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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)

CHANGE OF AUDITOR

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of Billion Industrial Holdings Limited (the “**Company**”) together with its subsidiaries (the “**Group**”) pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

References are made to (i) the announcement of the Company dated 31 March 2021 in relation to, among other matters, the suspension of trading of shares (the “**Shares**”) of the Company; and (ii) the announcement of the Company dated 21 June 2021 in relation to the guidance for the resumption of trading in the Shares received from the Stock Exchange; and (iii) the announcements of the Company dated 18 December 2020 and 23 December 2020 which set out matters related to the previous change of auditor (together, the “**Announcements**”). Unless otherwise stated, terms defined in the Announcements shall have the same meanings when used in this announcement.

RESIGNATION OF AUDITOR

The Board announces that Moore Stephens CPA Limited (“**Moore Stephens**”) has resigned as the auditor of the Company with effect from 24 June 2021. Despite the proactive effort of the Company made to meet the outstanding requests of Moore Stephens and requested Moore Stephens to confirm their timetable and the additional cost required to complete the audit of the consolidated financial statements of the Group for the year ended 31 December 2020 (“**2020 Audit**”), Moore Stephens considered that they have not obtained sufficient and satisfactory explanation and information to resolve the relevant outstanding matters and determine and perform the necessary additional audit procedures which Moore Stephens believe as necessary to finalise the audit of the Group’s 2020 Audit. Regrettably, given this situation, it would mean there remains great uncertainty as to when the 2020 Audit may be finalized by Moore Stephens and announced as required by the Resumption Guidance. As such, the Board believes that it is in the best interest of the Company and its shareholders to move forward and complete the 2020 Audit as soon as possible and to apply for the resumption of trading in the Company’s shares as soon as possible. Hence, the Company accepts the resignation of Moore Stephens and resolved to engage another qualified external auditor to complete the 2020 Audit as soon as possible.

In the resignation letter of Moore Stephens to the Company, Moore Stephens referred to their previous letter to the Board and the Audit Committee that sets out the following matters that they considered as significant and which Moore Stephens sought explanation from the management of the Company:

1. Billion 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. Billion 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 Billion Fujian, Hengcai would then issue bills to Billion Fujian and Billion Fujian discounted all these bills to its bank upon receipt of these bills. The aggregate payments made by Billion 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 Billion Fujian by Hengcai.
2. Billion Fujian also entered into twenty-five sales contracts with Hengcai for an aggregate sales amount of RMB531.3 million during the period from April 2020 to August 2020. The Company confirms that these contracts were executed with goods delivery and the products amounted to the sales amount of RMB347 million were resold by Hengcai to Baikai Group as per its instruction and the remaining RMB184.3 million were sold by Hengcai to third parties.
3. The previous and current shareholders of Hengcai were the employees of Billion 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 Billion Fujian to Hengcai, including their relationship with each other and Billion Fujian and the reasons why these individuals became shareholders of Hengcai.
4. 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. The Company confirms that 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.

Moore Stephens also highlighted in their resignation letter that they have 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. Moore Stephens further highlighted that they noted that, during the course of their audit, the Group had trade 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.

Other than these matters stated in Moore Stephens' letter of resignation, the Board and the Audit Committee confirmed that there are no other matters in respect of the change of auditor which should be brought to the attention of the shareholders of the Company.

APPOINTMENT OF AUDITOR

The Board further announces that, with the recommendation of the Audit Committee, Mazars CPA Limited (“**Mazars**”), has been appointed as the new auditor of the Company with effect from 24 June 2021 to fill the casual vacancy following the resignation of Moore Stephens and to hold office until the conclusion of the next annual general meeting of the Company.

The Company discussed with Mazars regarding the relevant concerns raised by Moore Stephens relevant to the 2020 Audit and the Board and the Audit Committee duly considered the background, the level of resources and the relevant experience of Mazars. The Company believes that Mazars will be suitable to act as auditor of the Company and its appointment is consistent with the Company's objective to complete the 2020 Audit as soon as possible. The Company will use its best endeavours to assist and cooperate with Mazars after its appointment in its performance of the required audit work and proactively address the Stock Exchange's requests as set out in the Resumption Guidance, including assisting in the relevant professionals in their conduct of an independent investigation into the Audit Issues and an independent internal control review, with the view of applying for the resumption of trading in the Company's shares as soon as possible.

The Board wishes to emphasise that the operation of the Group remains normal. The Company will publish further announcement(s) to inform the shareholders of the Company of its progress in complying with the Resumption Guidance and any significant developments in respect of the 2020 Audit as well as the expected dates for the publication of the 2020 Annual Results as and when appropriate in compliance with the requirements of the Listing Rules, as well as quarterly updates on its development pursuant to Rule 13.24A of the Listing Rules.

The Board would like to take this opportunity to express its warm welcome to Mazars on its appointment as the auditor of the Company.

CONTINUED SUSPENSION 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, and will remain suspended until the Company's fulfilling of the Resumption Guidance. 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
Billion Industrial Holdings Limited
Sze Tian Yau
Co-Chairman

Hong Kong, 24 June 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.