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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)

**FULFILLMENT OF ALL RESUMPTION GUIDANCE
AND
RESUMPTION OF TRADING**

This announcement is made by Billion Industrial Holdings Limited (the “**Company**”), pursuant to Rule 13.09 and Rule 13.24A 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 under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

References are made to the (1) announcements of the Company dated 31 March 2021, 15 June 2021, 30 June 2021, 3 September 2021, 30 September 2021, 3 November 2021 and 4 November 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; (v) delay in publication of the 2021 Interim Results and despatch of the 2021 Interim Report; (vi) quarterly update on suspension of trading; (vii) key findings of independent investigation and internal control review; (viii) annual results announcement; and (ix) interim results announcement; (2) the 2020 annual report of the Company (the “**2020 Annual Report**”) dated 25 November 2021; and (3) 2021 interim report of the Company (the “**2021 Interim Report**”) dated 29 November 2021. Unless otherwise stated, the capitalized terms used herein shall have the same meaning as defined in the Announcements.

RESUMPTION GUIDANCE

As disclosed in the announcement of the Company dated 15 June 2021, the Exchange has given the following Resumption Guidance for the resumption of trading in the Shares:

- a) publish all outstanding financial results required under the Listing Rules and address any audit modifications (“**Resumption Guidance 1**”);
- 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 (“**Resumption Guidance 2**”);
- 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 (“**Resumption Guidance 3**”);
- 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 (“**Resumption Guidance 4**”);
- e) demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules (“**Resumption Guidance 5**”); and
- f) announce all material information for the Company’s shareholders and investors to appraise the Company’s position (“**Resumption Guidance 6**”).

FULFILMENT OF RESUMPTION GUIDANCE AND REMEDIATION OF ISSUES CAUSING TRADING SUSPENSION

The Company has fulfilled all the Resumption Guidance. By doing so, the Company has remedied the issues causing its trading suspension. Details are set out as followings:

Resumption Guidance 1 – publish all outstanding financial results required under the Listing Rules and address any audit modifications

The Company has published all outstanding financial results, in particular:

- a) the announcement of audited annual results for the year ended 31 December 2020 (“**Annual Results Announcement**”) on 3 November 2021;
- b) the announcement of interim results for the six months ended 30 June 2021 (“**Interim Results Announcement**”) on 4 November 2021;
- c) the 2020 Annual Report on 25 November 2021; and
- d) the 2021 Interim Report on 29 November 2021.

Audit Issues

The particulars of the Audit Issues and the actions taken to address the Audit Issues are summarized below:

	Audit Issues	Background	Actions taken to address the Audit Issues
1	Sales contracts entered into between Billionon Fujian and Hengcai which were cancelled	Hengcai was engaged by Billionon Fujian as a new customer in April 2020. The names of the two shareholders of Hengcai were among the names on Billionon Fujian's employee list. Billionon Fujian, a subsidiary of the Company, entered into seven sales contracts with Hengcai in April 2020, and during the period from May to June 2020 with an aggregate sales amount of RMB541.6 million. These seven sales contracts were subsequently cancelled in May and June 2020. Billionon Fujian made payments to Hengcai prior to receiving the bills drawn by Hengcai for fulfilling the settlement terms as set out in these contracts. Following the payments made by Billionon Fujian, Hengcai would then issue bills to Billionon Fujian and Billionon Fujian discounted all these bills to its bank upon receipt of these bills. The aggregate payments made by Billionon Fujian from May to June 2020 amounted to RMB541.1 million. The bills issued by Hengcai also amounted to RMB541.1 million and the related discounting bank charges of approximately RMB650,000 were subsequently reimbursed to Billionon Fujian by Hengcai.	Independent Investigation has been conducted by SWRS. SWRS's findings in relation to the issues were disclosed in the announcement of the Company dated 3 November 2021. Separately, Mazars also performed certain additional pin-point audit procedures in relation to the Audit Issues about the transactions between Billionon Fujian and Hengcai including but not limited to: <ul style="list-style-type: none"> discussed and understood the Audit Issues with the management of the Company and the scope of investigation work and internal control review work to be performed by SWRS and SHINEWING; compared the key findings of SWRS and SHINEWING with Mazars' procedures performed; attended the interviews performed by SWRS; inspected the relevant documents (including but not limited to the sales agreements, delivery documents, bills issuing and discounting documents and agreements) on the sales involved in the transactions between Billionon Fujian and Hengcai and confirmed the sales transactions with Baikai Group through direct confirmations; and obtained and challenged the legal opinion about any risk of claims against the Group in relation to the Audit Issues, in particular, the discount of bills.
2	Sales contracts entered into between Billionon Fujian and Hengcai from April to August 2020 which were not cancelled	Billionon Fujian also entered into twenty-five sales contracts with Hengcai during the period from April 2020 to August 2020. These contracts were executed with goods delivery and the products were partly resold by Hengcai to Baikai Group as per its instruction and the remaining were sold by Hengcai to third parties.	KPMG were not provided with the reasons and all supporting documents for these transactions, the contract between Billionon Fujian and the relevant bank for the redemption of the bills, the explanation of whether there was any risk claims against Billionon Fujian for the tendering of the bills, and other information and documents KPMG requested.
3	Relationship among the Company, Billionon Fujian, Hengcai, and Baikai Group and profit margin of Hengcai	The previous and current shareholders of Hengcai were the employees of Billionon Fujian. Moore Stephens interviewed these individuals on 3 February 2021 and 22 February 2021, as well as the finance manager of Baikai Group on 23 January 2021. Moore Stephens considered that they were unable to obtain the necessary information requested in relation to the sales by Billionon Fujian to Hengcai, including their relationship with each other and Billionon Fujian and the reasons why these individuals became shareholders of Hengcai.	
4	Issues raised from the results of certain interviews between Baikai Group and former auditor Moore Stephens CPA Limited		
5	Hengcai's shareholder(s) being employee(s) of the Group		
6	Source of fund injected in Hengcai		

Audit Issues	Background	Actions taken to address the Audit Issues
7	Suppliers' supervisor and shareholders	<p>The name of two employees of Billion Fujian are found to be the same as the names of a shareholder and a supervisor of a major supplier of Billion Fujian. These two employees resigned in November 2020. Another employee of Billion Fujian was also found to a supervisor of another major supplier of Billion Fujian and did not participate in the operation of this other major supplier. Moore Stephens requested the management of the Company to explain the relationship with these two major suppliers.</p> <ul style="list-style-type: none"> Independent Investigation has been conducted by SWRS. SWRS's findings in relation to the issue were disclosed in the announcement of the Company dated 3 November 2021. Separately, Mazars also performed certain additional pin-point audit procedures in relation to the suppliers' supervisor and shareholders including but not limited to: <ul style="list-style-type: none"> performed, on a sample basis, company and background search on customers and suppliers through independent search platform and compared to the list of employee of the Group to identify any common names and arranged confirmations to both employees and customers/suppliers identified; enquired and challenged with the management of the Company on the reason on any common names identified; and checked, on a sample basis, against relevant supporting documents to confirm the list of transactions with the entities with overlapping suppliers' supervisor and shareholders to identify any abnormalities.
8	Control test on inventory management system	<p>Prior to its resignation, Moore Stephens were yet to be provided with access to the automated storage and retrieval system for inventory management maintained by Billion Fujian, which processes and manages approximately 80% of its inventories, to perform its control test.</p> <ul style="list-style-type: none"> Independent Investigation has been conducted by SWRS. SWRS's findings in relation to the issue were disclosed in the announcement of the Company dated 3 November 2021. Separately, Mazars also performed certain additional pin-point audit procedures in relation to the inventory management system including but not limited to: <ul style="list-style-type: none"> discussed, understood and assessed the process adopted by the Group for the data integrity of the inventory system and the accounting database on inventories against relevant supporting documents; assessed the reasonableness on the reconciliation and variance analysis between inventories information among the inventory system and the accounting database against relevant supporting documents, on a sample basis; and checked, on a sample basis, the accuracy of the inventories information.
9	Trade receivables	<p>During the course of Moore Stephens' audit, the Group had made receivables of RMB453.1 million as at 31 December 2020 and they requested, and yet to obtain, the information on the management's assessment of the loss allowance on the trade receivables, and an independent valuation on the management's assessment.</p> <ul style="list-style-type: none"> Independent Investigation has been conducted by SWRS. SWRS's findings in relation to the issue were disclosed in the announcement of the Company dated 3 November 2021. Separately, Mazars also performed certain additional pin-point audit procedures in relation to the trade, bills and other receivables including but not limited to: <ul style="list-style-type: none"> checked for subsequent settlement status of the trade, bills and other receivables due from Hengtai; checked for subsequent settlement status of trade, bills and other receivables due from the other relevant parties as identified in the Audit Issues; understood and challenged the management of the Company's assessment on expected credit loss exposure on trade, bills and other receivables; and challenged and assessed the independent professional valuer's opinion on the assessment on expected credit loss exposure on trade, bills and other receivables.

Qualified Opinion

Mazars, the external auditor of the Company, has issued a qualified opinion (the “**Qualified Opinion**”) in the independent auditor’s report on the Group’s consolidated financial statements for the year ended 31 December 2020. The Qualified Opinion concerns the revenue of approximately RMB114.3 million made to Hengcai during the year ended 31 December 2020 (the “**Sales Transactions**”) with all related trade receivables settled, and the relevant goods were then resold by Hengcai to its customers (the “**Next Customers**”).

Mazars was unable to obtain sufficient appropriate audit evidence to ascertain the identity of the Next Customers nor the delivery arrangements and other key trading terms of the goods resold from Hengcai to the Next Customers because Mazars were denied, by the management of Hengcai, of access to the financial information and other relevant documents of Hengcai in respect of the Sales Transactions. In addition, there was no reliable information or other evidence available to Mazars for determining whether the classification, presentation and disclosures of the Sales Transactions in the consolidated financial statements are appropriate. Details of the Qualified Opinion are set out in page 73 of the 2020 Annual Report.

The management of the Company has made due enquires and performed sufficient work to assess and address the Qualified Opinion and there was no disagreement on the Qualified Opinion between the management of the Company and the Company’s auditor.

The work performed by the management of the Company to assess and address the Qualified Opinion include:

- engaging SWRS to conduct an independent investigation on, among others, the sales made to Hengcai pursuant to 25 sales contracts entered into between Fujian Billion Polymerization Fiber Technology Industrial Co. Ltd. (“**Billion Fujian**”) and Hengcai from April to August 2020 that were not subsequently cancelled, which covered the Sales Transactions. The management of the Company considered that SWRS has exploited all reasonably practicable means to conduct the investigation procedures. For details of the key investigation findings of the independent investigation in relation to these sales contracts, please refer to the announcement of the Company dated 3 November 2021;

- engaging SHINEWING to conduct an independent internal control review, who made various recommendations to remedy, among others, internal control weaknesses regarding the operating cycle of revenue and receipts. These recommendations include, but not limited to, establishing a management system for dealing with conflicts of interest, conducting background checks on potential customers, and enhancing the refund approval mechanism. The Group has implemented these recommendations. For details of the key findings of the independent internal control review, please refer to the announcement of the Company dated 3 November 2021; and
- discussing with the Company’s auditor in relation to the situation and the financial treatment of the Sales Transactions and whether there was any alternative procedures that could be performed by the Company’s auditor.

The audit committee (“**Audit Committee**”) of the Company has reviewed the report of the independent investigation, the report of the independent internal control review, the management account and the auditor’s report (including the Qualified Opinion) for the year ended 31 December 2020 and discussed the Qualified Opinion with the management of the Company and the auditor. The Audit Committee concurred with the treatment adopted by the Company’s auditor, and there was no disagreement on the Qualified Opinion between the Audit Committee and the management of the Company.

Impact of the Qualified Opinion on the final results for the year ending 31 December 2021

The management of the Company considered that the Qualified Opinion will not have any carried forward impact to the Company’s final results for the year ending 31 December 2021, on the basis of the following:

1. the Sales Transactions were completed and revenue were fully recognized during the year ended 31 December 2020;
2. the Group has received all the trade receivables from Hengcai and ceased business relationship with Hengcai during the year ended 31 December 2020. As such, the Group has not made and will no longer make further sales to Hengcai subsequent to 31 December 2020;

3. the Group has not made and will not make any sales to Hengcai during the year ending 31 December 2021;
4. the Group reported no trade receivables balances due from Hengcai as at 30 June 2021 and 31 December 2020; and
5. the Group expects to report no trade receivables balances due from Hengcai as at 31 December 2021.

The management of the Company discussed the above view with Mazars. Mazars is of the view that, unless there is any subsequent change in the trading arrangement with Hengcai, the Qualified Opinion will not have any carried forward impact to the Company's final results for the year ending 31 December 2021.

Having reviewed and discussed the Qualified Opinion with Mazars, the Audit Committee agreed with the view of the management of the Company with regards to the Qualified Opinion and its impact to the Company's final results for the year ending 31 December 2021.

Resumption Guidance 2 – 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

In July 2021, the Company engaged SWRS to conduct the Independent Investigation into the Audit Issues 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 (ix) trade receivables.

On 3 November 2021, SWRS issued the Independent Investigation Report and the Company has published an announcement on 3 November 2021 in relation thereto. Please refer to the announcement for details of the Independent Investigation Report and SWRS's findings.

The Board has reviewed and considered the Independent Investigation Report. Since (i) the Group suffered no significant loss as a result of the incidents identified by the Independent Investigation, (ii) Billion Fujian has requested Wu Changsha and Yang Xiong Xiong to repay RMB637,124, being the financial cost on funds occupied by Hengcai, and such amount was settled on 16 November 2021, (iii) Wu Changsha and Yang Xiong Xiong, have been suspended from duties since July 2021 and were dismissed on 3 November 2021 for their misconduct, and (iv) the Group has already taken rectification measures to address these key internal control weaknesses identified by SHINEWING during the Internal Control Review, as more particularly disclosed in the announcement of the Company dated 3 November 2021, the Board considered that the impact on the Company's business operation and financial position is minimal.

Basis of the Investigation

During the course of Moore Stephens' audit, they were unable to obtain the necessary information in relation to the Audit Issues as Wu Changsha and Yang Xiong Xiong and some other frontline staffs of the Group (collectively the "**Relevant Persons**") were not sufficiently cooperative in the audit work/procedures of Moore Stephens.

Subsequently, an internal investigation was initiated by the management of the Company which targeted to obtain extra information from the Relevant Persons in relation to Hengcai. With the effort of the management of the Company, the Relevant Persons agreed to cooperate and provide further information to the management of the Company and the professional parties.

Given that the Relevant Persons became willing to cooperate in providing extra information, the management of the Company discussed with SWRS and Mazars about the preliminary internal investigation results, and it was understood that independent investigation work under HKSRS 4400 together with the additional pin-point audit procedures performed by Mazars would be sufficient to address the Audit Issues. Having reviewed the preliminary internal investigation results and communication with SWRS and Mazars, the Audit Committee considered that independent investigation work under HKSRS 4400 would be appropriate to resolve the Audit Issues.

Mazars did not solely rely on the results of the Independent Investigation to address the Audit Issues and arrive at their audit opinion, but also performed the additional pin-point audit procedures in respect of the Independent Investigation in related to (1) the Audit Issues about the transactions between Billion Fujian and Hengcai; (2) the Audit Issues related to the suppliers' supervisor and shareholders; (3) the Audit Issues related to the inventory management system and (4) the Audit Issues related to the trade, bills and other receivables.

On such basis, Mazars has no objection to the independent investigation work being performed under HKSRS 4400.

Except for the Sales Transactions being the subject of the Qualified Opinion, Mazars considered that results of the additional pin-point audit procedures were satisfactory, and concluded that the Independent Investigation is relevant and sufficient for Mazars to address the Audit issues.

The Audit Committee has:

1. reviewed the Independent Investigation performed by SWRS to understand the events leading to the Audit Issues with supporting documents being verified;
2. considered the nature of the limitations of the Independent Investigation (as more particularly set out below) and that the limitation are normally and reasonably encountered during a normal independent investigation as confirmed by SWRS; and
3. discussed with Mazars on results of the audit work performed by Mazars and noted that there was no irregularities identified (except for the matters relating to the Qualified Opinion).

On the basis of the above, the Audit Committee agreed the work performed by SWRS and Mazars are sufficient to address all the Audit Issues.

Limitation of the investigation

SWRS confirmed that as their engagement was conducted in accordance with HKSRS 4400, no conclusion was made and only factual findings were reported, and the limitations and irregularities discovered have been stated in the Independent Investigation Report.

There are certain limitations faced by SWRS in the Independent Investigation. The major limitations and management's assessments are set out below:

Limitations

Interviewees refused to be recorded for their interviews

Interviews were conducted in accordance with questionnaire received by interviewees in advance and additional questions outside the questionnaire were answered subsequently in written format

Interviewees' feedback on additional questions were provided through the Company

Management's assessments

It was understood that the interviewees considered the interviews shall be documented in writing. The interview notes were confirmed and signed by the interviewees as witnessed by a lawyer. Therefore, the interviewees considered that voice recording and video recording are not necessary.

Given that the event had happened for nearly one year, it is understandable that in order for the interviewees to provide meaningful replies during the interview, they would need to know the questions in advance, and refresh themselves of their memory.

SWRS had interviewed the relevant individuals before and the additional questions were relatively minor follow up questions to clarify their initial replies. SWRS obtained the interviewees' feedback on additional questions through the management of the Company.

Limitations

Documents received were incomplete

Management's assessments

Wu Changsha and Yang Xiong Xiong were only willing to provide the information with supporting documents to SWRS, Mazars and the Company that are relevant to the transactions among Hengcai, Billion Fujian and Baikai Group, but not their own trading information/documents (e.g. trading arrangement with third parties customers).

The management of the Company is of the view that this limitation would not significantly affect reliability on the results of the Independent Investigation because the relevant facts and circumstances leading to the Audit Issues, in particular, the issue about Hengcai, had been dealt with.

SWRS confirmed that the above limitations were similar to what they encountered during other independent investigations and were not abnormal or unreasonable.

Except for the incomplete documents about the trading arrangement between Hengcai and the Next Customers which resulted in the Qualified Opinion, Mazars considered the abovementioned limitations had no significant impacts to their audit opinion.

Having reviewed and discussed the Independent Investigation Report and Audit Report with SWRS and Mazars, respectively, the Audit Committee considered that the limitations would not significantly affect reliability on the results of the Independent Investigation and agreed with the Qualified Opinion as expressed by Mazars.

Resumption Guidance 3 – 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

In July 2021, the Company engaged SHINEWING to conduct the Internal Control Review of certain aspects of the Group's operations, in an effort to fulfil the Resumption Guidance.

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.

On 3 November 2021, SHINEWING issued the Internal Control Review Report and the Company has published an announcement on 3 November 2021 in relation thereto. Please refer to the announcement for details of the Internal Control Review Report and the key internal control weaknesses of the Group and the remedial measures taken by the Group.

In particular, the Group has fully remedied the key internal control weaknesses, save for the two key internal control weaknesses that have been partially remedied:

Key internal control weaknesses	Rectification recommendations by SHINEWING	Remediation status
<p>During the review of the cheque management process at headquarter and Billion Fujian, it was noted that the headquarter’s Cheque Payment Approval Matrix had stated the authorized persons who can sign the cheques and their approval limits. However, cheques are able to be validated by one of the authorized persons, and there is no dual control.</p>	<p>Management should consider implementing dual control on all cheques authorization to reduce the risk of unauthorized transactions.</p>	<p>Partially remedied.</p> <p>The Board of the Company had passed the resolution to change the approval matrix of cheque payment and the management would complete the required procedures in Hong Kong after the pandemic had subsided.</p> <p>After the change, all cheque payments from the head office would require the authorization of at least two management to be effective.</p>
<p>The Standard Chartered Bank account used by the headquarter had internet banking function and had two security devices, which were maintained by the chief financial officer and the vice president respectively. The security device maintained by the chief financial officer had access rights to view only while the security device maintained by the vice president had both rights for payment initiation and approval. There was no proper segregation of duties.</p>	<p>Management should consider implementing dual approval controls for all online banking to reduce the risk of unauthorized transactions.</p>	<p>Partially remedied.</p> <p>The Board of the Company had passed resolution to change the bank authorization and the Group management would complete the necessary procedures in Hong Kong after the epidemic had subsided.</p> <p>After the change, the vice president would only have the authority for creating transactions in the internet banking, while the president assistant would have the authority for review and approval.</p>

The Internal Control Review covered the Company and Billion Fujian. The management considered that such scope is sufficient on the basis of the following:

- The major operations were located in Mainland China with operating subsidiaries names as Billion Fujian and Fujian Billion High-tech Material Industry Co., Ltd. (“**Billion High-tech**”) representing an aggregated 84% and 87% of the Group’s total assets and turnover as at 31 December 2020, respectively;

- The internal control environment and procedures are the same between Billion Fujian and Billion High-tech in which the internal control findings are expected to be the same and the rectification measures can also be imposed in Billion High-tech after the completion of Internal Control Review. The Board confirms that these rectification measures will also be taken by Billion High-tech;
- The Company (i.e. the headquarters in Hong Kong) is the central management of the Group and the internal control environment is the same among the Hong Kong subsidiaries in which the rectification measures can be also mirrored to the Hong Kong subsidiaries. The Board confirms that these rectification measures will also be taken by the Hong Kong subsidiaries; and
- The Vietnam subsidiary, Billion Industrial (Viet Nam) Co., Ltd., is still in the early stage of business where the construction of the factory is still in progress and it only contributes to 16% of the total asset of the Group as at 31 December 2020. Its major activity is the said construction which was directly monitored by the management of the Billion Fujian. It was considered that the internal control risk in term of business operation is low.

Having considered the abovementioned view of the management, the Audit Committee agreed that the scope of the Internal Control Review is sufficient.

Having considered the Internal Control Review Report and the remedial actions taken by the Group, and, in particular, that SHINEWING has performed follow-up review on the enhanced internal control processes and is of the view that the key internal control weaknesses have been fully or partially remedied, the Audit Committee and the Board are of the view that the remedial and improvement measures implemented by the Company are adequate and sufficient to address the key findings of the Internal Control Review Report, and the Company has in place adequate internal controls and procedures to meet obligations under the Listing Rules.

Resumption Guidance 4 – 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

As disclosed in the announcement of the Company dated 3 November 2021 in relation to, among others, the Independent Investigation Report, it was identified in the Independent Investigation Report that the culprits of the transactions giving rise to the Qualified Opinion were Wu Changsha and Yang Xiong Xiong, both of whom have been dismissed with effect from 3 November 2021. Each of the Directors confirm that none of them has committed any misconduct. Further, no issue of integrity of the Directors and senior management of the Company in relation to the Audit Issues have been identified in the Independent Investigation Report or the Internal Control Review Report.

On the basis of the above, the Company respectfully submits 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.

Resumption Guidance 5 – demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules

Sufficient Operations

The Group is principally engaged in the manufacturing and sales of polyester filament yarns products, polyester products, polyester industrial yarns products and ES fiber products.

As disclosed in the Interim Report and Annual Report:

- (a) the Group’s unaudited revenue and profit for the six months ended 30 June 2021 were RMB6,462,928,000 and RMB835,740,000, respectively; and
- (b) the Group’s audited revenue and profit for the year ended 31 December 2020 were RMB8,431,054,000 and RMB781,482,000.

The business operations of the Group are continuing as usual in all material respects.

Sufficient Assets

As disclosed in the Interim Report and Annual Report:

- (a) the Group's unaudited total assets and net assets as at 30 June 2021 were approximately RMB20,595,789,000 and RMB8,197,478,000, respectively; and
- (b) the Group's audited total assets and net assets as at 31 December 2020 were RMB18,682,548,000 and RMB7,374,843,000, respectively.

Based on the above, the Board is of the view that the Group has a viable and sustainable business with a sufficient level of operations and assets of sufficient value to support its operations to meet the requirements under Rule 13.24 of the Listing Rules and warrant the continued listing of the Shares on the Stock Exchange.

Resumption Guidance 6 – announce all material information for the Company's shareholders and investors to appraise the Company's position

Since its trading suspension on 1 April 2021, the Company has continued to disclose material information to the public by issuing announcements in a timely manner.

The Board believes that the Company has announced all material information it considers necessary and appropriate for the Company's shareholders and investors to appraise the Company's position.

RESUMPTION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended from 9:00 a.m. on 1 April 2021. Based on the reason as disclosed above, the Board is of the view that all the Resumption Guidance has been fulfilled. Accordingly, the Company has made an application to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 23 December 2021.

Shareholders and potential investors are reminded to 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, 22 December 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.