CHINA BILLION RESOURCES LIMITED
中富資源有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 274)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

UNAUDITED CONSOLIDATED ANNUAL RESULTS

For the reasons explained in the paragraph headed "Review of Unaudited Annual Results" below, the auditing process for the annual results of the Group has not yet been completed. The Board announces the unaudited consolidated annual results of the Group for the financial year ended 31 December 2019 together with the audited comparative figures for the previous financial year ended 31 December 2018 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** ***HK$'000*** **(unaudited)**	2018 *HK$'000* (audited)
Continuing Operations			
Revenue	*5*	**44,556**	27,046
Cost of sales and services rendered		**(25,476)**	(10,215)
Gross profit		**19,080**	16,831
Other income		**1,348**	46
Administrative expenses		**(37,340)**	(28,689)
Other expenses	*6*	**(87,736)**	(98,775)
Loss from operations		**(104,648)**	(110,587)
Finance costs	*7*	**(21,482)**	(10,310)
Fair value gain of derivative financial instruments		**–**	33

	Notes	2019 HK$'000 (unaudited)	2018 HK$'000 (audited)
Loss before tax		**(126,130)**	(120,864)
Income tax credit	*8*	**7,862**	11,090
Loss for the year from continuing operations		**(118,268)**	(109,774)
Discontinued operation			
Profit for the year from discontinued operation	*9*	**–**	15,496
Loss for the year	*10*	**(118,268)**	(94,278)
Other comprehensive loss after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(4,186)**	(18,570)
Other comprehensive loss for the year, net of tax		**(4,186)**	(18,570)
Total comprehensive loss for the year		**(122,454)**	(112,848)
(Loss)/profit for the year attributable to:			
Owners of the Company			
– Continuing operations		**(98,434)**	(88,238)
– Discontinued operation		**–**	15,496
		(98,434)	(72,742)
Non-controlling interests			
– Continuing operations		**(19,834)**	(21,536)
		(19,834)	(21,536)
Loss for the year		**(118,268)**	(94,278)
Total comprehensive loss attributable to:			
Owners of the Company		**(102,294)**	(89,084)
Non-controlling interests		**(20,160)**	(23,764)
Total comprehensive loss		**(122,454)**	(112,848)
(Loss)/earnings per share (HK cents)			
From continuing and discontinued operations			
Basic	*11(a)*	**(10.99)**	(8.29)
Diluted	*11(a)*	**N/A**	N/A
From continuing operations			
Basic	*11(b)*	**(10.99)**	(10.06)
Diluted	*11(b)*	**N/A**	N/A
From discontinued operation			
Basic	*11(c)*	**N/A**	1.77
Diluted	*11(c)*	**N/A**	N/A

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	**2019** ***HK$'000*** **(unaudited)**	2018 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**78,303**	49,809
Right-of-use assets		**1,010**	–
Mining right	*12*	**107,326**	155,248
Loan receivables	*14*	**16,128**	–
		202,767	205,057
Current assets			
Trade and other receivables	*13*	**41,546**	32,115
Loan receivables	*14*	**92,685**	107,023
Amount due from a former related company		**–**	11,478
Amounts due from a former director		**–**	47
Bank and cash balances		**42,497**	1,213
		176,728	151,876
Current liabilities			
Trade and other payables	*15*	**52,221**	13,033
Derivative financial instruments		**–**	1
Borrowings		**58,008**	6,599
Convertible bonds	*16*	**–**	65,909
Lease liabilities		**1,035**	–
Other borrowings	*17*	**–**	100,575
Amount due to a former related company		**–**	2,385
		111,264	188,502
Net current assets/(liabilities)		**65,464**	(36,626)
Total assets less current liabilities		**268,231**	168,431
Non-current liabilities			
Borrowings		**59,473**	–
Deferred tax liabilities		**17,191**	25,452
Other borrowings	*17*	**106,575**	–
		183,239	25,452
NET ASSETS		**84,992**	142,979
Capital and reserves			
Share capital	*18*	**210,485**	175,449
Reserves		**(51,579)**	21,284
Equity attributable to owners of the Company		**158,906**	196,733
Non-controlling interests		**(73,914)**	(53,754)
TOTAL EQUITY		**84,992**	142,979

UNAUDITED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company							
	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Foreign currency translation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2018 (audited)	175,449	488,361	300	46,477	(424,770)	285,817	(29,990)	255,827
Total comprehensive loss for the year	–	–	–	(16,342)	(72,742)	(89,084)	(23,764)	(112,848)
At 31 December 2018 (audited)	175,449	488,361	300	30,135	(497,512)	196,733	(53,754)	142,979
At 1 January 2019 (audited)	**175,449**	**488,361**	**300**	**30,135**	**(497,512)**	**196,733**	**(53,754)**	**142,979**
Issue of settlement shares *(note 18(i))*	**14,036**	**12,631**	**–**	**–**	**–**	**26,667**	**–**	**26,667**
Issue of subscription shares *(note 18(ii))*	**21,000**	**16,800**	**–**	**–**	**–**	**37,800**	**–**	**37,800**
Total comprehensive loss for the year	**–**	**–**	**–**	**(3,860)**	**(98,434)**	**(102,294)**	**(20,160)**	**(122,454)**
At 31 December 2019 (unaudited)	**210,485**	**517,792**	**300**	**26,275**	**(595,946)**	**158,906**	**(73,914)**	**84,992**

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Room 2105, 21st Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company's shares are listed on the main board of the Stock Exchange.

The Company is an investment holding company. The Company, through its major subsidiaries, is principally engaged in:

i) gold mining, exploration and trading of gold products;

ii) provision of money lending services;

iii) trading of coal; and

iv) provision of beauty treatment services and trading of cosmetics and skincare products (discontinued operation).

2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK$98,434,000 for the year ended 31 December 2019 and the Group had a net operating cash outflow of approximately HK$10,606,000 during the year. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the Shareholders, at a level sufficient to finance the working capital requirements of the Group. The Shareholders has agreed to provide adequate funds for the Group to meet its liabilities as they fall due. The Directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

The Group has first adopted HKFRS 16 "Lease" from 1 January 2019, but has not restated comparatives figures for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The Group has elected to apply the modified retrospective approach for the application HKFRS 16 as lessee and will recognize the right-of-use assets at the date of initial application equal to the lease liability, adjusted by the amount of related prepaid or accrued lease payments recognised in the consolidated statement of financial position immediately before the date of initial application.

a) **Adjustments recognised on adoption of HKFRS 16 "Leases"**

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5%.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 "Determining whether an Arrangement contains a Lease".

As a lessee, the Group's leases are mainly rentals of offices. The right-of-use assets were measured at the amount equal to the lease liability and there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Consolidated statement of financial position (extract)	**Carrying amount as at 31 December 2018**	**Impacts of adoption of HKFRS 16**	**Carrying amount as at 1 January 2019**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use assets	–	3,029	3,029
Current liabilities			
Lease liabilities	–	1,994	1,994
Non-current liabilities			
Lease liabilities	–	1,035	1,035

b) The reconciliation of operation lease commitment to lease liabilities

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	3,273
Discount	(244)
Lease liabilities discounted at relevant incremental borrowing rates at 1 January 2019	3,029
Analysed as:	
Current	1,994
Non-current	1,035

(c) New standards, amendments and revised conceptual framework not yet adopted

Standards, amendments and revised conceptual framework that have been issued but not yet effective on January 1, 2019 and not been early adopted by the Group are as follows:

		Effective for the financial year beginning on or after
HKFRS 3	Amendments in relation to Definition of a Business	1 January, 2020
HKAS 1 and 8	Amendments in relation to Definition of Material	1 January, 2020
HKFRS 7, HKFRS 9 and HKAS 39	Amendments in relation to Hedge Accounting Requirements	1 January, 2020
HKFRS 17	Insurance Contracts	1 January, 2021
HKFRS 10 and HKAS 28	Amendments in relation to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. SEGMENT INFORMATION

The Group has four reportable segments as follows:

Mining products segment – engaged in gold mining, exploration and trading of gold products;

Money lending segment – provision of money lending services;

Trading of Coal segment – engaged in trading of coal; and

Cosmetics and skincare products segment (discontinued operation) – provision of beauty treatment services and trading of cosmetics and skincare products.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those used in the preparation of the consolidated financial statements. Segment liabilities do not include convertible bonds.

Information about reportable segment profits or losses, assets and liabilities:

	Continuing operations			Discontinued operation	
	Mining products *HK$'000*	Money lending *HK$'000*	Trading of coal *HK$'000*	Cosmetics and skincare products *HK$'000*	Total *HK$'000*
For the year ended 31 December 2019 (unaudited)					
Revenue from external customers	**18,377**	**8,280**	**17,899**	**–**	**44,556**
Segment (loss)/profit	**(88,110)**	**780**	**267**	**–**	**(87,063)**
Depreciation of property, plant and equipment	**2,694**	**–**	**–**	**–**	**2,694**
Amortisation of mining right	**1,465**	**–**	**–**	**–**	**1,465**
Interest revenue	**5**	**–**	**1**	**–**	**6**
Interest expense	**6,314**	**7,000**	**–**	**–**	**13,314**
Income tax credit	**(7,862)**	**–**	**–**	**–**	**(7,862)**
Additions to segment non-current assets	**68,401**	**–**	**1**	**–**	**68,402**
Impairment loss	**77,032**	**485**	**–**	**–**	**77,517**
As at 31 December 2019 (unaudited)					
Segment assets	**207,900**	**108,830**	**21,415**	**–**	**338,145**
Segment liabilities	**104,033**	**107,671**	**21,640**	**–**	**233,344**
For the year ended 31 December 2018 (audited)					
Revenue from external customers	25,230	1,816	–	22,359	49,405
Segment (loss)/profit	(76,759)	(5,145)	–	15,496	(66,408)
Depreciation of property, plant and equipment	474	–	–	1,198	1,672
Amortisation of mining right	3,326	–	–	–	3,326
Interest revenue	3	–	–	–	3
Interest expense	839	672	–	–	1,511
Income tax credit	(11,090)	–	–	–	(11,090)
Additions to segment non-current assets	520	–	–	462	982
Impairment loss	92,508	6,267	–	–	98,775
As at 31 December 2018 (audited)					
Segment assets	249,111	107,030	–	–	356,141
Segment liabilities	44,289	100,585	–	–	144,874

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Revenue		
Total revenue of reportable segments and consolidated revenue	**44,556**	49,405
Elimination of discontinued operation	**–**	(22,359)
Consolidated revenue from continuing operations	**44,556**	27,046
Profit or loss		
Total loss of reportable segments	**(87,063)**	(66,408)
Other loss	**(31,205)**	(27,870)
Elimination of discontinued operation	**–**	(15,496)
Consolidated loss for the year from continuing operations	**(118,268)**	(109,774)
Assets		
Total assets of reportable segments	**338,145**	356,141
Other assets	**41,350**	792
Consolidated total assets	**379,495**	356,933
Liabilities		
Total liabilities of reportable segments	**233,344**	144,874
Convertible bonds	**–**	65,909
Other liabilities	**61,159**	3,171
Consolidated total liabilities	**294,503**	213,954

Apart from the above, the total of other material items disclosed in the segment information is the same as the consolidated totals.

Geographical information:

(a) Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Continuing operations		
Hong Kong	**8,280**	1,816
PRC	**36,276**	25,230
	44,556	27,046
Discontinued operation		
Hong Kong	**–**	22,359
	44,556	49,405

(b) Non-current assets

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Hong Kong	**17,168**	47
PRC	**185,599**	205,010
	202,767	205,057

In presenting the geographical information, revenue is based on the locations of the customers.

(c) Revenue from major customers

Revenue from major customers individually accounting for 10% or more of total revenue are as follows:

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Customer A (sales of gold products)	**–**	24,819
Customer B (sales of coal)	**17,899**	–
Customer C (sales of gold products)	**16,323**	–

5. REVENUE

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Mining products	**18,377**	25,230
Trading of coal	**17,899**	–
Cosmetics and skincare products	**–**	22,359
Revenue from contracts with customers	**36,276**	47,589
Interest income of money lending	**8,280**	1,816
Total revenue	**44,556**	49,405
Representing:		
Continuing operations	**44,556**	27,046
Discontinued operation *(note 9)*	**–**	22,359
	44,556	49,405

Disaggregation of revenue from contracts with customers:

	Continuing operations		Discontinued operation	
	Mining products	**Trading of coal**	**Cosmetics and skincare products**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
For the year ended 31 December 2019 (unaudited)				
Geographical markets				
PRC	**18,377**	**17,899**	**–**	**36,276**
Major products/services				
Gold products	**18,377**	**–**	**–**	**18,377**
Coal	**–**	**17,899**	**–**	**17,899**
Total	**18,377**	**17,899**	**–**	**36,276**
Timing of revenue recognition				
At a point in time	**18,377**	**17,899**	**–**	**36,276**
For the year ended 31 December 2018 (audited)				
Geographical markets				
Hong Kong	–	–	22,359	22,359
PRC	25,230	–	–	25,230
Total	25,230	–	22,359	47,589
Major products/services				
Beauty treatment	–	–	21,219	21,219
Cosmetics and skincare products	–	–	1,140	1,140
Gold products	25,230	–	–	25,230
Total	25,230	–	22,359	47,589
Timing of revenue recognition				
At a point in time	25,230	–	1,140	26,370
Over time	–	–	21,219	21,219
Total	25,230	–	22,359	47,589

Trading of coal

The Group engaged in trading of coal. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 120 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sales of gold products

The Group engaged in gold mining, exploration and trading of gold products. Sales are recognized when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 to 180 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognized when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sales of cosmetics and skincare products

The Group sells cosmetics and skincare products to the customers. Sales are recognized when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 to 180 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognized when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Provision of beauty treatment services

The Group implements a contractual one year expiry policy for all service contracts which are non-refundable. Revenue from the provision of beauty treatment services are recognised when the services have been rendered to clients. Receipts in respect of treatment packages for which the relevant services have not been rendered are deferred and recognised as contract liability in the statement of financial position. These customers' unexercised rights are referred to as "breakage". If the Group expects to be entitled to the breakage amount which is subject to certain requirements on constraining estimates of variable consideration, the Group shall recognize the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customers. Pursuant to this recognition model, management will need to estimate the expected amount of breakage based on historical experiences and recognised breakage as revenue in proportion to the pattern of treatment utilisation by the customers.

6. OTHER EXPENSES

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Impairment loss on property, plant and equipment	**31,385**	17,603
Impairment loss on prepayments for property, plant and equipment and construction	**2,612**	19,986
Impairment loss on a former related company	**5,812**	–
Impairment loss on other receivables	**4,407**	–
Impairment loss on loan receivables	**485**	6,267
Impairment loss on mining right	**43,035**	54,919
	87,736	98,775
Representing:		
Continuing operations	**87,736**	98,775
Discontinued operation	**–**	–
	87,736	98,775

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Interest of Settlement Convertible Bonds	**6,619**	8,224
Lease interests	**106**	–
Loan interests	**22,985**	2,086
Total borrowing costs	**29,710**	10,310
Amount capitalised	**(8,228)**	–
	21,482	10,310
Representing:		
Continuing operations	**21,482**	10,310
Discontinued operation	**–**	–
	21,482	10,310

Borrowing costs on fund borrowed generally are capitalised at a rate of 57% per annum (2018: Nil).

8. INCOME TAX CREDIT

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Deferred tax	**7,862**	11,090
Representing:		
Continuing operations	**7,862**	11,090
Discontinued operation	**–**	–
	7,862	11,090

No provision for Hong Kong Profits Tax has been made in the consolidated financial statement since the group has sufficient tax losses brought forward to set off against current year's assessable profit for the year ended 2019 and 2018.

No provision for PRC enterprise income tax is required since the Group has no assessable profit for the year.

The applicable income tax rate for the subsidiaries of the Group in the PRC in the current year is 5%-25% (2018: 25%).

The reconciliation between income tax credit and the product of loss before tax multiplied by the applicable tax rate is as follows:

	Continuing operations		**Discontinued operation**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
(Loss)/profit before tax	**(126,130)**	(120,864)	**–**	15,496	**(126,130)**	(105,368)
Tax at the domestic income tax rate	**(29,864)**	(30,126)	**–**	2,557	**(29,864)**	(27,569)
Tax effect of income that is not taxable	**(234)**	–	**–**	(2,470)	**(234)**	(2,470)
Tax effect of expenses that are not deductible	**7,181**	2,857	**–**	–	**7,181**	2,857
Tax effect of tax losses not recognised	**15,183**	16,359	**–**	–	**15,183**	16,359
Tax effect of utilisation of tax losses not previously recognised	**(128)**	(180)	**–**	(87)	**(128)**	(267)
Income tax credit	**(7,862)**	(11,090)	**–**	–	**(7,862)**	(11,090)

9. DISCONTINUED OPERATION

On 28 December 2018, Critstal Marketing were disposed to True Wonder Global Limited at consideration of approximately HK$7,906,000.

The profit for the year from the discontinued operation is analysed as follows:

	2018 *HK$'000* (audited)
Profit from discontinued operation	529
Gain on disposal of discontinued operation	14,967
	15,496

The results of the discontinued operation for the period from 1 January 2018 to 28 December 2018, which have been included in consolidated profit or loss, are as follows:

	Period from 1 January 2018 to 28 December 2018 *HK$'000* (audited)
Revenue	22,359
Cost of sales and services rendered	(1,953)
Gross profit	20,406
Selling and distribution expenses	(2,126)
Administrative expense	(17,751)
Profit from operation	529
Finance costs	–
Profit before tax	529
Income tax expense	–
Profit for the period	529

No tax charge or credit arose on loss on disposal of the discontinued operation.

10. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the followings:

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Auditor's remuneration	**880**	1,500
Amortisation of mining right	**1,465**	3,326
Cost of sales and services rendered*	**25,476**	12,168
Depreciation of right-of-use assets	**2,019**	–
Depreciation of property, plant and equipment	**2,713**	1,692
Operating lease charges	**–**	6,949
Staff costs including directors' emoluments		
Salaries, bonus and allowances	**16,160**	23,960
Retirement benefits scheme contributions	**1,901**	1,412

* *Cost of sales and services rendered include staff costs, depreciation of approximately HK$5,630,000 (2018: approximately HK$3,468,000) which are included in the amounts disclosed separately above.*

11. (LOSS)/EARNINGS PER SHARE

(a) From continuing and discontinued operations

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company for the year ended 31 December 2019 is based on the loss for the year attributable to owners of the Company of approximately HK$98,434,000 (2018: approximately HK$72,742,000) and the weighted average number of ordinary shares of 896,070,308, adjusted by the share consolidation completed on 6 March 2020 (2018 (restated): 877,249,000 ordinary shares, adjusted by the share consolidation completed on 16 March 2020) in issue during the year.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2019 and 2018.

(b) From continuing operations

Basic loss per share

The calculation of basic loss per share from continuing operations attributable to owners of the Company is based on the loss for the year from continuing operations attributable to owners of the Company of approximately HK$98,434,000 (2018: loss of approximately HK$88,238,000) and the denominator used is the same as that detailed above for basic loss per share.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2019 and 2018.

(c) From discontinued operation

Basic earnings per share

The calculation of basic earnings per share from discontinued operation attributable to owners of the Company is based on the profit for the year from discontinued operation attributable to owners of the Company are zero (2018: profit of approximately HK$15,496,000) and the denominator used is the same as that detailed above for basic loss per share.

Diluted earnings per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2019 and 2018.

12. MINING RIGHT

	HK$'000
Cost	
At 1 January 2018 (audited)	1,510,401
Exchange differences	(76,274)
At 31 December 2018 (audited)	1,434,127
Exchange differences	(26,592)
At 31 December 2019 (unaudited)	**1,407,535**
Accumulated amortisation and impairment	
At 1 January 2018 (audited)	1,286,442
Amortisation for the year	3,326
Impairment loss for the year	54,919
Exchange differences	(65,808)
At 31 December 2018 (audited)	1,278,879
Amortisation for the year	1,465
Impairment loss for the year	43,035
Exchange differences	(23,170)
At 31 December 2019 (unaudited)	**1,300,209**
Carrying amount	
At 31 December 2019 (unaudited)	**107,326**
At 31 December 2018 (audited)	155,248

Mining right includes the cost of acquiring mining licenses, costs transferred from exploration right and exploration and evaluation assets upon determination that an exploration property is capable of commercial production and land compensation costs. Land compensation costs represent the compensation paid to inhabitants for relocating them from the areas nearby the mining sites so that the Group can use the land as leaching piles and dumping areas for waste ores. The mining permit will expire on 2 September 2020. Mining right is amortised over the estimated useful lives of the mines in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the units of production method.

The Group carried out reviews of the recoverable amount of its mining right in 2019. The reviews of mining right led to the recognition of impairment losses of approximately HK$43,035,000 (2018: approximately HK$54,919,000), which has been recognised in profit or loss. The recoverable amount of the relevant assets of approximately HK$107,326,000 (2018: approximately HK$155,248,000) has been determined on the basis of their fair value less costs of disposal using discounted cash flow method (level 3 fair value measurements).

The key assumptions used for the calculations of fair value less costs of disposal are as follows:

Growth rate	2.5% and remain constant from the fifth year
Discount rate (post-tax discount rate applied to the cash flow projections)	12.6%
Years of cash flows projection (expected mining period)	11years

Management determined gross margin based on past market prices of the gold and management's estimation of exploitation and production costs. The discount rate used is post-tax and reflects specific risks relating to the relevant assets. Expected mining period is determined based on extractable reserve of the mine and the Group's production capacity. The legal life of mining right can be extended upon maturity to enable the Group to conduct mining activities in the expected mining period.

13. TRADE AND OTHER RECEIVABLES

The Group's trading terms with other customers are mainly on credit. The credit terms generally range from 30 to 180 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

	2019 ***HK$'000*** **(unaudited)**	2018 *HK$'000* (audited)
Trade receivables	**27,625**	25,125
Prepayments	**2,583**	1,237
Prepayment for construction	**5,129**	–
Prepayments for property, plant and equipment	**1,384**	929
Deposits	**999**	990
Other receivables	**3,826**	3,834
	41,546	32,115

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2019 ***HK$'000*** **(unaudited)**	2018 *HK$'000* (audited)
0 – 30 days	**25,808**	9,254
31 – 60 days	**1,601**	9,357
61 – 90 days	**–**	5,051
Over 90 days	**216**	1,463
	27,625	25,125

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the life time expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Over 90 days Past due	Total
At 31 December 2019 (unaudited)			
Weighted average expected loss rate	**0%**	**0%**	
Receivable amount *(HK'000)*	**27,409**	**216**	**27,625**
Loss allowance *(HK'000)*	**–**	**–**	**–**
At 31 December 2018 (audited)			
Weighted average expected loss rate	0%	0%	
Receivable amount *(HK'000)*	23,662	1,463	25,125
Loss allowance *(HK'000)*	–	–	–

14. LOAN RECEIVABLES

	2019 **_HK$'000_** **(unaudited)**	2018 *HK$'000* (audited)
Loan receivables	**115,565**	113,290
Provision for loss allowance	**(6,752)**	(6,267)
Carrying amount	**108,813**	107,023

On 27 November 2018, the Group entered into a loan agreement with a third party ("Borrower A"). Pursuant to the loan agreement, the loan is secured by the 96% shares of the Borrower A and guaranteed by the directors of Borrower A, the principal amount of the loan is HK$85,000,000 with interest rate of 7.5% per annum and repayable in twelve months.

On 31 December 2018, the Group entered into a loan agreement with another third party ("Borrower B"). Pursuant to the loan agreement, the loan is secured by the entire interest on the Borrower B and guaranteed by the director of Borrower B, the principal amount of the loan is HK$15,000,000 with interest rate of 7.5% per annum and repayable in twelve months. On 30 December 2019, the Company and Borrower B entered into a supplementary agreement to extend the original maturity date under the loan agreement from 1 January 2020 to 25 November 2021, and all other terms and conditions remain unchanged.

The directors of the Company monitored the collectability of the loan receivables closely with reference to their respective current creditworthiness.

The maturity profile of loan receivables net of allowance at the end of reporting period, analysed by the remaining period to the contractual maturity date is as follows:

	2019 **_HK$'000_** **(unaudited)**	2018 *HK$'000* (audited)
Within one year	**92,685**	107,023
In the second year	**16,128**	–
	108,813	107,023

Reconciliation of loss allowance for loan receivables:

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
At 1 January	**6,267**	–
Increase in loss allowance for the year	**485**	6,267
At 31 December	**6,752**	6,267

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all loans to customers. To measure the expected credit losses, loan to customers have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	**Within 365 days past due**	**Total**
At 31 December 2019 (unaudited)			
Weighted average expected loss rate	**0%**	**49%**	
Receivable amount *(HK'000)*	**108,079**	**7,486**	**115,565**
Loss allowance *(HK'000)*	**–**	**6,752**	**6,752**
At 31 December 2018 (audited)			
Weighted average expected loss rate	0%	49%	
Receivable amount *(HK'000)*	100,580	12,710	113,290
Loss allowance *(HK'000)*	–	6,267	6,267

15. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables	**13,618**	–
Accrued liabilities and other payables	**19,589**	13,033
Amount due to a matured convertible bond holder *(note 16)*	**19,014**	–
	52,221	13,033

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**13,618**	–

16. CONVERTIBLE BONDS

Settlement Convertible Bonds

The unsecured 10% convertible bonds due 2019 issued by the Company on 24 May 2016 pursuant to the CB Settlement Agreements in the principal amount of approximately HK$53,417,000 with fair value of approximately HK$53,360,000 for the settlement of the outstanding debts together with the accrued interests of the Company owing to the CB Settlement Creditors was matured on 23 May 2019. Originally, the bonds could be convertible into ordinary shares of the Company at the initial conversion price of HK$0.1 per share at any time commencing on the seventh day next following the issue date up to and including the date which is seven days prior to the maturity date. Interest of 10% per annum should be paid on the maturity date. No shares have been converted, purchased or redeemed pursuant to the terms and conditions of the Settlement Convertible Bonds on or before the maturity date.

As at 8 July 2019, the Company repaid the convertible bonds held by one of the CB Settlement Creditors in full at the principal amount of approximately HK$1,266,000 together with all accrued and unpaid interests thereon, total amount approximately HK$1,645,000. On the same day, the Company entered into a settlement agreement with Creditor A in order to repay, on or before 7 September 2019, the convertible bonds held by him at the principal amount of approximately HK$38,182,000 together with all accrued and unpaid interests plus overdue interests for the period from the maturity date to the repayment date, with daily interest rate of 0.03%.

On 28 August 2019, the Company made a partial payment of RMB7,000,000 (approximately equivalent to HK$7,778,000) to Creditor A. On 23 October 2019, the Company further entered into a supplementary agreement with Creditor A, for settlement of principal payments over due and interest accrued and unpaid, settled by issue and allotment of 1,403,508,771 Shares at a price of HK$0.01995 per share and by cash RMB14,434,000 (equivalent to HK$16,091,000).

	HK$'000
Liability component at 1 January 2018 (audited)	57,685
Effective interest charged to profit or loss during the year 2018	8,224
Liability component at 31 December 2018 (audited)	65,909
Settlement by cash	(25,514)
Settlement by shares	(28,000)
Effective interest charged to profit or loss during the year 2019 (unaudited)	6,619
Matured during the year and reclassify to other payable *(note 15)*	(19,014)
Liability component at 31 December 2019 (unaudited)	–

The interest charged for the year is calculated by applying an effective interest rate of 14.26% to the liability component for the period since the Settlement Convertible Bonds were issued.

The Directors estimate the fair values of the liability component of the Settlement Convertible Bonds at 31 December 2018 to be approximately HK$65,909,000. This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

17. OTHER BORROWINGS

The lender has a security interest over the shares of the Company and is deemed to be interested in such shares. The other borrowing is unsecured, 6% interest per annum and maturity date within 24 months. (2018: 12 months).

18. SHARE CAPITAL

		Number of shares *'000*	Amount *HK$'000*
Authorised:			
At 31 December 2018 (audited) and 2019 (unaudited) (25,000,000,000 ordinary shares of HK$0.01 each)		25,000,000	250,000
Issued and fully paid:			
At 31 December 2018 (audited) (17,544,977,408 ordinary shares of HK$0.01 each)		17,544,977	175,449
Issue of settlement shares	*(i)*	1,403,509	14,036
Issue of subscription shares	*(ii)*	2,100,000	21,000
At 31 December 2019 (unaudited) (21,048,486,179 ordinary shares of HK$0.01 each)		**21,048,486**	**210,485**

(i) On 23 October 2019, the Company entered into a supplementary agreement in respect of issue and allotment of the 1,403,508,771 Shares at a price of HK$0.01995 per share (the closing market price on the issue date was HK$0.019) to Creditor A to settle part of convertible bonds. The issue of settlement shares was completed on 6 November 2019 and the premium on the issue of shares, amounting to approximately HK$12,631,000, was credited to the Company's share premium account.

(ii) On 27 November 2019, the Company entered into three subscription agreements with three subscribers, and the subscribers subscribed for a total of 2,100,000,000 Shares to three subscribers at a price of HK$0.018 per share. The issue of subscription shares was completed on 4 December 2019 and the premium on the issue of shares, amounting to approximately HK$16,800,000, was credited to the Company's share premium account.

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total liabilities (including current and non-current liabilities as shown in the consolidated statement of financial position) less bank and cash balances. Total equity represents the equity as shown in the consolidated statement of financial position.

The gearing ratio at 31 December 2019 and 2018 are as follows:

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Total debt	**294,503**	213,954
Less: bank and cash balances	**(42,497)**	(1,213)
Net debt	**252,006**	212,741
Total equity	**84,992**	142,979
Gearing ratio	**296.51%**	148.79%

The Group is not subject to any externally imposed capital requirements.

19. EVENTS AFTER THE REPORTING PERIOD

(i) During the Reporting Period, the Board proposed to implement the Capital Reorganisation which entails the Share Consolidation and Capital Reduction. As at the date of this announcement, the Capital Reorganisation has been approved by the Shareholders at the EGM held on 30 December 2019 and a petition in relation to the Capital Reduction was presented by the Company to the Grand Court of the Cayman Islands which has been approved on 13 March 2020 and that all conditions of the Capital Reorganisation as set out in the circular date 6 December 2019 have been fulfilled.

(ii) On 9 January 2020, the Company and the Borrower A entered into a supplementary agreement to extend the original maturity date under the relevant loan agreement from 28 November 2019 to 25 November 2021, and all other terms and conditions remain unchanged.

(iii) On 20 January 2020, the Target Company obtained a provisional hazardous waste treatment licence. The Group then made a partial capital contribution of HK32,000,000 in cash to the Target Company pursuant to the relevant capital increase agreement.

(iv) On 27 March 2020, the Board entered into a settlement agreement with the remaining CB Settlement Creditor for the settlement of principal payments overdue and interest accrued and unpaid under the relevant bonds. Details of the settlement agreement, please refer to the Company's announcement published on the same date.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in four business segments: (i) gold mining, exploration and trading of gold products in the PRC; (ii) provision of money lending services in Hong Kong; (iii) trading of coals in the PRC; and (iv) provision of beauty treatments services and trading of cosmetics and skincare Products in Hong Kong (discontinued operation).

BUSINESS REVIEW

Mining Products

During the Reporting Period, the revenue of Hunan Westralian was mainly generated from the additional sales of sub-mining ore produced during the rectification improvement process. After carrying out a number of safety technical rectifications In accordance with the requirements of the local government's mining authorities. Hunan Westralian has carried out a number of safety technical rectifications, and completed the mining technical reform project in East Mine in the fourth quarter of 2019.

As stated in the 2019 Interim Report, Hunan Westralian will require further capital investment for improvement of its mining capability and facilities. The new ore processing plants is still under construction. The original maximum production capacity of the ore processing plant is 150 tons per day, however, due to the ongoing rectification improvement works as required by the government authorities and the need for upgrading of the mining facilities, the production of the Gold Mine has been kept at a minimal level for safety reason and only sub-mining ore produced during the rectification improvement process. After completion of the construction, the production capacity of existing and new ore processing plants is expected to increase to 500 tons per day. As at the date of this announcement, rectification improvement works has been completed. It should be noted that the rectification improvement works and relevant maintenance for the mining industry are continuing requirements.

The outbreak of the COVID-19 at the end of 2019 has had impact on the production of the Gold Mine. Facing adverse factors such as production and transportation restrictions as well as difficulties of personnel in returning to mine sites, the Gold Mine has temporarily suspended the production in the first quarter of 2020 to cooperate with the emergency COVID-19 prevention and control measures announced by the Chinese government to ensure employee safety.

Although the mining permit would expire on 2 September 2020, the Directors considered that the Group would be able to renew the mining permit with the Department of Land and Resources of Hunan Province, the PRC at relatively low cost based on the management's experience and the PRC lawyer's opinion. Although the renewal period of the mining permit normally takes 30 days before the expired date, it is expected that the management of Hunan Westralian will prepare the relevant renewal documents in May 2020 and apply for the renewal permit in the third quarter of 2020, and the renewed mining permit is expected to be issued before September 2020.

Money Lending Business

As stated in the 2019 Interim Report, the Company has appointed several Directors and management staff to assist the Group in expanding its business through their background and business connection. The Management will continue to study the financial market and identify potential customers.

During the Reporting Period, the Group has entered into supplementary agreement with relevant financial institution to extend the HK$100 million unsecured loan facility arrangement granted to the Company in year 2018 at a favourable rate for the expansion of the money lending business of the Group.

Trading of Coals

In the second half of 2019, the Group established a new trading company in PRC to develop the coal trading business. In the development stage, the subsidiary will mainly target on selling coal to power generation enterprises and steel-making enterprises. The management of the subsidiary will strive to find and gain customers with stable demand, and stable low-cost coal supply channel to achieve better profitability.

Cosmetics and Skincare Products (discontinued operation)

On 28 December 2018, the Group completed disposal of Cristal Marketing, after which Cristal Marketing ceased to be a subsidiary of the Group. During the Reporting Period, the Group has been focusing its search for new potential partners or target companies and new products in the PRC. Taking into account the recent economic situation in China and Hong Kong, the Group officially terminated the operation of this business segment from September 2019.

FINANCIAL REVIEW

During the Reporting Period, the Group's revenue from continuing operations was approximately HK$44.6 million, representing an approximately 64.7% increase as compared with approximately HK$27.0 million for the Corresponding Period. The increase in the Group's revenue from continuing operations was mainly due to the addition revenue generated from the new coal trading business segment and increase in revenue from money lending business segment.

The revenue from continuing operations of the Group contributed by the mining products business segment during the Reporting Period was approximately HK$18.4 million, representing an approximately 27.2% decrease as compared with approximately HK$25.2 million for the Corresponding Period. The decrease was mainly due to the decrease in sales of sub-mining ore produced during the rectification improvement process.

During the Reporting Period, the revenue from continuing operations of the Group contributed by money lending business was approximately HK$8.3 million, representing an increase of approximately 3.56 times as compared with approximately HK$1.8 million for the Corresponding Period. The substantial increase in revenue was mainly contributed by the two loan transactions entered at the end of 2018.

During the Reporting Period, the trading of coal business started to generate revenue of approximately HK$17.9 million in the fourth quarter of 2019 to the Group (2018: nil).

On 28 December 2018, the Group completed disposal of Cristal Marketing. There was no revenue generated from the cosmetics and skincare products business segment during the Reporting Period. The revenue contributed by this segment for the Corresponding Period was approximately HK$22.4 million.

The gross profit of the continuing operations for the Reporting Period was approximately HK$19.1 million, representing an increase of approximately 13.4% as compared with approximately HK$16.8 million for the Corresponding Period.

During the Reporting Period, the addition of property, plant and equipment in mining products business segment was approximately HK$68.4 million, representing an increase of approximately 68.7 times as compared with approximately HK$1.0 million for the Corresponding Period. The Group engaged independent professional valuer to perform valuation of Hunan Westralian and the Management carried out reviews of the recoverable amount of property, plant and equipment and mining right. The impairment loss on property, plant and equipment was approximately HK$31.4 million, representing an increase of approximately 78.3% as compared with approximately HK$17.6 million for the Corresponding Period. The impairment loss on mining right was approximately HK$43.0 million, representing an decrease of approximately 21.6% as compared with approximately HK$54.9 million for the Corresponding Period.

The loss for the Reporting Period from the continuing operations of the Group was approximately HK$118.3 million, representing an increase of approximately 7.7% as compared with approximately HK$109.8 million for the Corresponding Period. The increase in loss was mainly due to the increase in administrative expenses of approximately HK$8.7 million and increase in finance costs of approximately HK$11.2 million during the Reporting Period.

RISKS AND UNCERTAINTIES

The Board believes that risk management is important and shall use its best effort to ensure it is sufficient to mitigate the risks present in the Group operations and financial position as efficiently and effectively as possible.

Business risk

The PRC local, provincial and central authorities exercise a substantial degree of control over the gold industry in China. Hunan Westralian's operations are subject to a range of PRC laws, regulations, policies, standards and requirements in relation to, among other things, mine exploration, development, production, taxation, labour standards, occupational health and safety, waste treatment and environmental protection and operation management.

The Management has been looking into different kinds of business and investment opportunities to broaden the sources of income of the Group in order to manage the risks associated with the volatility of the commodities prices that can have a material impact on the Group's mining operations and to create greater value for the Shareholders.

The functional manager will carefully scrutinise each project for related risks and returns. These include assessment of relevant government policies, market demand, market conditions and economic data. The Management is responsible for supervision, conducting regular operational reviews and keeping the Board fully informed through regular reports (either in written or verbal form) and enabling the Board to make prompt decisions if changes are required.

Operational risk

Hunan Westralian faces certain risks and uncertainties beyond their control from manmade and natural disasters. These risks and uncertainties mainly include: (i) major catastrophic events and natural disasters; (ii) geological or mining conditions such as instability of the slopes and subsidence of the working areas; (iii) unexpected or periodic interruptions due to inclement or hazardous weather conditions; (iv) disruptions or shortages of water, power or fuel supply; (v) industrial or manmade accidents occurring in connection with mining processing operations; and (vi) critical equipment failures, malfunction and breakdowns of information management systems, or unexpected maintenance or technical problems. Hunan Westralian has engaged a local safety assessment company, which is an independent third party, to assess the safety status of the eastern Gold Mine. It is believed that the eastern Gold Mine has fulfilled the conditions of safe production in accordance to the relevant government laws and regulations.

The front-line or functional manager will review key activities of the Group and ensure all required control procedures, including financial and operational, are fully implemented. Precautionary and contingency measures are also set up to ensure the Group is protected against major potential loss, damage or impact to the business operations.

Financial risk

The market price of standard gold traded on Shanghai Gold Exchange follows international gold price trend closely. Historically, the gold market price has fluctuated widely and experienced periods of significant decline. The gold market prices are influenced by numerous factors such as demand and supply of gold, gold sales and purchases by central banks as well as macro-economic or political factors such as inflation expectation and interest rates.

The Management closely monitors the financial risks and when appropriate will adopt measures to manage and obtained approval from the Directors. The Group's cash and financing positions are closely monitored at the corporate level through regularly reporting. The maturity of receivable and payable are planned and managed to reduce liquidity risk.

ENVIRONMENT PROTECTION

The Group is committed to contributing to the sustainability of the environment from its business activities. The Group has established measures and created certain environmental frameworks to minimise and monitor the environmental impacts attributable to its operations. The Group implemented the green office practices such as re-deployment of office furniture as far as possible, encouraging the use of recycled paper for printing and copying and reducing energy consumption by switching off idle lightings and electrical appliances.

Hunan Westralian has engaged contractors to perform feasibility study, environmental and safety construction works. The Management is committed to establish a better environment in the operations of the Group.

WORKPLACE QUALITY

The Group believes that employees are valuable assets and all indispensable to a company's success, therefore, the Group will use its best effort to attract and retain appropriate personnel to serve the Group. The objective of the Group's human resource policy is to reward and recognise the top-performing staff by providing attractive remuneration packages, which are reviewed annually and as required. The remuneration packages are determined with reference to the responsibilities, qualifications and experience, duties and performance of individuals as well as prevailing market compensation packages. The Group also allocates resources in training, retention and recruitment programs, and encouraging the staff to strive for self-development and improvements to cope with the rapidly changing environment.

PROSPECTS

As disclosed in the 2019 Interim Report, the core direction of the Company will remain unchanged. The Company's mining products business segment will continue its effort to improve its mining capability and facilities with the goal to maximise the output efficiency of the Gold Mine, and the Company will inject capital properly in accordance with the needs of the Gold Mine rectification improvement works.

Regarding the newly launched coal trading business, the Management adopted a relatively conservative approach at this stage and will gradually expand the business scale in order to steadily increase revenue while reducing business risks.

As disclosed in the 2018 Annual Report and 2019 Interim Report, the world is changing through internet and mobile applications, the Management is considering, among other options, development and deployment of resources in the big data and e-commerce industries. After considering and studying the global economic environment, the trends in the PRC's future economic and business development model and the future development of the Company's existing business, the Board believes that the Group, among others, should focus on big data, e-commerce and blockchain technology, especially in providing and assisting its internal and external customers in tailor-made blockchain services in order to add value for their businesses, such as (i) blockchain technology software and program research and development; (ii) constructing a big data chain and tailor-made platform; (iii) solutions for ubiquitous problem of the big data sharing platform; and (iv) exchange platform. For the Reporting Period, 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 to bring long-term benefits to the Shareholders. Moreover, the Management will continue to explore other strategic investment opportunities to maximise the value for the Shareholders, including investments in the primary securities offerings and secondary stock market in the PRC, Hong Kong or worldwide if opportunities arise.

With the continuous strengthening the relevant national environmental governance policies and the promotion and development of the comprehensive mutual benefit "One Belt One Road" policy by the Chinese government, the Group, as stated in the 2018 Annual Report, has exploited the new Management's connections, experience, network and resources, and is conducting research on several potential projects, including hazardous waste treatment business in the downstream industry chain as well as infrastructure construction and building materials trading business in the countries along the "Belt and Road". The Group has also established a dedicated team to develop and drive the abovementioned potential projects and to identify potential partners and/or acquisition targets with a view to bringing new business and opportunities to the Group.

In view of the Chinese government's policies and incentives to support green energy and environmental protection, investment in green and environmental-related businesses is part of the Group's future business direction. Therefore, during the Reporting Period, the Group entered into a capital increase agreement with Target Company. As at the date of this announcement, the Group owns 12.41% equity interest in the capital of the Target Company.

Target Company is principally engaged in: (i) comprehensive utilization of waste resources; (ii) procurement, processing, production and sales of metal scrap and metal-containing waste; (iii) trading in mineral products; and (iv) sales of metal materials in Jiangxi Province, PRC. Target Company owns a number of patents and an engineering and technology research center, and is building a harmless waste residue and polymetallic comprehensive recycling manufacturing plant with an annual treatment capacity up to approximately 300,000 tons in Dexing Economic Development Zone in Jiangxi Province.

The Board is of the view that the abovementioned investment enables the Company to explore more business opportunities in the downstream business of the Group and expects to generate more profit in the future. Depending on the future performance of Target Company, the Company may consider investing more funds and/or resources in Target Company with a view to improving the financial condition of the Group.

As such, the Board, having considered the funding needs of the Group for its existing business operations and future business development, has decided that the Company may consider raising funds in different ways, including issuance of convertible bonds, issuance of new Shares under general mandate or loan financing, etc. The final result will be subject to the market conditions and the outcomes of the negotiations with the potential investors.

Furthermore, the Management noted that the Company's substantial Shareholders have changed in October 2018 and June 2019. Chunda International Technology Development Co., Limited and Ms. Wang Juan have become the substantial Shareholders and, as at the date of this announcement, directly and beneficially own approximately 19.47% and approximately 15.69% interest in the issued share capital of the Company. The Management will study the new substantial Shareholders' background and investment strategic plans to explore their connections, experience, networks and resources to enhance the business prospects of the Group.

Looking forward, the Management will continue modifying and finessing the Group's strategic plan, adjusting to the changes in the dynamic business environment in the PRC and globally on one hand, and on the other hand will continue looking for other investment opportunities to broaden the sources of income for the Group in order to create greater value for the Shareholders. The Management will strive to leverage our internal and external resources through fundraising or introducing strategic investors to achieve this goal.

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group mainly financed its operation with internally generated cashflows and borrowings.

As at 31 December 2019, based on unaudited financial information, the Group had unpledged bank and cash balances of approximately HK$42.5 million (2018: approximately HK$1.2 million). The gearing ratio was approximately 296.5% (2018: approximately 148.8%) and the borrowings and convertible bonds of the Group was approximately HK$224.1 million (2018: approximately HK$173.1 million). The Group reported net current assets of approximately HK$65.5 million as at 31 December 2019 (2018: net current liabilities of approximately HK$36.6 million).

Details of maturity profile and interest rate structure of the borrowings and convertible bonds of the Group are set out in the notes to the consolidated financial statements of the annual report of the Company for the Reporting Period to be published later on.

CONTINGENT LIABILITY

As at 31 December 2019, the Group did not have any significant contingent liability (2018: nil).

BANK BORROWINGS

As at 31 December 2019, the Group did not have any outstanding bank loan (2018: nil).

EMPLOYEES AND REMUNERATION

As at 31 December 2019, the Group employed 376 staff members (2018: 204). The remuneration of employees was in line with the market trend and commensurate with the level of remuneration in the industry and the performance of individual employees that are regularly reviewed every year.

FOREIGN EXCHANGE EXPOSURE

During the Reporting Period, the Group mainly generated sales revenue and incurred costs in both Hong Kong dollar and Renminbi. In view of the fluctuation of Renminbi, the Directors considered that the Group's exposure to fluctuation in foreign exchange rate was minimal and accordingly, the Group did not employ any financial instruments for hedging purpose.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Reporting Period (2018: nil).

ANNUAL GENERAL MEETING

The Board has not yet fixes the date of 2020 AGM. Further announcement will be made by the Company regarding the AGM as and when appropriate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF UNAUDITED ANNUAL RESULTS

The Company established Audit Committee in accordance with the requirements of the CG Code. On 27 March 2020, the Audit Committee comprises 3 INEDs, namely: Mr. Cai Jianhua, Mr. Ho Wing Chung and Mr. Yan Xiaotian.

Due to the recent epidemic of the COVID-19 and the curbing and quarantine policies adopted and/or implemented by the Chinese government, the Auditor encountered significant practical difficulties in compiling its report as it was unable to go to certain locations of the Company (including Hunan) for performing audit work. Accordingly, it was unable to complete the audit of the Group's annual results for the Reporting Period by 31 March 2020 in accordance with the requirements of the Listing Rules.

For the reason explained above, the unaudited annual results contained herein have not yet been agreed with the Auditor. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with "Hong Kong Standards on Auditing" issued by Hong Kong Institute of Certified Public Accountants.

The Audit Committee has reviewed with the Management the accounting principles, the CG Code as adopted by the Company and the practices of the Group and approved the internal control, risk management and financial reporting matters including the unaudited consolidated financial statements for the Reporting Period contained herein.

Following the completion of the auditing process, the Company will issue further announcement in relation to the audited results for the Reporting Period as agreed by the Auditor and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

CORPORATE GOVERNANCE

The Company acknowledges the need for and the importance of corporate governance as one of the key elements in enhancing Shareholders' value. The Company is committed to improving its corporate governance practices in compliance with regulatory requirements and in accordance with recommended practices. As at the date of this announcement, the Company has adopted the CG Code to regulate the corporate governance issues of the Group. The Board has reviewed the Company's corporate governance practices and has formed the opinion that the Company, throughout the Reporting Period and up to the date of this announcement, has complied with the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct governing Director's securities transactions. All Directors currently in the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the Reporting Period and up to the date of this announcement.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board and the Audit Committee acknowledge that its responsibility for overseeing the risk management and internal control systems of the Group and reviewing their effectiveness at least annually. The Group emphasises the importance of sound risk management and internal control systems which are indispensable for mitigating the Group's key risk exposures. The Group's risk management and internal control systems include a defined management structure with limits of authority, and are designed for the Group to identify and manage the significant risks to achieve its business objectives. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

For risk management, the Group has adopted a three lines of defense model to identify, assess and manage different types of risks. The Group is committed to the identification, evaluating, and management of risks associated with its business activities through ongoing assessment of a risk register, by considering the likelihood and impact of each identified risk. For any newly identified significant risks, the Group will evaluate its financial or operational impacts to the Group and adopt mitigating measures to manage such risks.

The Group has developed an internal control system, which covers major financial, operational and compliance controls to safeguard its assets against unauthorised use, ensure the maintenance of proper accounting records and ensure compliance with relevant laws and regulations. The internal control system is reviewed on an ongoing basis by the Board and Audit Committee annually. For any identified internal control weaknesses or defects, the Group will enhance control measures to rectify such control weaknesses or defects.

The Board and the Audit Committee have conducted an annual review for the need of internal audit function and has also reviewed annually for the adequacy of resources, qualifications and experience, training and budget of the accounting, internal audit and financial reporting functions.

The Company has engaged the Internal Control Consultant to conduct an independent review on the risk management and internal control systems of the Group. Risk assessment report and internal control review report were submitted to and approved by the Board and the Audit Committee. For the principal risks faced by the Group, the management of the Company has developed ongoing mitigating measures to manage such risks. For control weaknesses identified by the Internal Control Consultant, the Group has adopted enhanced control measures to rectify relevant control weaknesses. The abovementioned annual review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. The Board considered that the risk management and internal control systems of the Group were effective during the Reporting Period, but there is still room for improvement, therefore, the Board will strengthen the internal control and monitoring process especially at the subsidiary level. The improvement of the systems of risk management and internal control is an ongoing process and the Board maintains a continuing commitment to strengthen the Group's environment control and processes.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group has put in place the procedures and internal controls for the handling and dissemination of inside information. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as stated in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

OTHER INFORMATION

Capital Reorganisation

During the Reporting Period, the Board proposed to implement the Capital Reorganisation which entails the Share Consolidation and Capital Reduction. As at the date of this announcement, the Capital Reorganisation has been approved by the Shareholders at the EGM held on 30 December 2019 and a petition in relation to the Capital Reduction was presented by the Company to the Grand Court of the Cayman Islands which has been approved on 13 March 2020 and that all conditions of the Capital Reorganisation as set out in the circular date 6 December 2019 have been fulfilled.

Details of abovementioned Capital Reorganisation, please refer to the (i) circular which published on the websites of Stock Exchange and the Company on 6 December 2019; (ii) the announcement of the Company dated 30 December 2019 in respect of the poll results of the EGM; and (iii) the announcements of the Company dated 5 February 2020 and 16 March 2020 in respect of the updated expected timetable of the Capital Reorganisation and the change in board lot size.

Settlement Agreement and Subscription Agreement

(i) On 23 October 2019, the Company further entered into a supplementary agreement to the settlement agreement with Creditor A for the settlement of the remaining principal payments overdue and interest accrued and unpaid under the relevant bonds. Pursuant to the supplementary agreement, 1,403,508,771 Shares were issued by the Company to Creditor A at a price of HK$0.01995 per share on 6 November 2019. Details of the settlement agreement and supplementary agreement, please refer to notes 16 and 18 to the unaudited consolidated financial statements, and the announcements of the Company dated 23 October 2019 and 6 November 2019.

(ii) On 27 November 2019, the Company entered into three subscription agreements with three subscribers. A total of 2,100,000,000 new Shares were issued and allotted by the Company to the subscribers at the subscription price of HK$0.018 per subscription share pursuant to the subscription agreements. Details of the subscription agreement, please refer to note 18 to the unaudited consolidated financial statements, and the announcements of the Company dated 27 November 2019 and 4 December 2019.

PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

This annual results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk as well as the website of the Company at www.chinabillion.net respectively. The annual report of the Company for the Reporting Period will be despatched to the Shareholders and will be published on the aforementioned websites in due course.

The financial information contained herein in respect of the annual results of the Group has not been audited and has not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

"2019 Interim Report"	the interim report of the Company for the six months ended 30 June 2019
"Adjusted Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
"AGM"	the annual general meeting of the Company
"Articles of Association"	the articles of association of the Company
"Audit Committee"	the audit committee of the Company

"Auditor" or "ZHONGHUI ANDA"	ZHONGHUI ANDA CPA Limited, an independent external auditor of the Company
"Board"	the board of Directors
"Capital Reduction"	the proposed Reduction of Issued Capital, the subdivision of each authorised but unissued Consolidated Share into 20 unissued Adjusted Shares and the Share Premium Reduction
"Capital Reorganisation"	the proposed capital reorganisation which involves the Share Consolidation and the Capital Reduction
"CB Settlement Agreements"	having the same meaning ascribed thereto under the Circular (i.e. a total 3 sets of convertible bonds settlement agreements entered into between the Company and the CB Settlement Creditors)
"CB Settlement Creditors"	having the same meaning ascribed thereto under the Circular (i.e. Mr. 李鐵鍵, Mr. 吳躍新 and Mr. 豆新虎)
"CG Code"	Corporate Governance Code as set out in Appendix 14 of the Listing Rules
"Chairman of the Board"	the chairman of the Board
"China" or "PRC"	the People's Republic of China, but for the purposes of this announcement and for geographical reference only (unless otherwise indicated), excludes the Macao Special Administrative Region of the PRC, Hong Kong and Taiwan
"Circular"	a circular despatched by the Company to the Shareholders on 29 January 2016
"Code Provisions"	code provisions as set out in the CG Code
"Company"	China Billion Resources Limited, a company incorporated in the Cayman Islands with limited liability, shares of which are listed on the Stock Exchange
"Consolidated Share(s)"	the ordinary share(s) of HK$0.20 each in the share capital of the Company after the Share Consolidation but prior to the Capital Reduction
"Corresponding Period"	the period for the year ended 31 December 2018
"Creditor A"	Mr. 李鐵鍵, one of the CB Settlement Creditors

"Cristal Marketing"	Cristal Marketing Management Company Limited, a company incorporated in Hong Kong with limited liability and was a subsidiary of the Group prior to the completing of the Disposal
"Disposal"	the disposal of the Sale Shares as set out in the Sale and Purchase Agreement
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company
"Gold Mine"	Yuanling gold project of the Group in Hunan Province, the PRC
"Group"	the Company and its subsidiaries
"HKAS"	Hong Kong Accounting Standards
"HKFRSs"	Hong Kong Financial Reporting Standards
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hunan Westralian"	Hunan Westralian Mining Co., Limited, a foreign owned enterprise established in the PRC and is a subsidiary of the Company
"INED(s)"	the independent non-executive Director(s)
"Internal Control Consultant"	an internal control consultant engaged by the Company on 3 January 2019 to perform an internal control review of the Group
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Management"	the management of the Company
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"Purchaser"	True Wonder Global Limited, a company incorporated in the British Virgin Islands with limited liability

"Reduction of Issued Capital"	the reduction of the issued share capital whereby the par value of each issued Consolidated Share will be reduced from HK$0.20 to HK$0.01 by cancelling HK$0.19 of the paid-up capital on each issued Consolidated Share
"Reporting Period"	the period for the year ended 31 December 2019
"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 Cristal Marketing registered in the name of the Vendor representing the entire issued share capital of the Cristal Marketing
"Settlement Convertible Bonds"	the unsecured 10% convertible bonds in the aggregate principal amount of HK$53,417,356.17 with a term of three years to be issued by the Company to CB Settlement Creditors pursuant to the terms of the CB Settlement Agreements
"SFO"	Securities and Futures Ordinance
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Share Consolidation"	the proposed consolidation of the Existing Share(s) in the existing issued share capital of the Company whereby every twenty (20) Existing Shares of par value of HK$0.01 each will be consolidated into one (1) Consolidated Share of par value of HK$0.20
"Share Option Scheme"	the share option scheme approved by the Shareholders for adoption at the extraordinary general meeting of the Company held on 22 February 2016
"Share Premium Reduction"	the application of the credit arising from the Reduction of Issued Capital and the credit standing in the Company's share premium account towards offsetting the accumulated deficit of the Company as at the effective date of the Capital Reduction in a manner as permitted by the Companies Law and other applicable laws
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Target Company"	德興市益豐再生有色金屬有限責任公司, a limited liability company incorporated in the PRC
"Vendor"	Supreme China Limited, a company incorporated in the British Virgin Islands with Limited liability and is wholly-owned by the Company
"%"	per cent

APPRECIATION

On behalf of the Board, I am grateful for the perseverance and resilience of our staffs for their unswerving efforts. I would also take this opportunity to express my sincere appreciation to all Shareholders, investors and business partners for their continued support.

By order of the Board of
China Billion Resources Limited
Qiao Bingya
Chairman of the Board

Hong Kong, 27 March 2020

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

Executive directors:
Mr. Qiao Bingya *(Chairman of the Board)*
Mr. Zhang Yiwen *(Chief executive officer)*
Mr. Xie Qiangming

Independent non-executive directors:
Mr. Cai Jianhua
Mr. Ho Wing Chung
Mr. Yan Xiaotian