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## **Rosan Resources Holdings Limited**

**融信資源控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 578)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The board of directors (the “**Board**”) of Rosan Resources Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020 (the “**Period**”), together with comparative figures for the corresponding period in 2019, as follows:

#### **CONDENSED CONSOLIDATED INCOME STATEMENT**

*For the six months ended 30 June 2020*

	<i>Notes</i>	<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2020</b>	<b>2019</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	5	<b>120,662</b>	284,707
Cost of sales		<b>(96,890)</b>	(271,025)
<b>Gross profit</b>		<b>23,772</b>	13,682
Other income and gains	5	<b>13,617</b>	37,814
Selling and distribution expenses		<b>(10,407)</b>	(18,114)
Administrative expenses		<b>(23,709)</b>	(36,966)
Other expenses		<b>(525)</b>	(1,726)
Finance costs	6	<b>(12,051)</b>	(39,684)

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2020</b>	<b>2019</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Share of results of associates		–	(647)
Share of results of a joint venture		–	24
Net impairment loss on financial and contract assets		<b>(10,242)</b>	(11,419)
Impairment loss on mining rights		<b>(17,778)</b>	–
Impairment loss on property, plant and equipment		<b>(64)</b>	–
		<hr/>	<hr/>
<b>Loss before income tax</b>	<b>7</b>	<b>(37,387)</b>	(57,036)
Income tax credit	<b>8</b>	<b>996</b>	1,487
		<hr/>	<hr/>
<b>Loss for the period</b>		<b>(36,391)</b>	(55,549)
		<hr/> <hr/>	<hr/> <hr/>
<b>Loss for the period attributable to:</b>			
Owners of the Company		<b>(35,408)</b>	(48,112)
Non-controlling interests		<b>(983)</b>	(7,437)
		<hr/>	<hr/>
		<b>(36,391)</b>	(55,549)
		<hr/> <hr/>	<hr/> <hr/>
<b>Loss per share attributable to the owners of the Company</b>			
– Basic and diluted (HK cents)	<b>10</b>	<b>(3.404)</b>	(4.625)
		<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
<b>Loss for the period</b>	<b>(36,391)</b>	<b>(55,549)</b>
<b>Other comprehensive (loss)/income for the period</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations		
– subsidiaries	(2,745)	3,385
– a joint venture	–	(3)
– associates	–	(22)
	<u>–</u>	<u>(22)</u>
Net other comprehensive (loss)/income that may be reclassified subsequently to profit or loss	(2,745)	3,360
Item that will not be reclassified to profit or loss:		
Change in fair value of equity investments at fair value through other comprehensive income	–	(25)
	<u>–</u>	<u>(25)</u>
Other comprehensive (loss)/income for the period, net of tax	<u>(2,745)</u>	<u>3,335</u>
<b>Total comprehensive loss for the period</b>	<b><u>(39,136)</u></b>	<b><u>(52,214)</u></b>
<b>Total comprehensive loss attributable to:</b>		
Owners of the Company	(38,329)	(44,836)
Non-controlling interests	(807)	(7,378)
	<u>(39,136)</u>	<u>(52,214)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
	<i>Notes</i>		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		172,258	189,577
Right-of-use assets		63,602	65,763
Mining rights		110,298	131,861
Other intangible assets		666	695
Deferred tax assets		6,410	3,148
Deposits		6,830	–
		<u>360,064</u>	<u>391,044</u>
<b>Current assets</b>			
Inventories		19,367	16,137
Accounts and bills receivables and contract assets	<i>11</i>	100,481	96,249
Prepayments, deposits and other receivables		58,917	19,985
Tax recoverable		7,663	8,081
Cash and cash equivalents		15,135	15,904
		<u>201,563</u>	<u>156,356</u>
<b>Current liabilities</b>			
Accounts payables	<i>12</i>	36,849	32,456
Amounts due to and loans from shareholders		59,323	1,337
Other payables and accruals		261,194	363,647
Provision for reclamation obligations		24,162	24,001
Lease liabilities		358	622
Bank and other loans	<i>13</i>	230,309	147,014
		<u>612,195</u>	<u>569,077</u>
<b>Net current liabilities</b>		<u>(410,632)</u>	<u>(412,721)</u>
<b>Total assets less current liabilities</b>		<u>(50,568)</u>	<u>(21,677)</u>

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2020</b>	2019
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current liabilities</b>			
Loans from shareholders		–	57,235
Lease liabilities		<b>76</b>	43
Bank and other loans	<i>13</i>	<b>65,723</b>	–
Deferred income		<b>1,891</b>	2,316
Deposit received		<b>2,342</b>	2,299
Deferred tax liabilities		<b>2,106</b>	–
		<u>72,138</u>	<u>61,893</u>
<b>Net liabilities</b>		<b><u>(122,706)</u></b>	<b><u>(83,570)</u></b>
<b>EQUITY</b>			
Share capital		<b>104,017</b>	104,017
Deficit in reserves		<b>(228,321)</b>	(189,992)
<b>Deficiency attributable to the owners of the Company</b>		<b>(124,304)</b>	(85,975)
<b>Non-controlling interests</b>		<b>1,598</b>	2,405
<b>Capital deficiency</b>		<b><u>(122,706)</u></b>	<b><u>(83,570)</u></b>

## NOTES

### 1. GENERAL INFORMATION

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 Group include (i) production and sale of coal and trading of purchased coal, (ii) production and sale of building materials and (iii) leasing of aluminum boundary wall moulds in the People's Republic of China (the "**PRC**").

### 2. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Company have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2019, except for the adoption of the revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations ("**Int**") as disclosed in note 3.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars ("**HK\$**") and all values are rounded to the nearest thousand unless otherwise stated. The condensed consolidated interim financial statements contain condensed consolidated interim financial statements and selected explanatory notes. The notes include the explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. These condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

These condensed consolidated interim financial statements are unaudited.

## Going concern basis

The Group incurred a consolidated net loss of approximately HK\$36,391,000 for the six months ended 30 June 2020 and, as of that date, the Group had net current liabilities of approximately HK\$410,632,000 and a capital deficiency of approximately HK\$122,706,000, among which the outstanding borrowings of approximately HK\$293,901,000 which included bank loans of approximately HK\$118,370,000 (note 13), other loans of approximately HK\$111,939,000 (note 13), amounts due to and loans from shareholders of the Company of approximately HK\$59,323,000, and certain cash advanced from a family member of a substantial shareholder of the Company and an individual of approximately HK\$4,269,000 (included in other payables), are due for repayment within one year from the end of the reporting date or repayable on demand. These conditions indicate the existence of material uncertainties that may cast significant doubts on the Group's ability to continue as a going concern and therefore the Group may be unable 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 Renminbi (“**RMB**”) 108,000,000 (equivalent to approximately HK\$118,370,000) as at 30 June 2020, 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) A then subsidiary of the Company, Henan Jinfeng Coal Industrial Group Company Limited# (河南金豐煤業集團有限公司) (“**Jinfeng**”), entered into three loan agreements with three shareholders of the Company (the “**Three Shareholders**”) 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 condensed 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\$657,612,000) for a term of three years. Jinfeng was disposed of together with the disposal of Clear Interest Limited (“**CIL**”). Before the disposal, pursuant to one of the supplemental agreements of share purchase agreement for disposal of CIL, the loans from shareholders were taken up by Xiangyang Coal Industry Company Limited (登封市向陽煤業有限公司) (“**Xiangyang**”), one of the subsidiaries of the Company that remains 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\$657,612,000) to the Group, which will be expired on 13 February 2021, being the maturity date of the original loan agreements. As at 30 June 2020, loans from shareholders with principal amount of RMB55,000,000 (equivalent to approximately HK\$60,281,000) 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 condensed consolidated interim 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 condensed consolidated interim financial statements.

### 3. ADOPTION OF REVISED HKFRSs

In the current interim period, the Group has adopted a number of revised HKFRSs issued by the HKICPA that are effective from 1 January 2020 but they do not have a material effect on the interim condensed consolidated financial statements of the Group. The Group has not early adopted any new standard or amendment that has been issued but is not yet effective.

### 4. 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 follow:

- 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 boundary wall moulds

During the year ended 31 December 2019, one of the subsidiaries of the Company commenced the business of leasing of aluminium boundary wall moulds. Information about this strategic business unit that was not reportable in accordance with HKFRS 8, was classified under "Building Materials Business" in this period.

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, right-of-use assets, 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.

**(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:

	<b>Coal Business</b> <i>HK\$'000</i> (unaudited)	<b>Building Materials Business</b> <i>HK\$'000</i> (unaudited)	<b>Total</b> <i>HK\$'000</i> (unaudited)
<b>Six months ended 30 June 2020</b>			
Revenue from external customers and disaggregated by timing of revenue recognition			
Point in time	21,989	96,744	118,733
Point over time	–	1,929	1,929
	<u>21,989</u>	<u>98,673</u>	<u>120,662</u>
Segment (loss)/profit	<u>(27,988)</u>	<u>10,200</u>	<u>(17,788)</u>
<b>Six months ended 30 June 2019</b>			
Revenue from external customers and disaggregated by timing of revenue recognition			
Point in time	180,314	104,393	284,707
Segment loss	<u>(3,706)</u>	<u>(3,943)</u>	<u>(7,649)</u>
		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2020</b>	<b>2019</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Reconciliation of segment profit or loss:</b>			
Reportable segment loss from Group's external customers		(17,788)	(7,649)
Share of results of associates		–	(647)
Share of results of a joint venture		–	24
Finance costs		(12,051)	(39,684)
Interest income		26	151
Unallocated head office and corporate expenses		<u>(7,574)</u>	<u>(9,231)</u>
Loss before income tax		<u>(37,387)</u>	<u>(57,036)</u>

**(b) Segment assets and liabilities**

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

	<b>Coal Business</b> <i>HK\$'000</i> (unaudited)	<b>Building Materials Business</b> <i>HK\$'000</i> (unaudited)	<b>Total</b> <i>HK\$'000</i> (unaudited)
<b>At 30 June 2020</b>			
Segment assets	<b>151,806</b>	<b>368,818</b>	<b>520,624</b>
Segment liabilities	<b>(188,874)</b>	<b>(96,854)</b>	<b>(285,728)</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<b>Coal Business</b> <i>HK\$'000</i> (audited)	<b>Building Materials Business</b> <i>HK\$'000</i> (audited)	<b>Total</b> <i>HK\$'000</i> (audited)
<b>At 31 December 2019</b>			
Segment assets	168,060	344,777	512,837
Segment liabilities	(201,073)	(200,639)	(401,712)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**(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 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 the 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.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Customer A <sup>1</sup>	<b>18,944</b>	70,990
Customer B <sup>1</sup>	<b>N/A<sup>3</sup></b>	70,883
Customer C <sup>1</sup>	<b>N/A<sup>3</sup></b>	35,973
Customer D <sup>2</sup>	<b>16,636</b>	N/A <sup>4</sup>

<sup>1</sup> Revenue from Coal Business

<sup>2</sup> Revenue from Building Materials Business

<sup>3</sup> Revenue from these customers contributing less than 10% of the total revenue during the six months ended 30 June 2020

<sup>4</sup> Revenue from the customer contributing less than 10% of the total revenue during the six months ended 30 June 2019

**5. REVENUE AND 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; and (iii) production and sale of building materials and leasing of aluminum boundary wall moulds.

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue from contract with customers within the scope of HKFRS 15, types of goods:</b>		
Production and sale of coal	<b>21,989</b>	109,324
Trading of purchased coal	<b>–</b>	70,990
Production and sale of building materials	<b>96,744</b>	104,393
	<b>118,733</b>	284,707
<b>Revenue from other source:</b>		
Rental income arising from leasing of aluminum boundary wall moulds	<b>1,929</b>	–
	<b>120,662</b>	284,707

**Unaudited**  
**Six months ended 30 June**  
**2020**                      **2019**  
*HK\$'000*                      *HK\$'000*

**Other income and gains**

Bank interest income	<b>26</b>	151
Government subsidies ( <i>note</i> )	<b>2,404</b>	6,803
Gain on disposal of coal production capacity replacement quota	–	17,178
Rental income	<b>1,718</b>	1,779
Reversal of provision for central pension scheme	<b>9,335</b>	11,579
Others	<b>134</b>	324
	<b>13,617</b>	37,814

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

**6. FINANCE COSTS**

**Unaudited**  
**Six months ended 30 June**  
**2020**                      **2019**  
*HK\$'000*                      *HK\$'000*

An analysis of finance costs is as follows:

Unwinding of imputed interest on loans from shareholders	<b>1,948</b>	1,909
Unwinding of imputed interest on deposit received	<b>90</b>	87
Interest expenses on lease liabilities	<b>14</b>	43
Interests on bank and other loans	<b>9,843</b>	30,021
Bank charges on discounted bills receivable	<b>156</b>	7,624
	<b>12,051</b>	39,684

## 7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Amortisation of mining rights**	1,246	3,047
Amortisation of other intangible assets**	46	56
Cost of inventories recognised as expenses#	96,240	268,752
Depreciation of property, plant and equipment*	14,534	27,159
Depreciation of right-of-use assets**	1,403	1,441
Employee benefits expense (including directors' remuneration)	30,249	84,937
Expense relating to short-term leases**	168	83
Loss on disposals of property, plant and equipment, net	–	47
Provision for reclamation obligations	651	2,274
Research expenses	2,237	3,578
	<u>2,237</u>	<u>3,578</u>

\* Depreciation of property, plant and equipment of approximately HK\$10,271,000 (six months ended 30 June 2019: approximately HK\$24,219,000), HK\$4,251,000 (six months ended 30 June 2019: approximately HK\$2,927,000) and HK\$12,000 (six months ended 30 June 2019: HK\$13,000) has been included in cost of sales, administrative expenses and selling and distribution expenses in the condensed consolidated income statement respectively.

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

# Cost of inventories included approximately HK\$35,290,000 (six months ended 30 June 2019: approximately HK\$93,334,000) 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.

## 8. INCOME TAX CREDIT

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Current tax – PRC corporate income tax</b>		
– Current period	(275)	–
<b>Deferred tax</b>		
– Current period	1,271	1,487
Income tax credit	<u>996</u>	<u>1,487</u>

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 (six months ended 30 June 2019: Nil).

No Hong Kong Profits Tax has been provided for the six months ended 30 June 2019 in the condensed consolidated interim financial statements as the Group has tax losses brought forward from previous years.

Corporate income tax arising from operations in the PRC was calculated at the statutory income tax rate of 25% for the six months ended 30 June 2020 of the estimated assessable profits in the PRC as determined in accordance with the relevant income tax rules and regulations in the PRC. No corporate income tax arising from operations in the PRC has been provided for the six months ended 30 June 2019 as the Group did not generate any estimated assessable profits in the PRC.

## 9. DIVIDEND

The board of directors of the Company does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## 10. LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss for the period attributable to the owners of the Company for the purpose of basic loss per share	<b>(35,408)</b>	<b>(48,112)</b>
	<b>Number of shares '000</b>	<b>Number of shares '000</b>
Weighted average number of ordinary shares in issue for the purpose of basic loss per share	<b>1,040,174</b>	<b>1,040,174</b>

There were no dilutive potential ordinary shares during the six months ended 30 June 2020 and 2019 and therefore, the amount of diluted loss per share is same as the amount of basic loss per share.

## 11. ACCOUNTS AND BILLS RECEIVABLES AND CONTRACT ASSETS

	<b>Unaudited</b> <b>30 June</b> <b>2020</b> <i>HK\$'000</i>	Audited 31 December 2019 <i>HK\$'000</i>
Accounts receivables	<b>135,915</b>	124,035
Bills receivables	–	2,293
	<b>135,915</b>	126,328
Less: Allowance for credit losses	<b>(36,251)</b>	(30,938)
Accounts and bills receivables, net of loss allowance	<b>99,664</b>	95,390
Contract assets	<b>2,386</b>	2,267
Less: Allowance for credit losses	<b>(1,569)</b>	(1,408)
Contract assets, net of loss allowance	<b>817</b>	859
Total	<b>100,481</b>	96,249

The Group's sales are billed to customers according to the terms of the relevant agreements. Normally, credit periods for Coal Business ranging from 30 to 180 days (as at 31 December 2019: 30 to 180 days) are allowed to certain customers. While relatively longer credit period will be granted to customers of Building Materials Business depending on the completion of the contract.

The ageing analysis of the accounts and bills receivables of the Group, net of loss allowance, based on the invoice dates as at 30 June 2020 is as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2020</b> <i>HK\$'000</i>	Audited 31 December 2019 <i>HK\$'000</i>
0 – 90 days	<b>39,712</b>	61,801
91 – 180 days	<b>29,032</b>	22,601
181 – 365 days	<b>30,920</b>	10,988
	<b>99,664</b>	95,390

## 12. ACCOUNTS PAYABLES

The Group was granted by its certain suppliers with credit periods normally ranging from 30 to 90 days (as at 31 December 2019: 30 to 90 days). The ageing analysis of accounts payable of the Group presented based on the invoice dates is as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2020</b> <i>HK\$'000</i>	Audited 31 December 2019 <i>HK\$'000</i>
0 – 90 days	22,027	19,999
91 – 180 days	4,862	4,309
181 – 365 days	7,400	3,635
Over 365 days	2,560	4,513
	<u>36,849</u>	<u>32,456</u>

## 13. BANK AND OTHER LOANS

	<b>Unaudited</b> <b>30 June</b> <b>2020</b> <i>HK\$'000</i>	Audited 31 December 2019 <i>HK\$'000</i>
<b>Current</b>		
Bank loans ( <i>note (a)</i> )	118,370	147,014
Other loans ( <i>notes (b) and (c)</i> )	111,939	–
	<u>230,309</u>	147,014
<b>Non-current</b>		
Bank loans ( <i>note (a)</i> )	49,321	–
Other loans ( <i>note (b)</i> )	16,402	–
	<u>65,723</u>	–
	<u>296,032</u>	<u>147,014</u>



*Notes:*

- (a) As at 30 June 2020 and 31 December 2019, bank loans were secured by (i) certain of the Group's 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**”), being a substantial shareholder of the Company; and (iii) bill receivables owned by a subsidiary of CIL, a company which was disposed of on 30 December 2019. Those bank loans were also guaranteed by (i) Mr. Zhang, (ii) Henan Minan Real Estate Development Company Limited#(河南民安房地產開發有限公司) (“**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#(河南嘉拓煤運銷有限公司), is a major supplier of the Coal Business”.
- (b) On 21 January 2020 and 9 March 2020, the Group entered into the agreements with a financing company, being an independent third party, pursuant to which the Group has agreed to transfer the ownership of certain mining machinery and equipment (the “**Machinery and Equipment I**”) to the financing company, at a consideration of, RMB10,000,000 (equivalent to approximately HK\$10,960,000) and RMB3,000,000 (equivalent to approximately HK\$3,288,000) of lease back the Machinery and Equipment I to the Group for a period of 3 years, subject to the terms and conditions of the agreements. Upon discharging all the Group's obligations under the agreements, the financing company will return the ownership of the Machinery and Equipment I to the Group for a nominal amount of RMB100. Despite the agreements involve a legal form of a lease, the Group accounted for the agreements as collateralised loan according with the actual substance of such agreements. The other loans were also guaranteed by Mr. Bao Hongkai (“**Mr. Bao**”), being the chairman and the largest shareholder of the Company, the spouse of Mr. Bao and Jinfeng, and secured by pledged deposits of the Group amounting to approximately HK\$1,424,000. During the six months ended 30 June 2020, the Group received the notice that the financing company assigned such agreements to another financing company, in which all the terms of the agreements regarding to the liabilities of the Group are still remain unchanged.

On 9 April 2020, the Group entered into an agreement with the another financing company, being an independent third party, pursuant to which the Group has agreed to transfer the ownership of certain mining machinery and equipment (the “**Machinery and Equipment II**”) to the financing company at a consideration of RMB11,000,000 (equivalent to approximately HK\$12,056,000) and lease back the Machinery and Equipment II to the Group for a period of 3 years, subject to the terms and conditions of the agreement. The transaction was completed in April 2020. Upon discharging all the Group's obligations under the agreement, the financing company will return the ownership of the Machinery and Equipment II to the Group for a nominal amount of RMB100. Despite the agreement involves a legal form of a lease, the Group accounted for the agreement as collateralised loan according with the actual substance of such agreement. This loan was also guaranteed by Mr. Bao and Jinfeng and secured by pledged deposit of the Group amounting to approximately HK\$1,206,000.

- (c) On 1 April, 2020, the Group entered into a loan agreement, pursuant to which the major supplier of machinery and equipment, being an independent third party, agreed to grant a loan to the Group in the principal amount of RMB95,000,000 (equivalent to approximately HK\$104,122,000). The loan is neither secured nor guaranteed. This loan will be repaid in the year of 2021. The interest rate is fixed at 7.5% per annum.

# *For identification purpose only*

## MANAGEMENT DISCUSSION AND ANALYSIS

### *BUSINESS REVIEW AND PROSPECTS*

During the six months ended 30 June 2020, the Group was principally engaged in (i) production and sale of coal and trading of purchased coal (“**Coal Business**”) and (ii) production and sale of building materials and leasing of aluminum boundary wall moulds (“**Building Materials Business**”) in the People’s Republic of China (the “**PRC**”).

#### **Coal Business**

During the six months ended 30 June 2020, the Group owns a coal mine called Xiangyang Coal Mine. Xiangyang Coal Mine is an underground coal mine located in Henan Province, which produces thermal coal which is mainly used in the production of electricity. Since the disposal of other coal mines in late 2019, Xiangyang Coal Mine now becomes the sole revenue contributor for the Coal Business of the Group.

Stepping into 2020, the outbreak of the novel coronavirus (COVID-19) and its escalation on a global scale has triggered unprecedented disruptions in business operations and to the global economy. The Group is closely monitoring the market conditions and taking appropriate measures to respond to the challenges. During the reporting period, Xiangyang Coal Mine have been affected by the temporary suspension and reduced workforce mobility as a result of the COVID-19 epidemic, thereby experienced a temporary slowing down in production. The Group will continue to monitor the development of the COVID-19 epidemic and its impact on the operations and results of the Group. Given the local economic negative impact in the first half of 2020, it is expected that the Coal Business may also experience its own slowdown for a period of time comparison with the same period of last year.

The Group will continue to strengthen its cost control and resources management by executing flexible strategies to face the challenges in order to maintain its competitiveness in the market. Meanwhile, the Group will also explore other potential investment opportunities in order to diversify the Group’s business and create new source of revenue to the Group.

#### **Building Materials Business**

##### *Production and sale of building materials*

Since year 2018, the Group has successfully diversified its business and engaged in sale and production of building materials. Building Materials Business has contributed approximately 80.2% and 36.7% of the total revenue of the Group for the first half year of 2020 and 2019 respectively. Although the COVID-19 epidemic has caused temporary suspension of the local factories’ production, the Group’s Building Materials Business’ operation and revenue has resumed to its normal level in a short period of time after the local resumption was allowed. The management of the Group expects that Building Materials Business will keep to grow and continue to contribute as a major and important component of the Group’s revenue in the future.

Going forward, given the sustainable demand for building materials in the PRC for building construction, the Group will continue to provide a wide range of high-quality building materials to meet our customers' demands and requirements. In addition, the Group will further enhance our quality control and inspection throughout production process to ensure the quality of the Group's production.

#### *Leasing of aluminum boundary wall moulds*

During the last quarter of year 2019, the Group has also commenced to engage in the business of leasing of aluminum boundary wall moulds. The Group produces aluminum moulds which are used to support the walls of buildings during construction. Leasing income is received from the customers who lease the Group's moulds during the period of building construction. Leasing income varies according to the number of times of usage in the different construction projects. Although it only contributed approximately 1.6% of the total revenue of the Group during the six months ended 30 June 2020, the management expects that it would continue to bring a stable cashflow to the Group in future.

## **FINANCIAL REVIEW**

### **Revenue**

The revenue contributed by the Coal Business and the Building Materials Business accounted for approximately 18.2% and approximately 81.8% of the Group's total revenue for the Period respectively.

The Group's total revenue for the Period amounted to approximately HK\$120.7 million, representing a decrease of approximately 57.6% from approximately HK\$284.7 million for the six months ended 30 June 2019 ("**Last Period**"). The decrease in revenue was mainly due to the disposal of two coal mines during the year ended 31 December 2019, which caused the significant reduction in revenue of the Coal Business from approximately HK\$180.3 million in the Last Period to approximately HK\$22.0 million in the Period. Moreover, the reduction in demand for coal and demand for building materials in the PRC, resulting from the macro-economic adjustment in the PRC during the period of COVID-19 which also induced the drop in revenue during the Period.

During the Period, the total sales volume of coal was approximately 84,000 tons which was all contributed by Xiangyang Coal Mine and less than the Last Period (approximately 414,000 tons) by approximately 79.7%. The significant decrease in the total sales volume of coal was mainly due to other two coal mines had been disposed of in late 2019 and Xiangyang Coal Mine has become the sole revenue contributor for the Coal Business.

Both the sales volume and average selling price of coal have dropped during the Period. The average selling price of coal has decreased from approximately RMB367.3 per ton for the Last Period to approximately RMB236.3 per ton for the Period. The drop in average selling price of coal was mainly due to the drop in coal demand during the period of COVID-19.

### **Cost of Sales and Gross Profit**

The cost of sales and gross profit for the Period were approximately HK\$96.9 million (the Last Period: approximately HK\$271.0 million) and approximately HK\$23.8 million (the Last Period: approximately HK\$13.7 million) respectively.

The gross profit margin was increased from approximately 4.8% for the Last Period to approximately 19.7% for the Period.

Gross loss of the Coal Business was approximately HK\$9.7 million (the Last Period: approximately HK\$12.5 million) for the Period. The decrease in the gross loss for Coal Business during the Period was caused by the decrease in revenue and the production of coals due to temporarily suspended operation of coal mine during the COVID-19 Period. The performance of the Coal Business is easily affected by the fluctuation of market coal price, production scale of the Group's coal mine and government policies of PRC. The Group will constantly carry out stringent cost control and maintain the safety standards of the Coal Business.

Gross profit of the Building Materials Business was increased slightly from approximately HK\$26.2 million of Last Period to approximately HK\$33.4 million of the Period, mainly due to (i) the slightly decrease in cost of raw materials and (ii) increase in average selling price of building materials.

Therefore, the overall gross profit amount of the Period has been increased in comparing with Last Period.

### **Net Loss Attributable to the Owners of the Company**

The net loss attributable to the owners of the Company for the Period was approximately HK\$35.4 million, representing a decrease of approximately 26.4% as compared with the Last Period of approximately HK\$48.1 million. The reason for the decrease in net loss attributable to the owners of the Company was mainly due to the improvement of gross profit as explained in the precedent paragraphs.

## **Accounts and Bills Receivables and Contract Assets**

As at 30 June 2020 (the “**Period End**”), the accounts and bills receivables and contract assets amounted to approximately HK\$100.5 million, representing a increase of approximately 4.5% as compared to the balance as at 31 December 2019 (the “**Last Year End**”) of approximately HK\$96.2 million. Although the revenue dropped during the Period, the increase was mainly due to (i) relatively longer credit period was granted to certain customers of the Building Materials Business depending on the completion time of the building contracts and (ii) there was relatively higher sales of building materials occurred near the Period End.

Amongst the total amount of accounts receivable less allowance for credit losses as at the Period End, the largest customer of the Group was also the largest debtor who has contributed approximately HK\$28.7 million (equivalent to approximately RMB27.9 million) or approximately 21.1% of the total accounts receivable amount. The entire balance due from the largest customer as at the Period End was not past due.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at the Period End, the net liabilities of the Group was approximately HK\$122.7 million (as at the Last Year End: approximately HK\$83.6 million) and the total cash and bank balance was approximately HK\$15.1 million (as at the Last Year End: approximately HK\$15.9 million). As at the Period End, the Group had net current liabilities of approximately HK\$410.6 million (as at the Last Year End: approximately HK\$412.7 million) and its current ratio was increased from 0.27 times as at the Last Year End to 0.33 times as at the Period End. The Group’s working capital was mainly financed by internal cash flow generated from its operation, the banking facilities granted by financial institutions and the amounts due to and loans from shareholders and independent third parties.

As at the Period End, the Group’s accounts and bills receivables and contract assets, net of any provision for impairment amounted to approximately HK\$100.5 million (as at the Last Year End: approximately HK\$96.2 million). Subsequent to 30 June 2020 and up to the date of this announcement, accounts receivable amounting to approximately HK\$3.3 million has been settled.

Cash and cash equivalents which were not pledged amounted to approximately HK\$15.1 million (as at the Last Year End: approximately HK\$15.9 million).

As at the Period End, the Group has bank and other loans amounting to approximately HK\$296.0 million (as at the Last Year End: approximately HK\$147.0 million). The bank loans amounting to approximately HK\$167.7 million (as at the Last Year End: approximately HK\$147.0 million) bear interest at interest rates ranging from 9.3% to 12.9% per annum (as at the Last Year End: at interest rates ranging from 6.5% to 13.2% per annum). Certain property, plant and equipment and right-to-use assets of the Group were pledged to secure certain bank and other loans of the Group.

The amounts due to and loan from shareholders have remain unchanged of the amount in original currency amounting to RMB55.0 million as at both the Last Year End and the Period End. In particular, loans for a term of three years amounting to RMB10.0 million (equivalent to approximately HK\$11.0 million) (as at the Last Year End: HK\$10.4 million), RMB10.0 million (equivalent to approximately HK\$11.0 million) (as at the Last Year End: HK\$10.4 million) and RMB35.0 million (equivalent to approximately HK\$38.4 million) (as at the Last Year End: HK\$36.4 million) have been advanced from the three shareholders, i.e. Mr. Bao, Mr. Zhang and Mr. Li Xiangfei, respectively as at the Period End.

The Group's gearing ratio (as a ratio calculated by (a) the sum of bank and other loans and amount due to and loan from shareholders; divided by (b) the total assets of the Group) was approximately 63.3% (as at the Last Year End: approximately 37.6%).

## **EXCHANGE RISK EXPOSURE**

The sales and purchases of the Group are predominantly in Renminbi 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 interim dividend for the six months ended 30 June 2020.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2020, the Group has a total of approximately 747 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 (the "**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.

No share options were granted during the six months ended 30 June 2020. As at 1 January 2020 and 30 June 2020, the Company had no outstanding share options under the Share Option Scheme.

## **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 on the Stock Exchange during the six months ended 30 June 2020.

## **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 six months ended 30 June 2020, 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 (the "**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 (the "**Audit Committee**") which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal control and risk management. The Audit Committee comprises three of the INEDs of the Company, namely Mr. Kelvin Kin-cheong Ho, Mr. Kwan Wing Hung and Mr. Ma Geng. The Audit Committee reviewed the condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020 and was 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 a specific enquiry, all Directors of the Company have fully complied with the required standards set out in the Model Code throughout the six months ended 30 June 2020.

## **PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE**

This announcement has been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.irasia.com/listco/hk/rrhl>). The 2020 interim report will be despatched to the shareholders and available on the same websites on or before 30 September 2020.

## **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.

By order of the Board  
**Rosan Resources Holdings Limited**  
**Bao Hongkai**  
*Chairman*

Hong Kong, 28 August 2020

*As at the date of this announcement, the executive directors of the Company are Mr. Bao Hongkai, Mr. Dong Cunling, Mr. Li Xiangfei, Mr. Sun Shusheng and Mr. Zhang Yi; the non-executive director of the Company is Mr. Li Chunyan; the independent non-executive directors of the Company are Mr. Kelvin Kin-cheong Ho, Mr. Kwan Wing Hung and Mr. Ma Geng.*