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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)**

### **VOLUNTARY ANNOUNCEMENT**

This is a voluntary announcement made by China Billion Resources Limited (“Company” and together with its subsidiaries, “Group”).

#### ***Potential issue of convertible bonds under general mandate***

The board of directors of the Company (“Board”) announces that having considered the funding needs of the Group for its existing business operations and the future business development, the Board has decided to raise funds in the form of convertible bonds (the “Potential Convertible Bonds”) and the management of the Group (“Management”) has been authorised to make contacts with potential investors with a view to raise not more than HK\$200,000,000. Other terms and conditions of the Potential Convertible Bonds will be subject to the market conditions and negotiations with the potential investors.

The Potential Convertible Bonds, if issued, will be issued under the general mandate granted to the directors of the Company pursuant to the resolution passed by the shareholders of the Company at the annual general meeting of the Company convened and held on 25 May 2018 to issue and allot up to 3,508,995,481 new shares of the Company, representing 20% of the share capital of the Company in issue on the date of passing of the relevant resolution.

#### ***Reasons for the issue of the Potential Convertible Bonds***

As stated in the interim report for the six months ended 30 June 2018, the mining products segment will require further capital investment for improvement of its mining capability and facilities. In addition, after discussing the future development of the Company’s existing business and the trend of global market development, the Board considers that the development potential of new energy industries and emerging markets are huge, so the future strategy of the Company, in addition to the new energy business, should also follow the trend of social development and economic model, develop towards the blockchain digital technology and target to identify a new route leading the Company to a better platform, resulting in better return to shareholders of the Company. Blockchain can be simply understood as a distributed universal that all people can participate in an open decentralised large-scale shared electronic recordkeeping network, so through the collective maintenance which can record all the transaction data, resulting in the blockchain data more reliable, and cannot be tampered. It can promote the transformation and upgrading of traditional industries, helping them in streamlining and standardising the operations of traditional industries, and enable businesses to conduct trading, tracking, auditing and supervising in a more efficient, safer and lower-cost manner. In addition, the smart contract nature of blockchain will bring out more innovative application services, such as the popular sharing economy and smart home industries. Blockchain digital technology will transform the commercial application of the financial service industry and community communications,

particularly in clearing and settlement, cross-border payments, settlement and transactions. At present, many large and well-known international enterprises and national governments have researched and launched the blockchain technology in many aspects, so the Company has started to set up the relevant team in order to capture this opportunity, and also to look for potential partners or acquisition targets.

Before reaching the decision on the issue of the Potential Convertible Bonds, the Board has considered other financing alternatives including other equity financing and bank borrowings.

With respect to equity financing, the Board has considered several means including placing of new shares, rights issue or open offer. The Management has approached a securities firm but did not receive any concrete feedback with favourable terms in light of the financial position of the Group. The Board also considers that the rights issue or open offer would incur costly underwriting commission and the process would be relatively time-consuming.

With respect to bank borrowings, the Board considered that the ability for the Group to obtain bank borrowings largely depends on the Group's profitability, financial position and the then prevailing market condition. As disclosed in the Company's annual reports for the years ended 31 December 2016 and 2017, the Group recorded net loss of approximately HK\$25.5 million and HK\$24.2 million for the years ended 31 December 2016 and 2017 respectively. For the six months ended 30 June 2018, the Group recorded net loss of approximately HK\$17.4 million. Given the unsatisfactory financial performance of the Group and that negotiations and due diligence process with various banks are expected to be a lengthy process, the Board considers that it is unlikely that the Group could secure a meaningful size of borrowings from banks with favourable terms in a short period of time.

The Board considers raising funds by issuing the Potential Convertible Bonds is justifiable because (i) the issue of the Potential Convertible Bonds incurs lower interest burden and financial costs compared to bank borrowings; (ii) it will not have an immediate dilution effect on the shareholding of the existing shareholders of the Company; (iii) the time horizon for the issue of the Potential Convertible Bonds is relatively shorter compared to alternative equity fund raising methods; (iv) there will not be any liability and obligations on the Company for payment or repayment (whether in cash or otherwise) in respect of the Potential Convertible Bonds if the Potential Convertible Bonds are converted into shares of the Company; and (v) the capital base of the Company will be enlarged by the issue of the new shares upon conversion of the Potential Convertible Bonds. In addition, the Potential Convertible Bonds, as a financing instrument combining the characteristics of both equity and liability, have a long conversion period, thus being more acceptable to the investors and a more realistic choice for the Company to replenish its capital. In addition, investors are able to benefit from their investments in the Potential Convertible Bonds because, with the equity conversion nature attached to the Potential Convertible Bonds, the investors have the flexibility to control the timing of the conversion and profit when share prices rise above the conversion price.

### ***Potential use of proceeds***

The Board intends to apply the net proceeds from the issue of the Potential Convertible Bonds, after deduction of all relevant costs and expenses, to (i) the repayment of the existing convertible bonds of the Company which will be due for repayment in May 2019 (if not converted prior to the maturity date) and accrued interest; (ii) the capital investment required for the improvement of the Group's mining capability and facilities; and (iii) potential investment in the blockchain digital technology as mentioned above. The actual allocations of the net proceeds have not been decided yet. The Board will consider the actual allocations upon the receipt of commitment from the potential investors. As at the date of this announcement, the Board has not identified any investment targets.

***Warning***

Shareholders of the Company and potential investors should be aware that the terms of the Potential Convertible Bonds are subject to further negotiation between the Company and the potential investors. The Board wishes to emphasise that no legally binding agreement has been entered into by the Company in respect of the Potential Convertible Bonds. Shareholders of the Company and potential investors should take note that the issue of the Potential Convertible Bonds may or may not proceed and the terms of the Potential Convertible Bonds may differ from those indicated in this announcement. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares of the Company.

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

Hong Kong, 6 November 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  
Mr. Zhang Yiwen

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