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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)

MAJOR TRANSACTION DISPOSAL OF A SUBSIDIARY

THE DISPOSAL

On 15 October 2018 (after trading hours), the Vendor entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Shares at the Consideration of HK\$7,905,850.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Disposal exceed 25% but are less than 75%, the Disposal contemplated under the Sale and Purchase Agreement constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL INFORMATION

The EGM will be convened and held by the Company for the Shareholders to consider and, if thought fit, approve the Disposal.

A circular containing, among other things, (i) further information in respect of the Sale and Purchase Agreement and the Target Company; (ii) other information as required by the Listing Rules; and (iii) notice of the EGM, is expected to be despatched to the Shareholders on or before 6 November 2018.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.

INTRODUCTION

On 15 October 2018 (after trading hours), the Vendor entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Shares at the Consideration of HK\$7,905,850.

THE SALE AND PURCHASE AGREEMENT

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

Date : 15 October 2018 (after trading hours)

Parties : (a) Vendor : Supreme China Limited, a direct wholly-owned subsidiary of the Company

(b) Purchaser : True Wonder Global Limited

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner(s) is an Independent Third Party. The Purchaser is a company incorporated in British Virgin Islands with limited liability and is principally engaged in investment in cosmetic business.

Assets to be disposed of:

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Shares.

The Sale Shares represent the entire issued share capital of the Target Company and are beneficially owned by the Vendor.

Consideration:

The Consideration of the Disposal shall be HK\$7,905,850.

As at 30 June 2018, there were outstanding balances in the current accounts between the Group and the Target Company. Based on the management accounts of the Target Company as at 30 June 2018, there was an outstanding balance of HK\$8,505,850 owing by the Vendor to the Target Company, and there was an outstanding balance of HK\$600,000 owing by the Target Company to the Company, giving a net outstanding balance of HK\$7,905,850 owing by the Group to the Target Company. Pursuant to the terms of the Sale and Purchase Agreement, the Company, the Vendor and the Purchaser have agreed that the Purchaser shall pay the Consideration to the Target Company upon Completion for the settlement of the remaining balance of the net outstanding amount due by the Group to the Target Company. Upon Completion, each of the parties to the Sale and Purchase Agreement has no further claims and liabilities to each other.

The Consideration of the Disposal was arrived at arm's length negotiations on normal commercial terms between the parties to the Sale and Purchase Agreement after taking into consideration of various factors, in particular, the current financial situation of the Target Company and its business prospects. The Directors (including the independent non-executive Directors) consider that the Consideration of the Disposal is fair and reasonable and on normal commercial terms and are in the interests of the Company and its Shareholders as a whole.

Conditions precedent

Completion is conditional upon the satisfaction of the following conditions:

- (a) the approval by the Shareholders in accordance with the Listing Rules and the applicable laws and regulations by passing the requisite resolution(s) at a general meeting of the Company; and
- (b) all necessary approvals, confirmations, waivers or consents from the relevant government or regulatory authorities or any third parties which are required for the execution and performance of the Sale and Purchase Agreement and the transactions contemplated thereunder, and such approvals, confirmations, waivers or consents not having been revoked or withdrawn.

Completion

Subject to the fulfilment of all the conditions precedent of the Sale and Purchase Agreement, Completion shall take place on or before 31 December 2018 or such other date as the parties to the Sale and Purchase Agreement may agree in writing.

INFORMATION OF THE TARGET COMPANY

The Target Company is principally engaged in the provision of beauty treatment services and trading of cosmetics and skincare products in Hong Kong.

Set out below is a summary of the audited financial information of the Target Company for the years ended 31 December 2016 and 31 December 2017 respectively:

	For the year ended 31 December 2016 <i>HK\$'000</i> <i>(approximately)</i>	For the year ended 31 December 2017 <i>HK\$'000</i> <i>(approximately)</i>
Revenue	22,322	21,424
Net loss before taxation	(968)	(1,774)
Net loss after taxation	(968)	(1,774)

The unaudited total asset value of the Target Company as at 30 June 2018 was approximately HK\$18.33 million and as at the same date the Target Company had an unaudited net liability position of approximately HK\$7.59 million.

Upon Completion, the Target Company will cease to be an indirect wholly-owned subsidiary of the Company and its financial results will cease to be consolidated into the Group's financial statements.

REASONS FOR THE DISPOSAL TRANSACTION AND USE OF PROCEEDS

The Group is principally engaged in three business segments: (i) gold mining, exploration and trading of gold products in the PRC; (ii) provision of beauty treatment services and trading of cosmetics and skincare products in Hong Kong (“Cosmetics Business Segment”); and (iii) provision of money lending services in Hong Kong.

As disclosed in the Company’s annual report for the year ended 31 December 2017 (“2017 Reporting Period”), the Cosmetics Business Segment continued to suffer from keen competition in the industry, high rent and staff costs in Hong Kong. The revenue generated during the 2017 Reporting Period was approximately HK\$21.4 million representing a decrease of approximately 4.0% from that of the corresponding period in 2016 of approximately HK\$22.3 million. For the six months ended 30 June 2018, the revenue generated by this segment was approximately HK\$9.3 million, representing a decrease of approximately 18.9% as compared with approximately HK\$11.5 million for the corresponding period in 2017. Furthermore, the Cosmetics Business Segment has been making losses in the past few years. The net losses recorded by this segment was approximately HK\$1.0 million, approximately HK\$1.8 million and approximately HK\$1.5 million for the year ended 31 December 2016 and 2017 and the six months ended 30 June 2018 respectively. The Directors are of the view that the situation has not improved.

The Board has been monitoring the financial position of this segment that its segment liabilities have been in excess of its segment assets during the past few years because of the high payables of prepaid vouchers purchased by customers. Although this segment has been operating for a number of years with such net segment liabilities position, the Board considers that this is not satisfactory as any significant increase of redemption of the prepaid vouchers may have negative impact on the normal operation of this segment and its financial performance.

In view of the fierce competition in the cosmetic and facial beauty industry and the performance of the Cosmetics Business Segment in recent years, the Board has been considering different possibilities to meet the future development needs of the Group, including further expanding the Group’s business into China by introduction of potential investment partners, development of new platform and adoption of new business models to improve the business operations of the Cosmetics Business Segment, or by streamlining and retrenching the business in order to reallocate the resources into more profitable business.

In October 2017, in order to improve the business operations of the Cosmetics Business Segment and further expand the Group’s business into PRC, the Company entered into a term sheet for the possible acquisition of a holding company of a wholly foreign owned enterprise in the PRC which principally engaged in design, marketing, trading, on-line sales and distribution of cosmetics and skincare products business in the PRC. However, the due diligence period granted to the Company had expired and this potential investment did not have any further development (for details of the information of this potential investment, please refer to the announcement of the Company dated 13 October 2017).

The Board considers that the Disposal provides an excellent divestment opportunity of the Target Company to the Group.

After taking into account of the expected gain of approximately HK\$25.1 million to be generated from the Disposal and the setting off the net outstanding balance that the Group owing to the Target Company, the Directors consider that it is in the interests of the Group to dispose of the Target Company pursuant to the terms of the Sale and Purchase Agreement.

Based on the above and the negotiation with the Purchaser on arm's length basis, the Directors, including the independent non-executive Directors, consider that the Consideration and the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As the Consideration will be used to offset the net outstanding balance that the Group owing to the Target Company, it is expected that the Group will not receive any proceed from the Disposal.

The Directors consider that there will be no material adverse impact to the financial position and business operations of the Group as a whole as a result of the Disposal.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Disposal exceed 25% but are less than 75%, the Disposal contemplated under the Sale and Purchase Agreement constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL INFORMATION

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal. A circular containing, among other things, (i) further information in respect of the Sale and Purchase Agreement and the Disposal; (ii) other information as required by the Listing Rules; and (iii) notice of the EGM, is expected to be despatched to the Shareholders on or before 6 November 2018.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Board”	the board of Directors
“Company”	China Billion Resources Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“Completion”	Completion of the Disposal as contemplated under the Sale and Purchase Agreement
“connected person(s)”	with meanings ascribed to it under the Listing Rules
“Consideration”	The total consideration for the sale and purchase of the Sale Shares pursuant to Sale and Purchase Agreement

“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares as set out in the Sale and Purchase Agreement
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and approving the Sale and Purchase Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Director’s knowledge, information and belief and having made all reasonable enquiries, are third parties independent of the Company and its connected persons pursuant to the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	True Wonder Global Limited, a company incorporated in the British Virgin Islands with limited liability
“Sale and Purchase Agreement”	the agreement entered into between the Company, the Vendor and the Purchaser dated 15 October 2018 for, among other things, the sale and purchase of the Sale Shares
“Sale Shares”	5,010,000 issued shares of HK\$1.00 each in the capital of the Target Company registered in the name of the Vendor representing the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Cristal Marketing Management Company Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by the Vendor

“Vendor”

Supreme China Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Company

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

Hong Kong, 15 October 2018

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

Executive directors:

Mr. Long Xiaobo (*Chairman of the Board*)

Mr. Zuo Weiqi (*Chief executive officer*)

Mr. Chen Yi-chung

Mr. Xiao Jie

Mr. Zhang Li

Non-executive directors:

Mr. Zhang Jing

Mr. Zhang Wei

Independent non-executive directors:

Mr. Cai Jianhua

Mr. Ho Wing Chung

Ms. Liu Shuang

Mr. Xie Qiangming