
“2010 Convertible Bonds”	the zero coupon convertible bonds issued by the Company on 31 March 2010 with aggregate outstanding principal amount of HK\$290,191,200 as at the date of this announcement
“%”	per cent
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

By order of the Board of
China Billion Resources Limited
Long Xiaobo
Chairman

Hong Kong, 16 December 2015

As at the date this announcement, the Board comprises the following Directors:

Executive Directors:

Mr. Long Xiaobo (*Chairman*)

Mr. Zuo Weiqi (*Chief executive officer*)

Mr. Chen Yi Chung

Mr. Xiao Jie

Independent non-executive Directors:

Mr. Jin Shunxing

Mr. Chiang Tsung-Nien

Ms. Liu Shuang

This announcement, 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 announcement 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 announcement misleading.

The Directors jointly and severally accept full responsibility for accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.