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BILLION INDUSTRIAL HOLDINGS LIMITED
百宏實業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2299)

QUARTERLY UPDATE ON SUSPENSION OF TRADING

This announcement is made by BILLION INDUSTRIAL HOLDINGS LIMITED (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 31 March 2021, 15 June 2021, 30 June 2021 and 3 September 2021 (collectively, the “**Announcements**”) in relation to, among others, (i) delay in publication of the 2020 Annual Results and despatch of the 2020 Annual Report; (ii) adjournment of Board meeting; (iii) suspension of trading; (iv) Resumption Guidance; and (v) delay in publication of the 2021 Interim Results and despatch of the 2021 Interim Report. Unless otherwise stated, the capitalised terms used herein shall have the same meaning as defined in the Announcements.

UPDATE ON PROGRESS OF RESUMPTION

As disclosed in the announcement of the Company dated 15 June 2021, the Stock Exchange has set out the following Resumption Guidance for the Company:

- a) publish all outstanding financial results required under the Listing Rules and address any audit modifications;

- b) conduct an appropriate independent investigation into the Audit Issues, announce the investigation findings, assess and announce the impact on the Company's business operation and financial position and take appropriate remedial actions;
- c) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet obligations under the Listing Rules;
- d) demonstrate that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence;
- e) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules; and
- f) announce all material information for the Company's Shareholders and investors to appraise the Company's position.

Pursuant to Rule 13.24A of the Listing Rules, the Board wishes to update the Shareholders and potential investors of the Company on the progress of the Company's fulfilment of the Resumption Guidance as at the date of this announcement which is summarised below.

Update on Independent Investigation and Independent Internal Control Review

In July 2021, the Company engaged (a) SWRS Risk Services Limited (“**SWRS**”) to conduct an independent investigation (the “**Independent Investigation**”) into the Audit Issues; and (b) SHINEWING Risk Services Limited (“**SHINEWING**”) to conduct an independent internal control review (the “**Internal Control Review**”) of certain aspects of the Group's operations, in an effort to fulfil the Resumption Guidance.

The scope of SWRS's Independent Investigation involves certain agreed-upon procedures covering the following aspects: (i) the seven contracts entered into between Billion Fujian and Hengcai from April to June 2020 which were cancelled; (ii) the 25 sales contracts entered into between Billion Fujian and Hengcai from April to August 2020 which were not cancelled; (iii) the relationship among the Company, Billion Fujian, Hengcai, and Baikai Group and profit margin of Hengcai; (iv) the issues raised from the results of certain interviews between Baikai Group and former auditor Moore Stephens CPA Limited; (v) Hengcai's shareholder(s) being employee(s) of the Group; (vi) source of fund injected in Hengcai; (vii) issues on suppliers' supervisor and shareholders; (viii) control test on inventory management system; and (iv) trade receivables.

The scope of SHINEWING's Internal Control Review covers (i) review of compliance procedures on certain listing rules and regulations; (ii) entity-level review under COSO framework; (iii) activity-level review, including financial close and reporting process, revenue and receipts, procurement and payments, inventory management, bank and cash management, fixed assets management, human resources and payroll process and taxation; and (iv) review on information technology general controls.

The Independent Investigation and Internal Control Review commenced in July 2021 and is still on-going as of the date of this announcement. The Company will make further announcement(s) to update the Shareholders and potential Investors on the progress and findings of the Independent Investigation and the Internal Control Review in due course.

Outstanding financial results

As disclosed in the announcements of the Company dated 15 June 2021 and 3 September 2021, the publication of the 2020 Annual Results and the 2021 Interim Results and the despatch of the 2020 Annual Report and the 2021 Interim Report were delayed, pending the completion of the audit of the financial statements of the Company for the year ended 31 December 2020 and the six months ended 30 June 2021, respectively. The finalisation and publication of the 2020 Annual Results and the 2021 Interim Results and the despatch of the 2020 Annual Report and the 2021 Interim Report continue to be delayed as additional time is required to complete the audit. The Company will make further announcement(s) to update the Shareholders and potential investors on the date of publication of the 2020 Annual Results and the 2021 Interim Results and the date of despatch of the 2020 Annual Report and the 2021 Interim Report.

BUSINESS UPDATE

The Group is principally engaged in the business of production and sales of polyester filament yarns, polyester products, polyester industrial yarns and ES fibers. The Directors wish to point out that, notwithstanding the suspension of trading, the Group is still carrying on its business operations as usual to the extent possible under the adverse effect brought by the novel coronavirus epidemic. The Board will continue to assess and monitor the impact of the novel coronavirus epidemic and the suspension of trading on the operation and financial performance of the Company. The Company will take appropriate measures as necessary and make further announcement(s) as and when appropriate.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Thursday, 1 April 2021 and will remain suspended until further notice. The Company will publish further announcement(s) to keep its shareholders and potential investors informed of the latest progress as and when appropriate and will announce quarterly updates on its development pursuant to Rule 13.24A of the Listing Rules.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

By Order of the Board
Billion Industrial Holdings Limited
Sze Tin Yau
Co-Chairman

Hong Kong, 30 September 2021

As at the date of this announcement, the Board comprises Mr. Sze Tin Yau and Mr. Wu Jinbiao as executive directors, Mr. Zhang Shengbai as non-executive director and Mr. Chan Shek Chi, Mr. Lin Jian Ming and Mr. Shih Chun Pi as independent non-executive directors.