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融信資源
R R H L

Rosan Resources Holdings Limited
融信資源控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 578)

UNAUDITED ANNUAL RESULT ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2019 amounted to approximately HK$504.5 million (2018: approximately HK$961.4 million);
- Gross profit for the year ended 31 December 2019 amounted to approximately HK$44.6 million (2018: gross profit of approximately HK$59.5 million);
- Net loss for the year ended 31 December 2019 amounted to approximately HK$107.4 million (2018: approximately HK$152.6 million);
- No final dividend was proposed by the Board for the year ended 31 December 2019 (2018: Nil).

The board of directors (the "**Board**") of Rosan Resources Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 (the "**Year**" or "**Year 2019**"), together with comparative figures for the year ended 31 December 2018 ("**Last Year**" or "**Year 2018**"). For the reasons explained in the paragraph headed "Review of Unaudited Annual Results" in this announcement, the auditing process for the annual results of the Group for Year 2019 has not been completed.

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Notes	Unaudited 2019 HK$'000	Audited 2018 HK$'000
Revenue	4	**504,536**	961,440
Cost of sales		**(459,925)**	(901,900)
Gross profit	4	**44,611**	59,540
Other income and gains	4	**118,867**	55,743
Selling and distribution expenses		**(37,370)**	(37,605)
Administrative expenses		**(92,320)**	(90,143)
Other expenses		**(5,603)**	(4,276)
Finance costs	6	**(84,526)**	(101,514)
Share of results of associates		**(1,692)**	(12,826)
Share of results of a joint venture		**23**	51
Net impairment loss on financial assets and contract assets		**(18,590)**	(9,626)
Impairment loss on property, plant and equipment	10	**(995)**	(5,693)
Impairment loss on mining rights	10	**(32,926)**	(8,544)
Loss before income tax	7	**(110,521)**	(154,893)
Income tax credit	8	**3,072**	2,261
Loss for the year		**(107,449)**	(152,632)
Loss for the year attributable to:			
Owners of the Company		**(99,922)**	(142,747)
Non-controlling interests		**(7,527)**	(9,885)
		(107,449)	(152,632)
Loss per share attributable to the owners of the Company during the year			
– Basic and diluted (HK cents)	9	**(9.606)**	(13.747)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Unaudited 2019 *HK$'000*	Audited 2018 *HK$'000*
Loss for the year	**(107,449)**	(152,632)
Other comprehensive (loss)/income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations:		
– subsidiaries	**(11,324)**	14,109
– a joint venture	**(104)**	(326)
– associates	**(1,713)**	(5,156)
	(13,141)	8,627
Share of other comprehensive (loss)/income of an associate	**(19,443)**	16,090
Net other comprehensive (loss)/income that may be reclassified subsequently to profit or loss	**(32,584)**	24,717
Item that will not be reclassified to profit or loss:		
Change in the fair value of equity investments at fair value through other comprehensive income	**–**	8
Item that was reclassified to profit or loss:		
Exchange fluctuation reserve reclassified to profit or loss upon disposal of subsidiaries	**(60,483)**	–
Other comprehensive (loss)/income for the year, net of tax	**(93,067)**	24,725
Total comprehensive loss for the year	**(200,516)**	(127,907)
Total comprehensive (loss)/income attributable to:		
Owners of the Company	**(187,666)**	(116,642)
Non–controlling interests	**(12,850)**	(11,265)
	(200,516)	(127,907)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	Unaudited 2019 HK$'000	Audited 2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**189,577**	396,187
Prepaid land lease payments		**–**	66,197
Right-of-use assets		**65,763**	–
Mining rights		**131,861**	293,917
Other intangible assets		**695**	623
Interests in associates		**–**	100,046
Interest in a joint venture		**–**	5,973
Financial assets at fair value through other comprehensive income		**–**	682
Deferred tax assets		**3,148**	–
		391,044	863,625
Current assets			
Inventories		**16,137**	24,849
Accounts and bills receivables and contract assets	*11*	**96,249**	454,569
Prepaid land lease payments		**–**	1,506
Prepayments, deposits and other receivables		**19,985**	24,480
Tax recoverable		**8,081**	9,433
Pledged and restricted bank deposits		**–**	656,651
Cash and cash equivalents		**15,904**	35,789
		156,356	1,207,277
Current liabilities			
Accounts and bills payables	*12*	**32,456**	658,132
Amount due to an associate		**–**	14,640
Amounts due to shareholders		**1,337**	9,135
Other payables and accruals	*13*	**363,647**	551,447
Provision for reclamation obligations		**24,001**	100,164
Lease liabilities		**622**	–
Bank and other loans	*14*	**147,014**	762,200
		569,077	2,095,718

	Notes	Unaudited 2019 HK$'000	Audited 2018 HK$'000
Net current liabilities		**(412,721)**	(888,441)
Total assets less current liabilities		**(21,677)**	(24,816)
Non–current liabilities			
Loans from shareholders		**57,235**	54,491
Lease liabilities		**43**	–
Bank and other loans	*14*	**–**	78,364
Deferred income		**2,316**	3,142
Deposit received	*13*	**2,299**	2,165
Deferred tax liabilities		**–**	489
		61,893	138,651
Net liabilities		**(83,570)**	(163,467)
EQUITY			
Share capital		**104,017**	104,017
Deficit in reserves		**(189,992)**	(209,671)
Deficiency attributable to the owners of the Company		**(85,975)**	(105,654)
Non–controlling interests		**2,405**	(57,813)
Capital deficiency		**(83,570)**	(163,467)

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

Rosan Resources Holdings Limited (the "**Company**") is a limited liability company incorporated in Bermuda. The address of its registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company's shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The principal activities of the Company and its subsidiaries (the "**Group**") include (i) production and sale of coal and trading of purchased coal ("**Coal Business**"); and (ii) production and sale of building materials ("**Building Materials Business**") in the People's Republic of China (the "**PRC**"). During the year, one of the subsidiaries of the Company commenced the business of leasing of aluminum building molds, which is classified as Building Materials Business.

The consolidated financial statements for the year ended 31 December 2019 were approved for issue by the Board of Directors of the Company on 30 March 2020.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new and amendments to HKFRSs effective from 1 January 2019

In the current year, the Group has applied a number of new HKFRSs and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are mandatorily effective for an accounting period that begins on or after 1 January 2019. Of these, the following developments are relevant to the Group's consolidated financial statements:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to Hong Kong Accounting Standard ("**HKAS**") 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HK (IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments

Except for the HKFRS 16 *Leases* ("**HKFRS 16**"), the application of these new and amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

Under the transition methods chosen, the Group has recognised cumulative effect of the initial application of HKFRS 16 as an adjustment to the opening balance at 1 January 2019. Comparative information is not restated. Line items that were not affected by the changes have not been included in the following table. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The following table gives a summary of the opening balance adjustments recognised for the line items in the consolidated statement of financial position that have been impacted by HKFRS 16:

	At 31 December 2018	**Impact of initial application of HKFRS 16 (note 2(b))**	**At 1 January 2019**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)
Prepaid land lease payments	66,197	(66,197)	–
Right-of-use assets	-	68,912	68,912
Total non-current assets	**863,625**	**2,715**	**866,340**
Prepaid land lease payments	1,506	(1,506)	–
Total current assets	**1,207,277**	**(1,506)**	**1,205,771**
Lease liabilities	-	(980)	(980)
Total current liabilities	**(2,095,718)**	**(980)**	**(2,096,698)**
Net current liabilities	**(888,441)**	**(2,486)**	**(890,927)**
Total assets less current liabilities	**(24,816)**	**229**	**(24,587)**
Lease liabilities	-	(229)	(229)
Total non-current liabilities	**(138,651)**	**(229)**	**(138,880)**

Further details of these changes are set out in note 2(b).

(b) HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC) Interpretation 4 *Determining whether an Arrangement contains a Lease*, HK(SIC) Interpretation 15 *Operating Leases - Incentives* and HK(SIC) Interpretation 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessor will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group has applied HKFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for the year ended 31 December 2018 has not been restated - i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(i) New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC) Interpretation 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK (IFRIC) Interpretation 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

(ii) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

At the date of initial application of HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the lease liability was 5.13%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

i. the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

ii. when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group excluded initial direct costs.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

The table below explains the difference between operating lease commitments disclosed at 31 December 2018 by applying HKAS 17 and lease liabilities recognised at 1 January 2019 by applying HKFRS 16:

	Unaudited
	HK$'000
Operating lease commitment at 31 December 2018	**1,199**
Less:	
Leases end within 12 months from the date of initial application	**(13)**
Add:	
Others	**63**
Operating lease liabilities before discounting at 31 December 2018	**1,249**
Effect from discounting at incremental borrowing rate at 1 January 2019	**(40)**
Lease liabilities recognised as at 1 January 2019	**1,209**
Of which are:	
Current lease liabilities	**980**
Non-current lease liabilities	**229**
	1,209

(iii) As a lessor

The Group leases out its certain property, plant and equipment. The Group has classified these leases as operating leases. The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17. The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor.

(c) New and revised HKFRSs that have been issued but are not yet effective

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in the consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 17	Insurance Contracts[2]
Amendments to HKAS 1 (Revised) and HKAS 8	Definition of Material[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

1 Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted

2 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted

3 The amendments were original intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred. Early application of the amendments continues to be permitted.

The Group has already commenced an assessment of the related impact of adopting the above new and revised HKFRSs. So far, based on the preliminary assessment, the directors of the Company have concluded that the above new and revised HKFRSs which will be adopted at the respective effective dates is unlikely to have a significant impact on the consolidated financial statements of the Group.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Going concern basis

The Group incurred a consolidated net loss of approximately HK$107,449,000 during the year ended 31 December 2019 and, as of that date, the Group has net current liabilities of approximately HK$412,721,000 and a capital deficiency of approximately HK$83,570,000 among which the outstanding borrowings of approximately HK$148,351,000 (including bank loans of approximately HK$147,014,000 (note 14) and amounts due to shareholders of approximately HK$1,337,000) are due for repayment within one year from the end of the reporting period or repayable on demand. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of its business.

In order to improve the Group's financial positions, liquidity and cash flows, the directors of the Company have adopted or in the process of adopting the following measures:

(a) The Group has been taking stringent cost controls in different areas, such as applying cost control measures in the cost of sales and administrative expenses;

(b) The Group has been liaising with certain banks in relation to the renewal of its bank loans amounting to approximately Renmibi ("**RMB**") 131,424,000 (equivalent to approximately HK$147,014,000) as at 31 December 2019, which would be due for repayment within twelve months from the reporting date. In the opinion of the directors of the Company, taken into account the long term relationships and also their understanding from the liaison with the banks, all the bank borrowings can be renewed upon their respective maturities;

(c) One of the subsidiaries of the Company entered into three loan agreements with three shareholders of the Company on 14 February 2018, in which two of them are substantial shareholders of the Company who directly/indirectly own 23.27% and 12.26% of the Company's shares respectively as of the date of approval of these consolidated financial statements. Pursuant to the loan agreements, the three shareholders agreed to provide unsecured and interest–free revolving loans with an aggregate amount of RMB600,000,000 (equivalent to approximately HK$671,172,000) for a term of three years. That subsidiary was disposed of together with the disposal of Clear Interest Limited (note 15). Before the disposal, pursuant to one of the supplemental agreements of share purchase agreement for disposal of Clear Interest Limited, the loans from shareholders were taken up by another subsidiary of the Company that remained in the Group, and the three shareholders agreed to provide unsecured and interest-free loan facilities up to an aggregate amount of RMB600,000,000 (equivalent to approximately HK$671,172,000) to that subsidiary, which are repayable on 13 February 2021, being the maturity date of the original loan agreements. As at 31 December 2019, loans from shareholders with principal amount of RMB55,000,000 (equivalent to approximately HK$61,524,000) has been advanced to the Group; and

(d) The Group, from time to time, reviews its investment projects and may adjust the investment strategies in order to enhance the cash flow position of the Group whenever it is necessary.

Taking into account the above measures and after assessing the Group's current and future cash flow positions, the directors of the Company are satisfied that the Group will be able to meet their financial obligations when they fall due. Accordingly, the directors of the Company are 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 in business as a going concern, adjustments would have to be made to write down the carrying amounts of assets to their estimated recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, and to provide for any further liabilities which may arise. The effects of these adjustments have not been reflected in the consolidated financial statements.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the income arising from the Group's principal activities which include (i) production and sale of coal; (ii) trading of purchased coal; (iii) production and sale of building materials; and (iv) leasing of aluminum building molds.

Revenue and other income and gains recognised during the year are as follows:

	Unaudited 2019 *HK$'000*	Audited 2018 *HK$'000*
Revenue from contract with customers within the scope of HKFRS 15, types of goods:		
Production and sale of coal	**205,244**	324,515
Trading of purchased coal	**69,649**	438,917
Production and sale of building materials	**225,762**	198,008
	500,655	961,440
Income from other sources:		
Rental income arising from leasing of aluminum building molds	**3,881**	–
	504,536	961,440
Gross (loss)/profit derived from:		
Production and sale of coal	**(30,316)**	(4,712)
Trading of purchased coal	**(693)**	(330)
Production and sale of building materials	**72,310**	64,582
Leasing of aluminum building molds	**3,310**	–
	44,611	59,540

	Unaudited	Audited
	2019	2018
	HK$'000	*HK$'000*
Other income and gains		
Bank interest income	**53,544**	2,296
Discount at inception of deposit received	**–**	2,458
Government subsidies *(note)*	**17,160**	16,372
Gain on bargain purchase arising from acquisition of subsidiaries	**–**	2,629
Gain on disposal of coal production capacity replacement quota	**16,853**	5,747
Gain on disposal of a subsidiary	**–**	62
Rental income	**3,511**	1,210
Reversal of provision for central pension scheme	**24,110**	24,533
Others	**3,689**	436
	118,867	55,743

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales of coal and building materials contracts that regarding the performance obligation that has an original expected duration of one year or less, the Group does not make disclosure in accordance with paragraph 120 of HKFRS 15, that is the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period and an explanation of when the Group expects to recongise as revenue.

Note: The Group received unconditional subsidies from local government during the year as recognition of the Group's sale of building materials which considered as the environmental-friendly products in the PRC.

5. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors of the Company (the "**Executive Directors**") for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the Executive Directors are determined following the Group's major product and service lines.

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Executive Directors in order to allocate resources and assess performance of the segment. The Executive Directors have determined that the Group's operating and reportable segments under HKFRS 8 are as follows:

- Coal Business – Production and sale of coal and trading of purchased coal
- Building Materials Business – Production and sale of building materials and leasing of aluminum building molds

During the year ended 31 December 2019, one of the subsidiaries of the Company commenced the business of leasing of aluminum building molds. Information about this strategic business unit that are not reportable under HKFRS 8 is consolidated under "Building Materials Business" in this year.

The measure used for reporting segment (loss)/profit is adjusted loss before income tax. Items not specifically attributable to individual segments, such as share of results of associates and a joint venture, finance costs, interest income, unallocated head office and corporate expenses are further adjusted.

Segment assets include all tangible assets, prepaid land lease payments, right-of-use assets, goodwill, mining rights, other intangible assets and current assets with the exception of other corporate assets. Segment liabilities include accounts and bills payables, other payables and accruals attributable to activities of the individual segments, provision for reclamation obligations, lease liabilities and deposit received.

Revenue and expenses are allocated to the operating and reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

(a) Segment revenue and results

The following is an analysis of the Group's disaggregation of revenue from contracts with customers by the timing of revenue recognition and results from operating and reportable segments:

	Coal Business *HK$'000*	**Building Materials Business** *HK$'000*	**Total** *HK$'000*
For the year ended 31 December 2019 (unaudited)			
Revenue from external customers and disaggregated by timing of revenue recognition			
Point in time	**274,893**	**225,762**	**500,655**
Point over time	**–**	**3,881**	**3,881**
	274,893	**229,643**	**504,536**
Segment (loss)/profit	**(67,325)**	**984**	**(66,341)**

	Coal Business *HK$'000*	Building Materials Business *HK$'000*	Total *HK$'000*
Reversal of provision for central pension scheme	**22,720**	**1,390**	**24,110**
Depreciation and amortisation	**(46,146)**	**(24,150)**	**(70,296)**
Net impairment loss on financial assets and contract assets	**(368)**	**(18,222)**	**(18,590)**
Impairment loss on property, plant and equipment	**(995)**	**–**	**(995)**
Impairment loss on mining rights	**(32,926)**	**–**	**(32,926)**

	Coal Business *HK$'000*	Building Materials Business *HK$'000*	Total *HK$'000*
For the year ended 31 December 2018 (audited)			
Revenue from external customers and disaggregated by timing of revenue recognition			
Point in time	763,432	198,008	961,440
Segment (loss)/profit	(40,364)	14,886	(25,478)
Reversal of provision for central pension scheme	23,189	1,344	24,533
Depreciation and amortisation	(44,649)	(23,885)	(68,534)
Net reversal of/(impairment loss) on financial assets and contract assets	2,412	(12,038)	(9,626)
Impairment loss on property, plant and equipment	(5,693)	–	(5,963)
Impairment loss on mining rights	(8,544)	–	(8,544)

	Unaudited 2019 *HK$'000*	Audited 2018 *HK$'000*
Reconciliation of segment profit or loss:		
Reportable segment loss from the Group's external customers	**(66,341)**	(25,478)
Share of results of associates	**(1,692)**	(12,826)
Share of results of a joint venture	**23**	51
Finance costs	**(84,526)**	(101,514)
Interest income	**53,544**	2,296
Unallocated head office and corporate expenses	**(11,529)**	(17,422)
Loss before income tax	**(110,521)**	(154,893)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

	Coal Business *HK$'000*	Building Materials Business *HK$'000*	Total *HK$'000*
At 31 December 2019 (unaudited)			
Segment assets	**168,060**	**344,777**	**512,837**
Additions to non-current segment assets during the year	**6,806**	**4,015**	**10,821**
Segment liabilities	**(201,073)**	**(200,639)**	**(401,712)**
At 31 December 2018 (audited)			
Segment assets	1,354,909	549,715	1,904,624
Additions to non-current segment assets during the year	10,865	300,622	311,487
Segment liabilities	(1,215,714)	(94,028)	(1,309,742)

	Unaudited 2019 ***HK$'000***	Audited 2018 *HK$'000*
Reconciliation of segment assets:		
Reportable segment assets	**512,837**	1,904,624
Interests in associates	**–**	100,046
Interest in a joint venture	**–**	5,973
Financial assets at FVTOCI	**–**	682
Deferred tax assets	**3,148**	–
Tax recoverable	**8,081**	9,433
Restricted bank deposits	**–**	1,621
Cash and cash equivalents	**15,904**	35,789
Unallocated corporate assets	**7,430**	12,734
Consolidated total assets	**547,400**	2,070,902

	Unaudited 2019 *HK$'000*	Audited 2018 *HK$'000*
Reconciliation of segment liabilities:		
Reportable segment liabilities	**401,712**	1,309,742
Amount due to an associate	**–**	14,640
Amounts due to and loans from shareholders	**58,572**	63,626
Bank and other loans	**147,014**	840,564
Lease liabilities	**665**	–
Deferred tax liabilities	**–**	489
Unallocated corporate liabilities	**23,007**	5,308
Consolidated total liabilities	**630,970**	2,234,369

(c) Geographical information

The Group's revenue from external customers is all derived from the PRC and most of its non-current assets are located in the PRC. The Company is an investment holding company incorporated in Bermuda, in where the Group does not have any activities. The Group has the majority of its operations and workforce in the PRC, and therefore, the PRC is considered as the Group's country of domicile for the purpose of disclosures as required by HKFRS 8.

The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the non-current assets is based on the location of assets.

(d) Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group.

	Unaudited 2019 *HK$'000*	Audited 2018 *HK$'000*
Customer A[1]	**112,766**	357,446
Customer B[1]	**69,649**	249,974
Customer C[1]	**83,138**	99,375

1 Revenue from Coal Business

6. FINANCE COSTS

	Unaudited	Audited
	2019	2018
	HK$'000	*HK$'000*
An analysis of finance costs is as follows:		
Unwinding of imputed interest on loans from shareholders	**3,746**	8,750
Unwinding of imputed interest on deposit received	**174**	72
Interests expenses on lease liabilities	**67**	–
Interests on bank and other loans	**60,647**	60,527
Bank charges on discounted bills receivable	**19,892**	32,165
	84,526	101,514

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Unaudited	Audited
	2019	2018
	HK$'000	*HK$'000*
Amortisation of mining rights**	**6,464**	7,805
Amortisation of other intangible assets**	**134**	80
Amortisation of prepaid land lease payments**	**–**	1,569
Auditor's remuneration**		
– Audit services	**1,000**	1,030
– Non-audit services	**965**	360
Cost of inventories recognised as expenses#	**455,368**	895,813
Write-down of inventories included in cost of inventories	**997**	56
Depreciation of property, plant and equipment*	**62,048**	59,332
Depreciation of right-of-use assets**	**2,846**	–
Employee benefits expense (including directors' remuneration)	**158,151**	206,528
Loss on disposals of property, plant and equipment, net	**70**	95
Minimum lease payments under operating leases on land, buildings and office equipment##	**–**	1,593
Provision for reclamation obligations	**4,556**	6,087
Research expenses	**15,778**	1,963

* Depreciation of property, plant and equipments approximately HK$50,661,000 (2018: approximately HK$50,626,000), HK$11,362,000 (HK$8,607,000) and HK$25,000 (2018: HK$99,000) has been included in cost of sales, administrative expenses, selling and distribution expenses respectively.

** Included in administrative expenses in the consolidated income statement.

Cost of inventories included approximately HK$173,363,000 (2018: approximately HK$221,513,000) relating to employee benefits expense and depreciation which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

Amount in 2018 represents the lease rentals recognised over the lease terms for operating leases under HKAS 17. Upon adoption of HKFRS 16 as disclosed in note 2(b), the minimum lease payments under operating lease charges (except for short-term leases) are no longer recognised under operating expenses.

8. INCOME TAX CREDIT

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in Bermuda and the BVI (2018: Nil).

No Hong Kong Profits Tax has been provided for the year in the consolidated financial statements as the Group has tax losses brought forward from previous years (2018: Nil).

Corporate income tax arising from operations in the PRC was calculated at statutory income tax rate of 25% (2018: 25%) of the estimated assessable profits as determined in accordance with the relevant income tax rules and regulations in the PRC.

	Unaudited	Audited
	2019	2018
	HK$'000	*HK$'000*
Current tax – PRC corporate income tax		
– Current year	**607**	375
Deferred tax		
– Current year	**(3,679)**	(2,636)
Income tax credit	**(3,072)**	(2,261)

9. LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The calculation of basic loss per share attributable to the owners of the Company is based on the following data:

	Unaudited	Audited
	2019	2018
	HK$'000	*HK$'000*
Loss for the year attributable to the owners of the Company for the purpose of basic loss per share	**(99,922)**	(142,747)

	Unaudited 2019 Number of shares *'000*	Audited 2018 Number of shares *'000*
Weighted average number of ordinary shares in issue for the purpose of basic loss per share	**1,040,174**	1,038,379

There were no dilutive potential ordinary shares during the years ended 31 December 2019 and 2018 and therefore, the amount of diluted loss per share is same as the amount of basic loss per share.

10. IMPAIRMENT TESTING ON PROPERTY, PLANT AND EQUIPMENT, PREPAID LAND LEASE PAYMENTS, RIGHT-OF-USE ASSETS AND MINING RIGHTS

For the purpose of impairment assessment, property, plant and equipment, prepaid land lease payments, right-of-use assets and mining rights have been allocated to three major individual cash generating units ("**CGUs**"), i.e. (i) Building Materials Business CGU, (ii) Building Mold Business CGU and (iii) Coal Business CGU.

Building Materials Business CGU

In the opinion of the directors of the Company, there is no impairment indication identified in this CGU.

Building Mold Business CGU

Building Mold Business CGU suffered operating loss during the year, as a result, the Group assessed the recoverable amount of Building Mold Business CGU. The management of the Company determined that the recoverable amount of Building Mold Business CGU is more than the carrying amount of Building Mold Business CGU as at 31 December 2019. In the opinion of the directors of the Company, there is no impairment of property, plant and equipment and right-of-use assets required in respect of this CGU as at 31 December 2019.

Coal Business CGU

As the Group depletes its coal reserves, the recoverable amount of Coal Business CGU will also decrease. Also, Coal Business CGU suffered operating loss during these years, as a result, the Group assessed the recoverable amount of Coal Business CGU by using fair value less cost of disposal, which was based on income approach using a cashflow projection covering a detailed five-year budget plan, followed by an extrapolation of discounted cash flows, by reference to the actual selling price and the average market coal price with similar coal's heating power in the PRC with adjustments, where necessary, to reflect the differences. In determining the recoverable amount of Coal Business CGU, the directors of the Company have taken account of the coal reserves of the mines after deducting the cumulative amounts of coal already extracted and sold.

The recoverable amount of Coal Business CGU is less than the carrying amount of Coal Business CGU as at 31 December 2019. As a result, the Group made an impairment loss of approximately HK$995,000 (2018: approximately HK$5,693,000) and approximately HK$32,926,000 (2018: approximately HK$8,544,000) on property, plant and equipment and mining right respectively associated with the Coal Business CGU during the year. The impairment loss is allocated to net carrying amounts of property, plant and equipment and mining right associated with Coal Business CGU.

Potential valuation variance and the limitation due to Novel Coronavirus ("COVID-19")

On every year end, the Coal Business CGU was valued by an independent professionally qualified valuer and the Group's management reviewed and ascertained the value of this CGU by reference to the valuation report.

However, due to the recent outbreak of COVID-19, as the date of this announcement, management and the valuer were limited to obtain or access to the required information to perform the valuation as at 31 December 2019. Therefore, there would be a potential variance in the final value of Coal Business CGU hence the impairment amount. Any material variance will be explained and adjusted in the annual report which would be published in May 2020.

11. ACCOUNTS AND BILLS RECEIVABLES AND CONTRACT ASSETS

	Unaudited 2019 *HK$'000*	Audited 2018 *HK$'000*
Accounts receivable	**124,035**	254,529
Bills receivable	**2,293**	259,433
	126,328	513,962
Less: Allowance for credit losses	**(30,938)**	(61,313)
Accounts and bills receivables, net of loss allowance *(note (a))*	**95,390**	452,649
Contract assets	**2,267**	2,371
Less: Allowance for credit losses	**(1,408)**	(451)
Contract assets, net of loss allowance *(note (b))*	**859**	1,920
Total	**96,249**	454,569

The loss allowance as at 31 December 2018 and 2019 was determined as follows for accounts and bills receivables:

	Expected loss rate	**Gross carrying amount** *HK$'000*	**Loss allowance** *HK$'000*	**Net carrying amount** *HK$'000*
Ageing based on the invoice date				
As at 31 December 2019 (unaudited)				
0 – 90 days	**1%**	**60,368**	**(322)**	**60,046**
91 – 180 days	**2%**	**22,482**	**(489)**	**21,993**
181 – 365 days	**6%**	**14,170**	**(819)**	**13,351**
Over 365 days	**100%**	**29,308**	**(29,308)**	**–**
		126,328	**(30,938)**	**95,390**

	Expected loss rate	Gross carrying amount *HK$'000*	Loss allowance *HK$'000*	Net carrying amount *HK$'000*
Ageing based on the invoice date				
As at 31 December 2018 (audited)				
0 – 90 days	2%	213,353	(4,127)	209,226
91 – 180 days	2%	224,489	(5,388)	219,101
181 – 365 days	8%	26,304	(1,982)	24,322
Over 365 days	100%	49,816	(49,816)	–
		513,962	(61,313)	452,649

12. ACCOUNTS AND BILLS PAYABLES

	Unaudited 2019 *HK$'000*	Audited 2018 *HK$'000*
Accounts payable	**32,456**	50,349
Bills payable	**–**	607,783
	32,456	658,132

The Group was granted by its certain suppliers with credit periods normally ranging from 30 to 90 days (2018: 30 to 90 days). As of the end of the reporting period, the ageing analysis of accounts payable of the Group presented based on the invoice dates was as follows:

	Unaudited 2019 *HK$'000*	Audited 2018 *HK$'000*
0 – 90 days	**19,999**	21,493
91 – 180 days	**4,309**	3,779
181 – 365 days	**3,635**	19,299
Over 365 days	**4,513**	5,778
	32,456	50,349

As at 31 December 2019, the Group has neither bills payable (2018: approximately HK$485,851,000) nor bills payable secured by the pledged bank deposits of the Group (2018: approximately HK$461,487,000).

13. OTHER PAYABLES, ACCRUALS AND DEPOSIT RECEIVED

	Unaudited	Audited
	2019	2018
	HK$'000	*HK$'000*
Current		
Accruals	**114,905**	293,640
Other payables *(note (a))*	**230,709**	243,774
Contract liabilities *(note (b))*	**17,261**	13,247
Deferred income	**772**	786
	363,647	551,447
Non-current		
Deposit received	**2,299**	2,165
	365,946	553,612

Notes:

(a) These balances are unsecured, interest-free and repayable on demand or within one year.

(b) At 31 December 2019 and 2018, contract liabilities represent receipts in advance from customers, which the Group is required to refund to the customers if the customers cancel the orders. However, the Group does not expect to refund any of the advance payments.

14. BANK AND OTHER LOANS

	Unaudited 2019 *HK$'000*	Audited 2018 *HK$'000*
Current		
Bank loans	**147,014**	563,257
Other loans	**–**	198,943
	147,014	762,200
Non–current		
Bank loans	**–**	51,232
Other loans	**–**	27,132
	–	78,364
	147,014	840,564

As at 31 December 2019, bank loans were secured by (i) right-of-use assets, (ii) buildings located in the PRC which are owned by Henan Mintai Real Estate Company Limited# (河南民泰置業有限公司) ("Henan Mintai"), an entity incorporated in the PRC which is beneficially owned and controlled by Mr. Zhang Xinzhi ("Mr. Zhang"), and guaranteed by Henan Minan Real Estate Development Company Limited# (河南民安房地產開發有限公司) ("Henan Minan"); and (iii) bill receivables owned by a subsidiary of Clear Interest Limited, a company which was disposed on 30 December 2019 (note 15). Those bank loans were also guaranteed by (i) Mr. Zhang, a substantial shareholder of the Company, (ii) Henan Minan, an entity incorporated in the PRC which is beneficially owned and controlled by Mr. Zhang, (iii) Henan Mintai, or (iv) Henan Coal Jiatuo Trading Company Limited# (河南嘉拓煤炭運銷有限公司), major supplier under the "trading of purchased coal" operation ("**Major Supplier**").

As at 31 December 2018, bank loans were secured by (i) certain accounts receivable, (ii) certain mining rights, (iii) prepaid land lease payments, or (iv) bill receivables. Those bank loans were also guaranteed by (i) Henan Zhongfu Industrial Company Limited# (河南中孚實業股份有限公司), the major customer under the "trading of purchased coal" operation, (ii) Mr. Bao Hongkai ("Mr. Bao"), (iii) the spouse of Mr. Bao, (iv) Major Supplier, (v) Mr. Zhang, and/or (vi) Henan Minan.

For identification purpose only

15. DISPOSAL OF SUBSIDIARIES

On 3 May 2019, the Group entered into the share purchase agreement (including three supplemental agreements) to dispose of its entire equity interest in Clear Interest Limited and its subsidiaries (collectively known as CIL Group), with a cash consideration of US$200 (equivalent to approximately HK$2,000) to Right Success Investments Limited, a limited liability company incorporated in the British Virgin Islands with its entire issued share capital owned by Mr. Bao, being the connected person and the ultimate largest shareholder of the Company. The disposal was completed on 30 December 2019.

16. DIVIDEND

The Board does not recommend the payment of any final dividend in respect of the year ended 31 December 2019 (2018: Nil).

17. CAPITAL COMMITMENT

As at 31 December 2019, the Group had the following capital commitments:

	Unaudited	Audited
	2019	2018
	HK$'000	*HK$'000*
Capital expenditure contracted but not provided for:		
Acquisition of property, plant and equipment	**2,514**	4,091

In addition, registered capital of Zhengzhou Tairun Aluminum Mold Technology Company Limited#（鄭州泰潤鋁模科技有限公司）(“**Tairun**”), is RMB20,000,000, of which RMB10,300,000 (2018: RMB10,000,000) has been paid-up as at 31 December 2019, and the Group therefore was committed at 31 December 2019 to further invest in Tairun, an indirectly owned subsidiary in which the Group has 60% equity interest, amounting to RMB6,000,000 (equivalent to approximately HK$6,712,000) (2018: RMB6,000,000 (equivalent to approximately HK$6,831,000)).

For identification purpose only

18. EVENT AFTER THE REPORTING PERIOD

The outbreak of the COVID-19

Since January 2020, the outbreak of COVID-19 in the PRC and the subsequent related-quarantine measures imposed by the government of the PRC have had a negative impact not only on most industries but also on the operations of the Group, as the Group's core operations and all the customers are situated in the PRC. The Group has delayed its production and manufacturing activities due to the mandatory quarantine measures imposed by the government in an effort to control the spread of the epidemic. Up to the date of this announcement, the Group has gradually resumed the production and operation under the progressive relaxing of government restrictions. The assessment of the impact on the Group's operations and financial performance is still in progress.

CHAIRMAN'S STATEMENT

Year 2019 is a critical and challenging year to the Group. On one hand, the Group has successfully undergone group restructuring (i.e. the disposal of CIL Group) in the last quarter of the Year. On the other hand, the Group has been facing the general economic downturn resulting from the trade dispute between China and United States ("**US**"). The unexpectable significant influence from the outbreak of COVID-19 happened since early 2020 would also bring uncertainties to the Group's operation and result in the coming year.

Upon the completion of the said group restructuring, the Group has significantly reduced the reliance on coal business which was the major component causing the Group to incur loss and high liability level continuously. Currently, the two major business lines, i.e. Coal Business and Building Materials Business, are running in a more balancing proportion to the Group's revenue. Therefore, the group restructuring has enhanced the business diversification of the Group.

During the Year, the economic growth of the PRC has already been facing great pressure due to the trade tension between China and US. The slowdown of economic growth has been reflected in the drop of market commodity prices, including the coal price. The weakened economic condition was not favorable to the different industries including the coal market. Therefore, the revenue obtained from Coal Business during the Year has been dropped.

Since the outbreak of COVID-19 in early 2020, most of the production and commercial activities in the PRC have been suspended or shut down. Many enterprises' operation and production have been inevitably affected. The temporary shutting down of the Group's coal mine and building materials production plant would have significant influence to the turnover and result of the Group in the first half of year 2020. Our management team are closely monitoring the situation and will notify to all stakeholders of the Company from time to time in relation to the influence from the COVID-19 incidence.

REVIEW OF UNAUDITED ANNUAL RESULTS

Due to the COVID-19 outbreak and the imposed restrictions in different regions of China, including Henan Province where the Group's coal mines and production plants are located, the auditing process for the annual results for the year ended 31 December 2019 has not been completed as at the date of this announcement. The unaudited annual results contained herein have not been agreed by the Company's auditor. An announcement(s) and/or annual report 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 the HKICPA.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company is expected to issue further announcement(s) and/or annual report in May 2020 in relation to (i) the audited annual results for the year ended 31 December 2019 as agreed by the Company's auditors and the material variances (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) the period during which the register of members holding ordinary shares will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting (and the proposed arrangements relating to dividend payment, if any). In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Completion of the disposal of CIL Group

During the year 2019, the Group has undergone the disposal of CIL Group which enhanced the Group to reduce the reliance on coal business and to achieve a balance result between Coal Business and Building Materials Business.

In the past few years, the major proportion of the income and result was contributed from the Coal Business. However, the coal market was not favorable to most of the small to medium size coal enterprises, including the Group. The Group has incurred significant loss and liabilities resulting from the operation of the coal mines in the past few years. Upon completion of the disposal of CIL Group in December 2019, two of the coal mines out of the three operating coal mines were disposed to a company wholly owned by a connected person. The one coal mine (namely Xiangyang Coal Mine) now remaining in the Group possess the largest coal reserve with quality coal amongst the three coal mines previously owned by the Group. The Board believe that Xiangyang Coal Mine would be able to bring favorable result to the Group in the foreseeable future.

The above disposal has facilitated the Group to reduce its liabilities significantly that would help the Group to reduce its finance cost and to improve the liquidity, hence, to increase the Group's ability to achieve favorable result in the future.

Impact of slow economic growth on Coal Business

In year 2019, the trade tension between China and US has apparently caused the slowdown of mainland economic growth. In such situation, general market demand and expenditures have also been affected. Therefore, the demand for coal has been slowed down, which has caused the price of coal to drop in comparing with the beginning of the Year. In addition to the reduction in sales volume during the weak market condition, the total revenue generated from the Coal Business of the Group for the Year has been dropped in comparing with the year 2018.

Achievement of Building Materials Business

In respect of the building materials industry, the government has imposed different environment protection measurements which has caused many local enterprises and competitors suspended for rectification or further improvement. As the production plant of the Building Materials Business of the Group has been certified by the government as an environmentally-qualified entity, those environment protection measurements have no impact to the operation of the Group but to other non-qualified enterprises. As a result, the Group has obtained more building projects during the Year, hence, the revenue of the Building Materials Business was increased.

Financial Review

Revenue

The Group's total revenue for the Year amounted to approximately HK$504.5 million, representing a decrease of approximately 47.5% from approximately HK$961.4 million compared to the Last Year. The decrease in revenue was primarily due to reduction in sales volume and the sales price of coal. During the Year, the total sales volume of coal has decreased to approximately 741,000 tons which was lower than the sales volume of the Last Year (approximately 1,679,000 tons) by approximately 55.9%. On the contrary, as the demand for building materials increased during the Year as explained in precedent paragraph, the total revenue of Building Materials Business was increased from HK$198.0 million to HK$225.8 million.

Cost of sales and gross profit

The cost of sales and gross profit for the Year were approximately HK$459.9 million (the Last Year: approximately HK$901.9 million) and approximately HK$44.6 million (the Last Year: gross profit of approximately HK$59.5 million) respectively.

The gross profit margin was improved from approximately 6.2% for the Last Year to approximately 8.8% for the Year. During the Year, income from sales of building materials and rental income from leasing building molds have contributed higher profit margin to the Group.

The Building Material Business was operated by a subsidiary, Henan Xingan New Construction Materials Company Limited*（河南興安新型建築材料有限公司）("**Henan Xingan**") which was acquired in Last Year. Henan Xingan is located right next to a state-owned power generating plant which produce scrap materials during its operation and such scrap materials are the main raw materials for the production of building materials by Henan Xingan, therefore, Henan Xingan can obtain such raw materials in a cost effective way. As a result, the favorable location of Henan Xingan allows them to save costs and bring a favorable gross profit to the Group's result.

Selling and distribution expenses

Slightly decrease of approximately HK$0.2 million in selling and distribution expenses from approximately HK$37.6 million of the Last Year to approximately HK$37.4 million for the Year, was due to the outbound transportation cost incurred by the Building Materials Business remained almost unchange as last year.

Administrative expenses

During the Year, the total administrative expenses amounted to approximately HK$92.3 million (the Last Year: approximately HK$90.1 million) which mainly comprised of: (i) employee benefits expense of approximately HK$31.8 million (the Last Year: approximately HK$33.6 million); (ii) amortisation of mining right and other intangible assets amounted to approximately HK$6.48 million (the Last Year: approximately HK$7.9 million); (iii) depreciation of property, plant and equipment amounted to approximately HK$11.4 million (the Last Year: approximately HK$8.6 million); and (iv) depreciation of right-of-use assets amounted to approximately HK$2.8 million (the Last Year: Nil).

Finance Costs

The finance costs decreased by approximately 16.7% from approximately HK$101.5 million for the Last Year to approximately HK$84.5 million for the Year. The decrease in the finance costs was mainly due to the decrease in the average amount of bank and other loans during the Year.

Net loss attributable to the owners of the company

The net loss attributable to the owners of the Company for the Year was approximately HK$99.9 million, representing a decrease of approximately 30.0% as compared with the Last Year of approximately HK$142.7 million. The reasons for the decrease in net loss attributable to the owners of the Company were mainly due to the reduction in finance cost and obtaining interest income from a matured fixed deposit.

Accounts and Bills Receivables and Contract Assets

As at 31 December 2019 (the "**Current Year End**"), the accounts and bills receivables and contract assets amounted to approximately HK$96.2 million, representing a decrease of approximately 78.8% as compared to the accounts and bills receivables and contract assets as at 31 December 2018 (the "**Last Year End**") of approximately HK$454.6 million. The decrease was mainly due to the decrease in the revenue obtained from Coal Business as well as the disposal of CIL Group.

Amongst the total amount of accounts receivable less allowance for credit losses (excluding the bills receivable and contract assets) as at the Current Year End, the largest customer of the Group was the largest debtor who has contributed approximately HK$25.8 million (equivalent to approximately RMB23.1 million) or approximately 20.8% of the total accounts receivable amount.

Accounts and bills payables

The Group has no bills payable as at the Current Year End (the Last Year End: approximately HK$607.8 million) and has accounts payables amounted to approximately HK$32.5 million (the Last Year End: approximately HK$50.3 million). Upon the disposal of CIL Group, the Group's liquidity has been improved and no longer required bills payable for settlement.

Other payables, accruals and deposit received

The total amount of other payables and accruals have been decreased by approximately 34.1% from approximately HK$551.4 million as at the Last Year End to approximately HK$363.6 million as at the Current Year End. As at the Current Year End, the other payables were mainly comprised of provision for PRC retirement benefit scheme contributions amounted to approximately HK$204.3 million (the Last Year End: approximately HK$194.7 million), accrued coal mines related removal and relocation expenses amounted to approximately HK$24.0 million (the Last Year End: approximately HK$63.3 million), contract liabilities receipts in advance amounted to approximately HK$17.3 million (the Last Year End: approximately HK$13.2 million), accrued workers' wages and benefits amounted to approximately HK$104.7 million (the Last Year End: approximately HK$51.5 million).

PROSPECT

Looking forward, the global economy is facing significant uncertainties and challenges resulting from the recent outbreak of COVID-19 across the world as well as the trade tension between China and US. It is anticipated that the China economy would be going downward in the first half of year 2020. Nevertheless, the Chinese government has imposed adequate and effective measures to control the disease from further spreading as at the date of this announcement. Also, the trade tension between China and US has been soothed in the past few months. The management of the Company believes that the threat from the above incidents to the economy should only be temporary in nature. The Group remain confident in long-term development growth with promising prospects in China.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at the Current Year End, the net liabilities of the Group was approximately HK$83.6 million (as at the Last Year End: approximately HK$163.5 million) and the total cash and bank balance was approximately HK$15.9 million while there are no pledged and restricted bank deposits as at the Current Year End (as at the Last Year End: approximately HK$692.4 million including pledged and restricted bank deposits). As at the Current Year End, the Group had net current liabilities of approximately HK$412.7 million (as at the Last Year End: approximately HK$888.4 million) and its current ratio decreased from 0.58 times as at the Last Year End to 0.27 times as at the Current Year End. The Group's working capital was mainly financed by internal cash flow generated from its operation and the banking facilities granted by financial institutions.

As at the Current Year End, the Group's accounts and bills receivables, net of any provision for impairment amounted to approximately HK$95.4 million (as at the Last Year End: approximately HK$452.6 million).

As at the Current Year End, no bank deposits (as at the Last Year End: approximately HK$655.0 million) were pledged or not available for the operation or repayment of debts of the Group. No bank deposits (as at the Last Year End: HK$1.6 million) were restricted for use in relation to administrative proceedings. Cash and cash equivalents which were not pledged amounted to approximately HK$15.9 million (as at the Last Year End: approximately HK$35.8 million).

As at the Current Year End, the Group has bank and other loans amounting to approximately HK$147.0 million (as at the Last Year End: approximately HK$762.2 million), which are due for repayment within one year from the reporting date or repayable on demand. These bank and other loans bear interest at interest rates ranging from 6.5% to 13.2% per annum (as at the Last Year End: from 1.2% to 12.8% per annum).

As at the Current Year End, the Group has neither bills payable were secured by the Group's pledged deposits nor guaranteed by other parties (as at the Last Year End: approximately HK$485.9 million of the Group's bills payable secured by the Group's pledged deposits and HK$152.4 million were guaranteed by the Major Customer or its subsidiaries).

The Group's gearing ratio (as a ratio calculated by (a) the sum of bank and other loans, amount due to an associate and amounts due to and loan from shareholders; divided by (b) the total assets of the Group) was 37.6% (as at the Last Year End: 44.4%).

CORPORATE SOCIAL RESPONSIBILITY

To enhance the business social responsibility and to improve its result, the Group has always been dedicated to fulfilling its social responsibility. In deciding the appropriate policies, the Group takes into consideration the impact on the environment, the community and its employees, The Group has objective to achieve the balance between economic benefit and the environmental protection, as well as sustainable development for the entire community.

The Group will inform its employees about the environmental protection information that they can utilise in their working environment. It is a wish that with a concept to be developed amongst the employees, the Group and the employees as a whole can contribute in environment protection.

In addition to the normal remuneration packages entitled to the employees, the Group has provided them with other benefits, such as medical subsidies and insurance, etc., for the purpose of giving them job security. This has cultivated stronger sense of belonging to the Group for its employees and created a working environment of high spirit.

CAPITAL COMMITMENTS

Save as disclosed in note 17 of this announcement, the Group did not have any other capital commitments as at 31 December 2019.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as disclosed in note 15 of this announcement, the Group did not have any other material acquisitions, disposals and significant investment during the year.

CONNECTED TRANSACTIONS

On 30 December 2019, the Company has completed a connected transaction (as defined under Chapter 14A of the Listing Rule) in relation to the disposal of a subsidiary of the Company to a substantial shareholder. Details of the transaction has been disclosed in the note 15 to the announcement.

Save as disclosed above, the Group has not conducted other "connected transaction" or "continuing connected transaction" which is subject to reporting and annual review requirements under the Listing Rules.

SAFETY PRODUCTION AND ENVIRONMENT PROTECTION

The Group has always paid great attention to production safety and environmental protection while achieving growth in coal production. Thus, the Group makes great efforts in promoting safety management and strengthening measures for environmental protection, aiming at building itself into a safety-oriented and environmentally-friendly enterprise.

EXCHANGE RISK EXPOSURE

The sales and purchases of the Group are predominantly in RMB which is the functional currency of the related group entities. The Board therefore is of the opinion that the Group's sensitivity to the change in foreign currency is low and the Group does not hedge its foreign currency risk.

DIVIDEND

The Board does not recommend the payment of any final dividend in respect of the Year.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group has a total of approximately 916 employees located in Hong Kong and the PRC. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Group also provides other benefits including medical insurance and pension funds. A share option scheme was adopted by the Group on 27 May 2014 to enable the directors of the Company to grant share options to eligible participants including any employee of the Group as incentive to their valuable contribution to the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

CORPORATE GOVERNANCE

During the Year, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the deviation as set out below.

Code provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive director and independent non-executive directors ("**INEDs**") of the Company do not have a specific term of appointment, but are subject to rotation in accordance with bye-law 111 of the Bye-laws of the Company. As the non-executive director and INEDs of the Company are subject to rotation in accordance with the Bye-laws of the Company, the Board considers that the non-executive director and INEDs of the Company so appointed with no specific term will not impair the quality of corporate governance of the Company as required by the principle of good governance laid down in A.4 of the CG Code.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process, internal controls and risk management. The audit committee comprises three of the INEDs of the Company. The audit committee reviewed the unaudited consolidated financial statements of the Group for the year ended 31 December 2019 and were of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements and that adequate disclosure have been made.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry, all directors of the Company have fully complied with the required standards set out in the Model Code throughout the Year.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.irasia.com/listco/hk/rrhl).

APPRECIATION

I would like to take this opportunity to express my most sincere thanks and gratitude to our shareholders, and various parties for their continuing support, and our directors and staff for their dedication and hard work.

The financial information contained herein in respect of the annual results of the Group for Year 2019 have not been audited and have not been agreed with the auditor. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Rosan Resources Holdings Limited
Dong Cunling
Chairman

Hong Kong, 30 March 2020

As at the date of this announcement, the executive directors of the Company are Mr. Dong Cunling, Mr. Li Xiangfei, Mr. Sun Shusheng, Mr. Zhang Yi and Mr. Zhou Guangwen; the non-executive director of the Company is Mr. Li Chunyan; the independent non-executive directors of the Company are Mr. Kwan Wing Hung, Mr. Ma Geng and Mr. Ma Yueyong.