

# CHINA BILLION

RESOURCES LIMITED  
中富資源有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 274



ANNUAL REPORT  
**2020**

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Qiao Bingya (*Chairman of the Board and CEO*)

Mr. Xie Qiangming

Mr. Zhang Yiwen

### NED

Mr. Sun Aimin (*appointed on 12 June 2020*)

### INEDs

Mr. Cai Jianhua

Mr. Ho Wing Chung

Mr. Yan Xiaotian

## AUDIT COMMITTEE

Mr. Cai Jianhua (*chairman*)

Mr. Ho Wing Chung

Mr. Yan Xiaotian

## REMUNERATION COMMITTEE

Mr. Yan Xiaotian (*chairman*)

Mr. Cai Jianhua

Mr. Ho Wing Chung

Mr. Xie Qiangming

## NOMINATION COMMITTEE

Mr. Qiao Bingya (*chairman*)

Mr. Cai Jianhua

Mr. Ho Wing Chung

Mr. Yan Xiaotian

Mr. Xie Qiangming

## COMPANY SECRETARY

Ms. Sun Shui

## AUTHORISED REPRESENTATIVES

Mr. Qiao Bingya

Mr. Zhang Yiwen

## REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1802, 18/F

The L Plaza

367-375 Queen's Road Central

Hong Kong

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

## AUDITOR

**ZHONGHUI ANDA CPA Limited**

Unit 701, 7/F., Citicorp Centre

18 Whitfield Road, Causeway Bay

Hong Kong

## LEGAL ADVISOR

**Reed Smith Richards Butler**

(*as to Hong Kong law*)

17/F., One Island East

Taikoo Place, 18 Westlands Road

Quarry Bay

Hong Kong

## PRINCIPAL BANKER

**The Hongkong and Shanghai Banking Corporation Limited**

1 Queen's Road Central

Hong Kong

## COMPANY'S WEBSITE

[www.chinabillion.net](http://www.chinabillion.net)

## STOCK CODE

274

# CHAIRMAN'S STATEMENT

To our valued Shareholders,

On behalf of the Board, I would like to present to our Shareholders and potential investors the annual report of the Company for the year ended 31 December 2020.

In 2020, the outbreak of the COVID-19 has severely affected the overall economic activities including the production of the Gold Mine. Facing adverse factors such as production and transportation restrictions as well as difficulties of personnel in returning to mine sites, the Gold Mine has temporarily suspended the production in the first quarter of 2020 to cooperate with the emergency COVID-19 prevention and control measures announced by the Chinese government to ensure employee safety. The Gold Mine has resumed to production since August 2020.

It is expected that 2021 will be a challenging year, like many other enterprises, the Group faces a complex and volatile economic environment and unprecedented challenges. However, the Group will continue to modify and improve its strategic plan, and make appropriate adjustments based on the dynamic business environment in China and the world, and continue to focus on the development of core business while seizing new business opportunities.

In 2021, the core direction of the Company will remain unchanged. As mentioned in the section headed "PROSPECTS", the Group's mining products business segment will improve its mining capability and facilities as scheduled, with the goal of maximising the quality and output efficiency of the Gold Mine. In order to generate revenue and profits for the Group in the future, the Management will explore other strategic investment opportunities in mining ancillary businesses or bullion related businesses to enhance the business prospects of the Group, and will also strive to expand the frozen meat wholesale and trading business.

In addition, the Group will continue modifying and finessing our strategic plan, adjusting as appropriate to changes to the dynamic business environment in China and globally including, but not limited to, conducting business research on the green industry and blockchain industry, and (if appropriate) making further investments in these markets, with a view to bringing long-term benefits to our shareholders.

Once again, on behalf of the Board, I would like to express our sincere thanks and appreciation to our stakeholders, especially our Shareholders and employees, for their continuing support. The Management will do our best to enhance the value of the Company.

**Qiao Bingya**

*Chairman of the Board*

Hong Kong, 23 April 2021

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in three business segments: (i) gold mining, exploration and trading of gold products in the PRC; (ii) provision of money lending services in Hong Kong; (iii) trading of coals and wholesale and trading of frozen meat in the PRC.

## BUSINESS REVIEW

### *Mining Products*

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

Hunan Westralian developed in 2017 a mine enhancement project to enhance the quality of output of its Gold Mine. This project involved (i) mining technical reform in the east mining area of the Gold Mine which was completed in 2019, (ii) technological upgrading of an existing ore processing plant to enable it to achieve production capacity of 150 tons/day which was completed in 2020; (iii) a construction and bringing into operation of new ore processing plant with designed capacity of 500 tons/day which is targeted to be fully operational by the end of 2022; and (iv) the expansion of the tailings processing and storage yard, the works for which is scheduled for completion by the end of 2021. Hunan Westralian continues to implement continuous maintenance and enhancement works program annually and review the expansion of existing mining locations within current mining right (valid until 31 December 2025). In addition, it has also commissioned the exploration of the Jiufa mining area that is in the vicinity of the new processing plant that is being built.

Planned production and sales of gold bullion and concentrate by Hunan Westralian commenced in August 2020 following the relaxation by the local government of COVID-19 pandemic related access restrictions, Hunan Westralian has generated and sold 60,289g of gold products to customers that are engaged in metal trading operations on site, based on the weighted average trading price for gold (Au99.99) published by the Shanghai Gold Exchange and on immediate payment against delivery basis.

Based on (i) the aggregate of the probable reserves and 50% of the inferred resources of the Gold Mine as of 31 March 2015 (stated in the independent technical review updated report prepared by SRK in May 2015) less (ii) the aggregate of 50% of gold from sub-mining ores produced from the mine enhancement projects and other works and 100% of the gold output on a planned production basis in 2020, Hunan Westralian estimates that the remaining reserves and resources will support just over 14 years of operating at full capacity by the existing processing plant and (from November 2022) the new process plant. The Company will look to commission an update technical report at an appropriate time to “upgrade” the reserves and/or resources of the gold mine.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **BUSINESS REVIEW** *(Continued)*

### ***Money Lending Business***

As stated in the 2020 Interim Report, the Company has appointed several Directors and management staff to assist the Group in expanding its business through their background and business connection. The Management will continue to study the financial market and identify potential customers.

In November 2019, the Company successfully entered into a loan extension agreement with the financial institution to extend the HK\$100 million unsecured loan facility granted to the Company in year 2018 for further two years. As results of which, the Group entered into two respective supplementary loan agreements with two borrowers in December 2019 and January 2020, respectively, to extend the total of HK\$100 million secured loan facilities for further two years (among which, the details of the HK\$85 million supplementary loan agreement have been set out in the Company's announcement dated 9 January 2020).

### ***Trading of Coal***

In the second half of 2020, the coal import restrictions imposed by the Chinese government led to an increase in coal supply prices. Taking into account the relatively low and unattractive profit margin, the Group has adopted a more prudent approach to slow down the pace of development of its trading business, resulting in a decline in the coal trading business in 2020.

### ***Wholesale and Trading of Frozen Meat***

Having spent time in 2019 to research into the frozen meat market, the Group established a new subsidiary in PRC to develop the frozen meat products wholesale and trading business in 2020. In the development stage, the Group focuses on selling in good quality frozen meat products. The Group purchases frozen meat products from offshore suppliers and/or domestic trading companies, and mainly sell on a wholesale basis to larger food and beverage group, food processing companies, wholesalers and online food service distributors etc., and assist the customers in arranging delivery logistic.

In 2020, the discovery of the COVID-19 virus in certain imported frozen meat cargos operated by other companies in certain regions of China led to a decline in consumer confidence and demand, and all the importers, including the Group, must comply with the stricter inspection and quarantine measures for imported frozen meat imposed by the Chinese authorities. Nevertheless, the Group is confident that the demand for good quality imported frozen meat will continue to increase to meet China's rising meat consumption. The management of the subsidiary will strive to find customers with stable demand, and stable low-cost supply channel to achieve better profitability.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

During the Reporting Period, the Group's revenue was approximately HK\$57.2 million, representing an increase of approximately 28.3% as compared with approximately HK\$44.6 million for the Corresponding Period. The increase in the Group's revenue was mainly due to increase in revenue generated from mining business segment.

The revenue contributed by the mining products business segment during the Reporting Period was approximately HK\$31.7 million, representing an increase of approximately 72.6% as compared with approximately HK\$18.4 million for the Corresponding Period. The increase was mainly due to mining technical reform in the east mining area of the Gold Mine which was completed in 2019 and technological upgrading of an existing ore processing plant to enable it to achieve an average production capacity of 4,000 tons/month in 2020. The Gold Mine has resumed normal operations since August 2020.

During the Reporting Period, the revenue contributed by money lending business was approximately HK\$7.9 million, representing a decrease of approximately 4.3% as compared with approximately HK\$8.3 million for the Corresponding Period. The decrease in revenue was mainly contributed by early partial settlement from the existing borrowers.

During the Reporting Period, the trading of business was approximately HK\$17.5 million, representing a decrease of approximately 2.2% as compared with approximately HK\$17.9 million for the Corresponding Period. The decrease in revenue was mainly due to the China's import restrictions on coal in 2020, which led to an increase in coal supply prices and a decrease in profit margin, therefore the Group's coal sales decreased in the second half of 2020.

The gross profit for the Reporting Period was approximately HK\$26.9 million, representing an increase of approximately 40.7% as compared with approximately HK\$19.1 million for the Corresponding Period.

The loss for the Reporting Period was approximately HK\$163.3 million, representing an increase of approximately 38.1% as compared with approximately HK\$118.3 million for the Corresponding Period. The increase in loss was mainly due to the impairment loss on property, plant and equipment of approximately HK\$68.8 million, representing an increase of approximately 119.2% as compared with approximately HK\$31.4 million for the Corresponding Period and the increase in finance cost of approximately HK\$22.3 million, representing an increase of approximately 104.0% as compared with approximately HK\$21.5 million for the Corresponding Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the Auditor:

### *"Disclaimer of Opinion ("Disclaimer of Opinion")"*

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the material uncertainty relating to the going concern basis described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### *Basis for Disclaimer of Opinion*

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately HK\$163,273,000 for the year ended 31 December 2020 and as at 31 December 2020 the Group had net current liabilities approximately HK\$97,754,000 during the year. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the continued support of substantial shareholders. The consolidated financial statements do not include any adjustments that would result from the failure to obtain the substantial shareholders' support. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the uncertainty relating to the continued support of the Group's substantial shareholders, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis."

## THE MANAGEMENT'S POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF OPINION

To address the going concern issue of the Group raised by the Auditor, the Group has been actively undertaking and will continue to undertake the following measures ("**Proposed Measures**") to improve the Group's working capital and cash flow position and mitigate its liquidity pressure:

- (i) The Group is actively negotiate with the financial institution(s) for obtaining additional financing/new borrowings;
- (ii) The Group has obtained letters of undertakings from substantial Shareholders confirming that they will provide continued financial support to the Group to meet its present and future financial obligations as they fall due;
- (iii) The Group will actively negotiate and obtain additional funds through fundraising activities;

# MANAGEMENT DISCUSSION AND ANALYSIS

## THE MANAGEMENT'S POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF OPINION *(Continued)*

- (iv) The Group will continue to negotiate with the Group's creditors with a view to extend the repayment terms of the Group's current liabilities as they fall due; and
- (v) The Management will continue to save or reduce costs aiming at improving the working capital and cash flow of the Group, including close monitoring of administrative expense and operating cost.

Taking all of the above measures and/or actions into consideration, the Board considers and is confident that the Group will have sufficient liquidity to finance its operations for the next twelve months and therefore is of the view that the Group would be able to continue its businesses and operations as a going concern and the going concern issue will be fully resolved in the immediate future.

### Audit Committee's View on the Disclaimer of Opinion

The Audit Committee had critically reviewed the Disclaimer of Opinion, the Management's position concerning the Disclaimer of Opinion and measures taken by the Group for addressing the Disclaimer of Opinion. The Audit Committee agreed with the Management's position based on the reasons as stated in the sub-section headed "Disclaimer of Opinion" of the Corporate Governance Report. Moreover, the Audit Committee requested the Management to take all necessary actions to address the effect on the Disclaimer of Opinion that no such Disclaimer of Opinion to be made in the forthcoming audited financial statements. The Audit Committee had also discussed with the Auditor regarding the financial position of the Group, measures taken and to be taken by the Group, and considered the Auditor's rationale and understood their consideration in arriving their opinion.

For further details, please also refer to the sub-section headed "Disclaimer of Opinion" of the Corporate Governance Report on pages 25 to 28.

## RISKS AND UNCERTAINTIES

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

### ***Business risk***

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## RISKS AND UNCERTAINTIES *(Continued)*

### ***Business risk*** *(Continued)*

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

### ***Operational risk***

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

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

### ***Financial risk***

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## ENVIRONMENT PROTECTION

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

## WORKPLACE QUALITY

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

## PROSPECTS

As mentioned in the business review section above, Hunan Westralian has implemented a mine enhancement project since 2017, and part of project has been completed as at the date of this annual report. After technological enhancements, the production capacity of the existing plant has been further increased to 150 tons/day. Following the relaxation by the local government of COVID-19 pandemic related access restrictions, Hunan Westralian has resumed normal mining operation and selling gold products since August 2020.

In order to further increase production, Hunan Westralian will continue to (i) construct and put into operation of new ore processing plant with designed capacity of 500 tons/day which is targeted to be fully operational by the end of 2022, (ii) expand the tailings processing and storage yard, the works for which is scheduled for completion by the end of 2021, (iii) implement continuous maintenance and enhancement works program annually and review the expansion of existing mining locations within current mining rights, and (iv) explore the Jiufa mining area near the new processing plant under construction.

The Company will continue its effort to improve its mining capability and facilities with the goal of maximising the quality and output efficiency of the Gold Mine. At the same time, the Company will also look to commission an update technical report at an appropriate time to "upgrade" the reserves and/or resources of the gold mine.

The Management believes that the performance of mining products segment will gradually improve as the gold price may continue to rise. The Management will monitor the capital needs for the aforesaid improvement and exploration projects, explore suitable financing opportunities when necessary, and inject capital based on the actual situation.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS *(Continued)*

In addition, the Management will explore other strategic investment opportunities in mining ancillary businesses or bullion related businesses to enhance the business prospects of the Group, thereby maximising the value for the Shareholders.

Regarding the coal trading, as mentioned previously, due to the increase in coal supply prices, costs and unattractive profit margin, the Management will continue to adopt a prudent and conservative approach in the coming year to slow down its development. The Management will continue to monitor and review this business and make appropriate adjustment according to the actual performance and business development.

For the wholesale and trading of frozen meat, as mentioned in the 2020 Interim Report, the management of the subsidiary will strive to find customers with stable demand, and stable low-cost supply channel to achieve better profitability. The management of the subsidiary plans to extend the scope of business to other frozen meats such as beef, pork and seafood, and hopes to eventually achieve the goal of establishing its own online store and cold-chain e-commerce and/or cooperation with large e-commerce platform.

With the continuous strengthening the relevant national environmental governance policies imposed and encouraged by the Chinese government, the Group, as stated in the 2020 Interim Report and 2019 Annual Report, entered into a capital increase agreement with Target Company principally engaged in: (i) comprehensive utilization of waste resources; (ii) procurement, processing, production and sales of metal scrap and metal-containing waste; (iii) trading in mineral products; and (iv) sales of metal materials in Jiangxi Province, PRC. As at the date of this annual report, the Group owns 12.41% equity interest in the capital of the Target Company and since the Target Company has obtained the provisional hazardous waste treatment licence, the Group has made a capital contribution of HK\$55 million to the Target Company. Details of the fair value of this investment as at the 31 December 2020, its performance for the Reporting Period and other information, please refer to note 21 to the consolidated financial statements of this annual report. The Board is of the view that this investment enables the Company to explore more business opportunities in the downstream business of the Group and expects to generate more profit in the future. Depending on the future performance of Target Company, the Company may consider investing more funds and/or resources in Target Company with a view to improving the financial condition of the Group.

As disclosed in the previous Company's interim reports and annual reports, after considering and studying the global economic environment, the trends in the PRC's future economic and business development model and the future development of the Company's existing business, the Board believes that the Group should, among others, identify business opportunities in big data, e-commerce and blockchain technology, especially in providing and assisting its internal and external customers in tailor-made blockchain services in order to add value for their businesses. The project team is conducting feasibility study and looking for potential partners or acquisition targets to bring long-term benefits to the Shareholders.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS *(Continued)*

The Board, having considered various solutions and measures to the going concern issue of the Group that have been actively undertaken and will continue to be undertaken, as well as the funding needs of the Group for its existing business operations and future business development, has decided that the Company may consider raising funds in different ways, including issuance of convertible bonds, issuance of new Shares or loan financing, etc. The final result will be subject to the market conditions and the outcomes of the negotiations with the potential investors.

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

## LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2020, the Group had unpledged bank and cash balances of approximately HK\$9.3 million (2019: approximately HK\$42.5 million). The gearing ratio was approximately 26,774.2% (2019: approximately 296.5%) and the borrowings of the Group was approximately HK\$308.1 million (2019: approximately HK\$224.1 million). The Group reported net current liabilities of approximately HK\$97.8 million as at 31 December 2020 (2019: net current assets of approximately HK\$72.4 million).

Details of maturity profile and interest rate structure of the borrowings of the Group are set out in the notes 27 and 29 to the consolidated financial statements of this annual report.

## COMMITMENTS

Particulars of commitments of the Group as at 31 December 2020 and 2019 are set out in the note 33 to the consolidated financial statements of this annual report.

## CONTINGENT LIABILITY

As at 31 December 2020, the Group did not have any significant contingent liability (2019: nil).

## BANK BORROWINGS

As at 31 December 2020, the Group did not have any outstanding bank loan (2019: nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEES AND REMUNERATION

As at 31 December 2020, the Group employed 503 staff members (2019: 376). The remuneration of employees was in line with the market trend and commensurate with the level of remuneration in the industry and the performance of individual employees that are regularly reviewed every year.

## FOREIGN EXCHANGE EXPOSURE

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

# BIOGRAPHICAL DETAILS OF DIRECTORS

## EXECUTIVE DIRECTORS

**Mr. Qiao Bingya**, aged 50, has joined the Company as an Executive Director and the chairman of the Board and the Nomination Committee since June 2019. Mr. Qiao has years of experiences in securities regulation and inspection. Prior to joining the Company, Mr. Qiao held a number of senior management positions at the China Securities Regulatory Commission from year 1998 to year 2012 and he also served as an assistant executive president and a member of the executive committee at Bank of China Investment Management Co., Ltd from year 2012 to year 2016. Mr. Qiao has obtained a Bachelor degree in Economics from Renmin University of China in 1993, a Master degree in Economics from Graduate School of the Financial Research Institute of the People's Bank of China in 1996 and a Doctor of Philosophy in Economics from Renmin University of China in 2001.

**Mr. Zhang Yiwen**, aged 38, has joined the Company as an Executive Director since November 2018 and has been the chief executive officer of the Company since June 2019. Mr. Zhang has years of experience in strategic development, fundraising and senior management works, and he also has extensive experience in big data business. Mr. Zhang Yiwen, has focused on, in particular, corporate development, market analysis and financing solutions. Mr. Zhang Yiwen, has obtained a Bachelor of Information Management and Information System degree from Capital Normal University in 2005 and a Master of Finance degree from Tulane University in August 2020.

**Mr. Xie Qiangming**, aged 29, has joined the Company since July 2018, Prior to his re-designation as an Executive Director, Mr. Xie was an INED and a member of Audit Committee until September 2019. Mr. Xie is currently also a member of the Nomination Committee and the Remuneration Committee. Mr. Xie has extensive experience in corporate strategy formulation and execution, capital markets, private equity investment and investor relations. He worked for several well-known financial institutions such as Kunwu Jiuding Investment Holdings Co., Ltd. and ICBC International Holdings Limited and was responsible for providing professional services to its clients such as corporate strategy formulation and execution, merger and acquisition projects management, in charge of private placements and fundraising projects. He is currently an executive director of Prosperity International Holdings (H.K.) Limited, a company listed on the main board of the Stock Exchange (stock code: 803). Mr. Xie has obtained a master degree in finance from Tsinghua University PBC School of Finance in 2016.

## NON-EXECUTIVE DIRECTOR

**Mr. Sun Aimin**, aged 65, has extensive experience in economic management, property management and leasing, trade unions and discipline inspection. Mr. Sun served as the general manager of Shenzhen Guoping Trading Limited from 1994 to 1998, the general manager of Shenzhen Lesheng Industrial Development Limited from 1998 to 2004 and the chairman of the labor union and secretary of the discipline inspection commission of Shenzhen Shentou Property Development Co., Limited from 2004 to 2015. Mr. Sun has obtained a diploma in Industrial Enterprise Economic Management Professional Course from Adult Education Institution of Wuhan University of Technology in 1992.

# BIOGRAPHICAL DETAILS OF DIRECTORS

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Cai Jianhua**, aged 57, has joined the Company as an INED, the chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee since July 2016. Mr. Cai graduated from Zhejiang Radio & Television University in 1986, major in commercial accounting and has been accredited as an accountant, a non-practising certified public valuer and a non-practising registered tax agent recognised by the relevant Chinese Government authorities in 1991, 1996 and 2005 respectively. He has been accredited as a certified public accountant in PRC since 1996. Mr. Cai has years of experience in accounting and auditing and is currently the senior partner and the chief accountant of Shen Zhen Zhong He Qing Certified Public Accountants.

**Mr. Ho Wing Chung**, aged 54, has joined the Company as an INED, and a member of the Nomination Committee and the Remuneration Committee since July 2018. Mr. Ho has extensive experience in information technology ("IT") industry especially in defining application problem and developing solution by preparing and evaluating alternative workflow, procedures and processes. He is currently working at EDPS Systems Limited as a system analyst and is responsible for overseeing and managing systems developed by external vendors. Mr. Ho worked as an IT manager in YEL Electronics Limited and was responsible for overseeing IT infrastructure and systems in Hong Kong, Taiwan and Singapore. Mr. Ho has obtained a master degree of information technology with internet applications from The Open University of Hong Kong in 2003.

**Mr. Yan Xiaotian**, aged 61, has joined the Company as an INED, and the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee since September 2019. Mr. Yan has extensive experience in economic, financing and management. Mr. Yan served as the president of the head office of Bank of China Limited, the vice president of CITIC Bank Corporation Limited (formerly known as CITIC Industrial Bank Limited), Guangzhou branch, China, the general manager of CITIC Securities Co., Ltd. (Guangzhou), and a director and an executive president of South China International Leasing Co., Ltd. Mr. Yan is currently an executive director of China Youzan Limited (formerly known as China Innovationpay Group Limited, a company listed on the gem board of the Stock Exchange (stock code: 8083)) and an independent non-executive director of Prosperity International Holdings (H.K.) Limited (a company listed on the main board of the Stock Exchange (stock code: 803)). Mr. Yan has obtained a master degree in economics from Graduate School of the Financial Research Institute of the People's Bank of China in 1986 and is a senior economist.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE

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

Pursuant to the code provision A.2.1 of the CG Code, the roles of Chairman of the Board and CEO should be separate and should not be performed by the same individual. Accordingly, following the appointment of Mr. Qiao Bingya as CEO on 12 June 2020, there is a deviation from the code provision A.2.1 of the CG Code as Mr. Qiao Bingya is also the Chairman of the Board.

Notwithstanding the aforesaid deviation, the Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group as the Board assumes collective responsibility on the decision-making process of the Company's business strategies and operation. Nevertheless, the Company will continue to review its operation and seek to re-comply with the code provision A.2.1 of the CG Code by splitting the roles of Chairman of the Board and CEO at a time when it is appropriate to increase the independence of corporate governance of the Group.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

## BOARD OF DIRECTORS

The Board is responsible for overseeing the overall Group's businesses and strategies, supervision of the Management and affairs as well as monitoring of the overall operation and performance of the Group. The Board has delegated to the Chief Executive Officer, together with which the Directors also undertake, with the senior Management, the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established various committees and has delegated to these committees various responsibilities as set out in their respective terms of reference.

The Board is collectively responsible for performing the corporate governance duties and has formalised the inclusion of the following corporate governance duties into the terms of reference of the Board:

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS *(Continued)*

- (b) to review and monitor the training and continuous professional development of Directors and senior Management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report in the annual report of the Company.

On 30 January 2015, the Board had adopted a board diversity policy which aims to achieve the diversity of members of the Board to enhance the effectiveness of the Board. The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board possesses diverse skills, experience and perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates of Board members will be based on diversity in their respective background and experience, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

During the Reporting Period and as at the date of this annual report, the composition of the Board is set out below:

### Executive Directors

Mr. Qiao Bingya (*Chairman of the Board and CEO*)  
Mr. Xie Qiangming  
Mr. Zhang Yiwen

### NED

Mr. Sun Aimin (*appointed on 12 June 2020*)

### INEDs

Mr. Cai Jianhua  
Mr. Ho Wing Chung  
Mr. Yan Xiaotian

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS *(Continued)*

Directors have no financial, business, family or other material/relevant relationships with each other. The biographical details of the Directors are set out on pages 14 to 15 and whose respective interests in the Company's shares are set out on page 40 of this annual report.

The Company has received from each of the INEDs a written annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and is satisfied of their independence.

## DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Apart from an induction provided to each newly appointed Director on the first occasion of his/her appointment by the Company so as to ensure that he/she has appropriate understanding of the business and operation of the Group and that he/she is aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements, all Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the CG Code on continuous professional development during the Reporting Period:

Name of Directors	Activities
<b>Executive Directors</b>	
Mr. Qiao Bingya	B
Mr. Xie Qiangming	B
Mr. Zhang Yiwen	A & B
<b>NED</b>	
Mr. Sun Aimin ( <i>appointed on 12 June 2020</i> )	B & C
<b>INEDs</b>	
Mr. Cai Jianhua	A & B
Mr. Ho Wing Chung	B
Mr. Yan Xiaotian	B

Notes:

- A: as an attendee to seminars/conferences organized by the third parties
- B: reading technical bulletins, periodicals and other publications on subjects relevant to the roles, functions and duties of a director of a listed company
- C: as an induction provided by the Company and a third party

# CORPORATE GOVERNANCE REPORT

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board and the Chief Executive Officer is Mr. Qiao Bingya. Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Accordingly, following the appointment of Mr. Qiao Bingya as CEO on 12 June 2020, there is a deviation from the code provision A.2.1 of the CG Code as Mr. Qiao Bingya is also the Chairman.

Notwithstanding the aforesaid deviation, the Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group as the Board assumes collective responsibility on the decision-making process of the Company's business strategies and operation. Nevertheless, the Company will continue to review its operation and seek to re-comply with the code provision A.2.1 of the CG Code by splitting the roles of Chairman and CEO at a time when it is appropriate to increase the independence of corporate governance of the Group.

With the support of the senior Management, the Chairman of the Board is responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the articles 83 and 84 of the new Articles of Association, a person may be appointed as a member of the Board at any time either by the Shareholders in a general meeting or by the Board. Director appointed by the Board must retire at the first general meeting after his appointment and shall then be eligible for re-election, and shall not be taken into account in determining the number of Directors who are to retire by rotation at that next AGM.

According to the article 84 of the new Articles of Association, no less than one-third of the Directors for the time being shall retire from office by rotation at each AGM. Retiring Directors shall be eligible for re-election.

According to the article 83(5) of the new Articles of Association, the Company may remove any Director by an ordinary resolution at a general meeting.

# CORPORATE GOVERNANCE REPORT

## BOARD PRACTICES

Notice of regular Board meetings have been and will be dispatched to all Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days (or any other agreed date) before each regular Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior Management.

The senior Management, including Chief Executive Officer and finance manager, attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

Draft minutes are normally circulated to the Directors for their comments within a reasonable time after each meeting and final versions are open for Directors' inspection.

Directors are required to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

The attendance of the Directors at the Board meetings held during the Reporting Period is set out as follows:

<b>Name of Directors</b>	<b>Attendance/Total no. of meetings held during the Reporting Period</b>
<b>Executive Directors</b>	
Mr. Qiao Bingya	7/7
Mr. Xie Qiangming	6/7
Mr. Zhang Yiwen	7/7
<b>NED</b>	
Mr. Sun Aimin ( <i>appointed on 12 June 2020</i> )	3/4
<b>INEDs</b>	
Mr. Cai Jianhua	7/7
Mr. Ho Wing Chung	7/7
Mr. Yan Xiaotian	6/7

# CORPORATE GOVERNANCE REPORT

## DELEGATION BY THE BOARD

The Board undertakes responsibility for decision making in major Company's matters, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management of the Group.

## NOMINATION COMMITTEE

The Company established a Nomination Committee on 1 October 2013 with written terms of reference adopted on the same date and updated on 30 January 2015. The primary function of the Nomination Committee is to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive. As at the date of this annual report, the Nomination Committee currently consists of five members, comprising Mr. Qiao Bingya, Mr. Xie Qiangming, Mr. Cai Jianhua, Mr. Ho Wing Chung and Mr. Yan Xiaotian. Mr. Qiao Bingya is the chairman of the Nomination Committee.

As at the date of this annual report, the Nomination Committee had reviewed the size, structure and composition of the Board to complement the Group's corporate strategy, and nominated candidates to fill the casual vacancy arising from the resigning Director and made recommendation to the Board in order to share part of the duties and responsibilities of the Chairman of the Board.

A board diversity policy was recommended and had been approved and adopted by the Board on 30 January 2015. The main objective of the policy is to provide a guideline to the Nomination Committee in selecting candidates in terms of their merits and business and professional backgrounds to the Board with reference to the Company's existing and future business development needs.

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE *(Continued)*

The attendance of the members of the Nomination Committee at the Nomination Committee meetings held during the Reporting Period is set out as follows:

<b>Name of Directors</b>	<b>Attendance/Total no. of meetings held during the Reporting Period</b>
<b>Executive Directors</b>	
Mr. Qiao Bingya ( <i>Chairman of the committee</i> )	3/3
Mr. Xie Qiangming	2/3
<b>INEDs</b>	
Mr. Cai Jianhua	3/3
Mr. Ho Wing Chung	3/3
Mr. Yan Xiaotian	3/3

## REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 27 June 2008 with written terms of reference adopted on the same date and updated on 30 January 2015. The primary duties of the Remuneration Committee are to review and approve the Management's remuneration proposals with reference to the Board's corporate goals and objects and make recommendations to the Board on the remuneration package of individual Executive Director and senior Management. As at the date of this annual report, the Remuneration Committee currently consists of four members, namely Mr. Cai Jianhua, Mr. Ho Wing Chung, Mr. Yan Xiaotian and Mr. Xie Qiangming. Mr. Yan Xiaotian is the chairman of the Remuneration Committee.

The Remuneration Committee has reviewed the Directors' fee (including Executive Directors and INEDs) in consideration of the increasingly level of duties and responsibilities of the Directors and the market condition and approval of the remuneration incentive structure of the Group as a whole taking consideration of factors such as salaries paid by comparable companies, time commitment and their responsibilities.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE *(Continued)*

The attendance of the members of the Remuneration Committee at the Remuneration Committee meetings held during the Reporting Period is set out as follows:

<b>Name of Directors</b>	<b>Attendance/Total no. of meetings held during the Reporting Period</b>
<b>Executive Director</b>	
Mr. Xie Qiangming	2/2
<b>INEDs</b>	
Mr. Yan Xiaotian <i>(Chairman of the committee)</i>	2/2
Mr. Cai Jianhua	2/2
Mr. Ho Wing Chung	2/2

## REMUNERATION POLICY OF THE GROUP

The remuneration policy of the Group is designed to ensure that remuneration offered to the Directors and/or employees is appropriate for the respective duties performed, sufficiently compensate them for the effort and time dedicated to the affairs of the Group, and is competitive and effective in attracting, retaining and motivating employees. The key components of the Company's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus, mandatory provident funds and share options granted (if any) under the share option scheme of the Company. Details of the share option scheme of the Company are set out on pages 39 to 40 of this annual report.

The emoluments payable to Directors are determined with reference to the responsibilities, qualifications, experience, duties, performance of the Directors, prevailing market conditions and remuneration benchmark with directors of listed companies of similar size and industry nature. They include incentive bonus primarily based on the results of the Group and share options granted (if any) under the share option scheme of the Company. The Remuneration Committee performs review on the emoluments of the Directors from time to time. No Director, or any of his associates or executive, is involved in deciding his own emoluments.

Employees' remuneration packages are determined with reference to the responsibilities, qualifications and experience, duties and performance of individuals as well as prevailing market compensation packages. The packages are reviewed annually and as required from time to time.

The Group will spend resources in training, retention and recruitment programs, and encouraging staff for self-development and improvements. The Group keeps monitoring and evaluating the performance of managerial staff, aiming to achieve continuous improvements and correction of deficiencies.

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' AND THE FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The Directors' fees and remuneration and the emoluments of the five highest paid individuals during the year are disclosed in note 15 to the consolidated financial statements of this annual report.

The contributions to pension scheme of Directors for the year are disclosed in note 15 to the consolidated financial statements of this annual report.

## AUDIT COMMITTEE

The Company established an Audit Committee on 28 October 2000 with written terms of reference adopted on the same date and updated on 30 January 2015. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. As at the date of this annual report, the Audit Committee currently consists of three INEDs, being Mr. Cai Jianhua, Mr. Ho Wing Chung and Mr. Yan Xiaotian. Mr. Cai Jianhua is the chairman of the Audit Committee.

For the Reporting Period, the Audit Committee discussed with the senior Management the internal controls, risk management and financial reporting matters, and reviewed the accounting principles, policies and practices adopted by the Group and the effectiveness of the Group's internal control system.

The attendance of the members of the Audit Committee at the Audit Committee meetings held during the Reporting Period is set out as follows:

<b>Name of Directors</b>	<b>Attendance/Total no. of meetings held during the Reporting Period</b>
<b>INEDs</b>	
Mr. Cai Jianhua ( <i>Chairman of the committee</i> )	3/3
Mr. Ho Wing Chung	3/3
Mr. Yan Xiaotian	2/3

# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the annual consolidated financial statements of the Company which give a true and fair view of the state of affairs, results and cash flows of the Group for the Reporting Period.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The Management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's consolidated financial statements which are put to the Board for approval.

## Disclaimer of Opinion

Pursuant to the code provision C.1.3 of the CG Code, the Board would like to provide more details on the Disclaimer of Opinion regarding the Company's ability to continue as a going concern.

As mentioned in the sub-section headed "EXTRACT OF INDEPENDENT AUDITOR'S REPORT" in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS", the Auditor has issued a Disclaimer of Opinion on the Company's consolidated financial statements for the year ended 31 December 2020, which arising solely from going concern issue of the Group.

The management of the Group is optimistic and confident that the Company has sufficient working capital for the next twelve months because the following considerations in addition to the view that the Proposed Measures will be completed and implemented:

- (i) In addition to the financial support provided by the substantial Shareholders, the Company is in the progress to repay the HK\$100 million loan (which will mature in the coming November and thus falls into the categories of current liabilities) and will fully repay on schedule or, if necessary, to negotiate with the lender for extension of the loan facilities before its maturity date, as at the date of this annual report, the Company has repaid approximately HK\$96.32 million to the lender.
- (ii) Gold Mine had temporarily suspended production in the first quarter of 2020 to cope with the emergency COVID-19 prevention and control measures. As mentioned in the Company's consolidated financial statement for the year ended 31 December 2020, Gold Mine has resumed operations and started generating revenue and profits since August 2020.
- (iii) Although Gold Mine had temporary suspended its production in the first quarter of 2020, there is a need for Gold Mine to maintain and stabilise enough front-line employees to start production and implement enhancement projects immediately after resuming operations, resulting in higher administration and staff costs. The management of the Group will monitor and reduce the said costs accordingly based on the actual status of the enhancement projects.

# CORPORATE GOVERNANCE REPORT

## Disclaimer of Opinion *(Continued)*

- (iv) Gold Mine has not yet prepared an updated technical report, therefore, the valuation of the mining right and property, plant and equipment has been impaired significantly. The Management will consider to prepare an updated technical report depends on the cost to prepare the said report. Notwithstanding, as the Company is not a company listed on Main Board under Chapter 18 of Listing Rules, the Company is allow to, which the management of the Group also satisfied, use inferred resources to calculate the mining right value and the remaining years of production. When prepare the 2020 annual results, 50% of the inferred resources and 100% of the probable reserves of the Gold Mine were used.

However, as at the date of 31 March 2021, the Auditor has not yet obtained sufficient appropriate audit evidence as mentioned below to support the validity of the Proposed Measures, and it is not clear whether the Proposed Measures can be implemented and completed.

The Auditor requires obtaining sufficient audit evidence to support the validity of the Proposed Measures, including but not limited to:

- (i) obtaining sufficient financial support confirmations from the substantial Shareholders;
- (ii) obtaining reliable source of fund from investors through fundraising activities;
- (iii) obtaining additional long-term borrowing(s) and deposit the loan amount(s) into the bank account of the Group;
- (iv) renewing and/or extending the existing borrowings of the Group with the creditors; or
- (v) improving the Group's results, the working capital and cash flow.

# CORPORATE GOVERNANCE REPORT

## Disclaimer of Opinion *(Continued)*

Following table summarised the Proposed Measures that have been taken and will continue to be taken to improve the Group's working capital and cash flow position and mitigate its liquidity pressure:

### Proposed Measures

The Group is actively negotiate with the financial institution(s) for obtaining additional financing/new borrowings

The Group has obtained letters of undertakings from substantial Shareholders confirming that they will provide continued financial support to the Group to meet its present and future financial obligations as they fall due

The Group will actively negotiate and obtain additional funds through fundraising activities

The Group will continue to negotiate with the Group's creditors with a view to extend the repayment terms of the Group's current liabilities as they fall due

The Management will continue to save or reduce costs aiming at improving the working capital and cash flow of the Group, including close monitoring of administrative expense and operating cost

### Current status

The Group is actively liaising with financial institutions/individuals/bankers to seek new loan facilities with lower interest rate and longer maturities to improve the current financial position of the Group. This measure will be under monitoring and may be adjusted based on actual funding need and the results of other possible fundraising activities of the Group as mentioned below

Obtained

The Group is actively considering all possible fundraising activities with an aim to improve the Group's liquidity position. The Group is actively liaising with the financial institutions and other potential investors to invest in the Group by way of placement of new shares, issue of convertible bonds or other financial activities etc. to fund its working capital. Further announcement(s) will be made as and when appropriate subject to the applicable regulations and rules

As the loans are not yet due, the Management will negotiate with the creditors to extend the loans before the maturity date if necessary. As at the date of this annual report, the Company has made partial repayment to the lender

Management of the Group is reviewing the costs (staffing, administrative and otherwise) of various operations and departments with a view to cut costs and/or expenses that are unnecessary and control and/or reduce any other operating costs and/or expenses while the Group is able to maintain the existing operations. The Group strives to continue managing its operation with appropriate cost measures and anticipates further saving on costs of staffing, administrative and otherwise can be achieved in 2021

# CORPORATE GOVERNANCE REPORT

## **Disclaimer of Opinion** *(Continued)*

The Audit Committee had critically reviewed the Disclaimer of Opinion, the Management's position concerning the Disclaimer of Opinion and measures taken by the Group for addressing the Disclaimer of Opinion. The Audit Committee agreed with the Management's position based on the reasons as stated herein. Moreover, the Audit Committee requested the Management to take all necessary actions to address the effect on the Disclaimer of Opinion that no such Disclaimer of Opinion to be made in the forthcoming audited financial statements. The Audit Committee had also discussed with the Auditor regarding the financial position of the Group, measures taken and to be taken by the Group, and considered the Auditor's rationale and understood their consideration in arriving their opinion.

Based on the review of the Group's cash flow projection for the year 2021, the Proposed Measures (assuming to be successfully implemented), the reasons stated herein, and the current repayment status, the Board and the Audit Committee is of the view that the Proposed Measures plan is feasible and should be sufficient to address the Disclaimer of Opinion.

Taking into account that if the Group can improve the Group's working capital, cash flow position and financial position in 2021, and assuming there are no other material adverse effects that will cause the Auditor to issue other disclaimer(s) of opinion, the Company expects that the Disclaimer of Opinion in relation to the Company's going concern will be removed in the next year's auditor's report. The auditor also holds the same view and basis in this regard.

The annual results of the Group for the Reporting Period have also been reviewed by the Audit Committee.

## **RISK MANAGEMENT AND INTERNAL CONTROL**

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

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

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

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

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

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

## DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy") with effect from 1 January 2019. The Board will consider the following factors before declaring or recommending dividends:

- the Company's operational results;
- the Company's cash flow situation;
- the Company's financial conditions;
- shareholders' interests;
- general business conditions and strategies;
- the Company's capital expenditure requirements;
- past dividend payout ratio/trends;
- statutory and regulatory restrictions;
- payment by the Company's subsidiaries of cash dividends to the Company; and
- other factors the Board may deem relevant.

Such declaration and payment of the dividend by the Company is also subject to any restrictions under the Companies Laws of the Cayman Islands, any applicable laws, rule and regulations and the Articles of Association of the Company.

The Board will review the dividend policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the dividend policy at any time as it deems fit and necessary.

# CORPORATE GOVERNANCE REPORT

## HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

## EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The Company's independent external auditor is ZHONGHUI ANDA. The Audit Committee is mandated to ensure continuing auditors' objectivity and safeguarding independence of the auditors. Up to the date of this annual report, the Audit Committee has considered and made recommendation to the Board on the engagement of ZHONGHUI ANDA as auditor of the Group in respect of the consolidated financial statements for the Reporting Period and the corresponding audit fees estimation.

For the Reporting Period, the remuneration paid/payable by the Company to ZHONGHUI ANDA and other ZHONGHUI ANDA network firms in respect of their audit and other non-audit services were as follows:

	HK\$
Annual audit services	1,100,000
Non-audit services	
– Services in relation to internal control review services	65,000
– Services in relation to environmental, social and governance reporting	60,000
– Other services	16,000
Total fees	<u>1,241,000</u>

## CONSTITUTIONAL DOCUMENT

A new Articles of Association was adopted by the Shareholders on 22 February 2016 for housekeeping purpose and for the purpose of conforming with certain amendments to the Listing Rules which had become effective since the last amendment of the Articles of Association.

# CORPORATE GOVERNANCE REPORT

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions. The general meetings of the Company provide a forum for face-to-face communication between the Board and the Shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available to answer questions at Shareholder's meetings.

To promote effective communication, the Company maintains on its website up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted and are available for public access.

## SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at the general meetings, including the election of individual Directors.

All resolutions put forward at the general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

The procedures for Shareholders to convene an EGM are governed by Article 58 of the new Articles of Association. A written requisition must be addressed to the Board or the Company Secretary. On the written requisition of Shareholders holding not less than one-tenth of such of the paid-up share capital of the Company as at the date of lodgment of the requisition, and the Board must proceed duly to convene an EGM.

The written requisition must state the objectives (which must be capable of being effectively achieved) of the meeting, be signed by the Shareholders who propose to convene the meeting, and be lodged at the registered office of the Company. The Board must thereafter within 21 days from the lodgment of the requisition proceed duly to convene a meeting for a day not more than two months after the date on which the notice convening the meeting is given.

Whilst giving the above written requisition, Shareholders are recommended to provide written explanation of the reasons and material implications relating to the proposed resolution to enable all of the Shareholders to properly consider and determine the proposed resolution.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS *(Continued)*

The Company will, upon receipt of a properly lodged requisition referred to above, issue a notice of EGM of the proposed resolutions and (if applicable) circulars containing further information relating to the proposed resolution in accordance with the Listing Rules.

Shareholders who intend to put forward their enquiries to the Board could send their enquiries to the Company's head office and principal place of business in Hong Kong or by email to [contact@chinabillion.net](mailto:contact@chinabillion.net).

Shareholders can contact Tricor Tengis Limited, the Hong Kong branch share registrar and transfer office of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

## COMPANY SECRETARY

Ms. Sun Shui was engaged as Company Secretary on 29 June 2016. The Company Secretary will report to the Chairman of the Board and/or the Chief Executive Officer. Following the adoption of the new CG Code, the Company Secretary will take no less than 15 hours of relevant professional training.

# REPORT OF THE DIRECTORS

The Board is pleased to present its report together with the audited consolidated financial statements of the Company for the Reporting Period.

## COMPANY INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY 1-1111, Cayman Islands. The address of its principal place of business is Unit 1802, 18/F., The L. Plaza, Nos. 367-375 Queen's Road Central, Hong Kong. The Company's shares are listed on the main board of the Stock Exchange.

## PRINCIPAL ACTIVITIES

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

- (i) Mining products segment – engaged in gold mining, exploration and trading of gold products;
- (ii) Money lending segment – provision of money lending services; and
- (iii) Trading and wholesale segment – engaged in trading of coal and wholesale and trading of frozen meat.

The activities of the subsidiaries are set out in note 22 to the consolidated financial statements of this annual report.

An analysis of the performance of the Group for the Reporting Period by operating segments is set out in note 8 to the consolidated financial statement of this annual report and detailed management discussion and analysis is set out on pages 4 to 13 of this annual report.

## BUSINESS REVIEW

The business review of the Group for the Reporting Period is set out in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 4 to 13 of this annual report.

## RESULTS AND RESERVES

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 46 of this annual report.

Details of movements in the reserves of the Group during the Reporting Period are set out on page 49 in the consolidated statement of changes in equity of this annual report.

Under the Companies Law, share premium of the Company is available for distributions or paying dividends to the Shareholders subject to the provisions of the Articles of Association and a statutory solvency test. In accordance with the article 134 of the Articles of Association, dividends may be declared and paid out of the profits of the Company or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared or paid out of share premium account. As at 31 December 2020, the Company has no reserves available for distribution to the Shareholders (2019: nil).

# REPORT OF THE DIRECTORS

## FINAL DIVIDENDS

The Board does not recommend the payment of a final dividend for the Reporting Period (2019: nil).

## CHARITABLE DONATIONS

The Group made no charitable and other donations for the Reporting Period (2019: nil).

## FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 110 of this annual report. This summary does not form part of the audited consolidated financial statements of this annual report.

## MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Group's five largest suppliers accounted for 100% of the Group's total purchases, and the purchase from the Group's largest supplier included therein accounted for 70.12% of the total purchase for the year.

For the Reporting Period, the Group's sales to its five largest customers accounted for 85.53% of the Group's total sales, and the sales to the largest customer included therein accounted for 21.92% of the total sales for the year.

None of the Directors, any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's top five largest customers and suppliers.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 18 to the consolidated financial statements of this annual report.

## SHARE CAPITAL

As at 31 December 2020, the authorised share capital of the Company was HK\$250 million, divided into 25,000 million Shares of HK\$0.01 each, of which 1,262,713,382 Shares were issued and fully paid up or credited as fully paid up in the amount of HK\$12,627,133.82. Details of movement in the share capital of the Company during the Reporting Period are set out in note 31 to the consolidated financial statements of this annual report.

## CAPITAL REORGANISATION

On 27 November 2019, The Board proposed to implement the capital reorganisation which entails the Share Consolidation and Capital Reduction. The Capital Reorganisation was approved by the Shareholders at the EGM and was completed on 16 March 2020.

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

## SETTLEMENT AGREEMENTS AND SUBSCRIPTION AGREEMENTS

- (i) On 27 March 2020, the Company entered into Wu Settlement Agreement with Creditor B, being the only remaining CB Settlement Creditor, for the settlement of the amount due to him as at 23 May 2019, i.e. HK\$18,161,039.18, being the principal amount and interest accrued under the bonds up to 23 May 2019. On 30 June 2020, further supplementary agreement was entered into between the Company and Creditor B to extend the final settlement date of the remaining outstanding amount under the Wu Settlement Agreement to 30 September 2020. Pursuant to the aforesaid Wu Settlement Agreement and the supplementary agreement, the Company may, in its absolute discretion, elect to repay the remaining either in cash or by the issue of new Shares to Creditor B as settlement shares by 30 September 2020.

On 20 August 2020, the Company received a transfer form signed by Creditor B as transferor and Ms. Tung as transferee whereby Creditor B assigned to Ms. Tung all his rights under the Relevant Bonds (as amended by the Wu Settlement Agreement) with respect to the entire outstanding amount of HK\$9,951,528.08.

On 31 August 2020, the Company and Ms. Tung entered into Tung Settlement Agreement in relation to the settlement of the amount owed by the Company under the Relevant Bonds and the Wu Settlement Agreement, being HK\$9,951,528.08. On 9 October 2020, the Company issued and allotted 70,789,074 Shares to Ms. Tung at a price of HK\$0.14058 per Share (the closing market price on the agreement date was HK\$0.153) under general mandate to fully settle and repay the aforesaid outstanding amount pursuant to the Tung Settlement Agreement. The nominal value of the settlement shares is HK\$707,890.74.

For details of abovementioned settlement agreements, please refer to the notes 25 and 31 to the consolidated financial statements of this annual report, and the announcements of the Company dated 27 March 2020, 31 August 2020 and 9 October 2020.

# REPORT OF THE DIRECTORS

## SETTLEMENT AGREEMENTS AND SUBSCRIPTION AGREEMENTS *(Continued)*

- (ii) On 9 November 2020, the Company entered into one subscription agreement with each of the three parties independent of the Company and its connected persons, namely Mr. Liu Jie, Mr. Wang Baoli and Mr. Zhou Hongliang. On 27 November 2020, a total of 139,500,000 Shares were issued and allotted by the Company under general mandate to the aforesaid subscribers at the subscription price of HK\$0.09918 per Share (the closing market price on the agreement date was HK\$0.120) pursuant to the subscription agreements. The aggregate nominal value of the subscription shares is HK\$1,395,000. One of the major reasons for the issuance of the subscription is that the subscription can provide the Company with additional funds to settle its committed payment obligations under the capital increase agreement entered into with the Target Company.

As at 31 December 2020, approximately HK\$5 million of the proceeds have been utilised towards the settlement of the outstanding capital contribution to the Target Company and approximately HK\$0.92 million towards the general working capital of the Group. As at 31 December 2020, approximately HK\$7.92 million of the remaining proceeds has not yet utilised as general working capital of the Group.

Details of the subscription agreement, please refer to note 31 to the consolidated financial statements of this annual report, and the announcements of the Company dated 9 November 2020 and 27 November 2020.

## BANK LOANS AND BORROWINGS

The total borrowings of the Group as at 31 December 2020 amounted to approximately HK\$308,103,000 (2019: approximately HK\$224,056,000). Particulars of bank loans and borrowings are set out in notes 27 and 29 to the consolidated financial statements of this annual report.

## DIRECTORS

The Directors during the Reporting Period and up to the date of this report were:

### Executive Directors

Mr. Qiao Bingya (*Chairman of Board and CEO*)  
Mr. Xie Qiangming  
Mr. Zhang Yiwen

### NED

Mr. Sun Aimin (*appointed on 12 June 2020*)

### INEDs

Mr. Cai Jianhua  
Mr. Ho Wing Chung  
Mr. Yan Xiaotian

# REPORT OF THE DIRECTORS

## **DIRECTORS** *(Continued)*

In accordance with article 83(3) of the Articles of Association, Mr. Sun Aimin, who was appointed as Director on 12 June 2020, shall retire from office at the first general meeting of the Company after his appointment and, being eligible, will offer himself for re-election as Director.

In accordance with article 84 of the Articles of Association, at each annual general meeting one-third of the Directors from the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Any Director appointed by the Board pursuant to article 83(3) shall not take into account in determining which particular Directors or the number of Directors who are to retire by rotation. The retiring Director shall be eligible for re-election. Accordingly, Mr. Cai Jianhua and Mr. Ho Wing Chung will retire at the AGM and, being eligible, will offer themselves for re-election as Directors.

## **BIOGRAPHICAL DETAILS OF DIRECTORS**

Biographical details of the Directors as at the date of this report are set out on pages 14 to 15 of this annual report.

## **CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

Each of the current INEDs has confirmed their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs to be independent in accordance with the Listing Rules.

## **CHANGES IN DIRECTORS' INFORMATION**

Save as disclosed below or in the 2020 Interim Report or otherwise in this annual report, pursuant to Rule 13.51B(1) of the Listing Rules, there is no change to the directorship and no updated information during the Reporting Period.

<b>Name of Directors</b>	<b>Details of Changes</b>
Mr. Zhang Yiwen	Obtained a Master of Finance degree from Tulane University in August 2020.

## **DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT**

No Director proposed for re-election at the forthcoming AGM has a services contract with the Company which exceeds three years and is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The service contracts of three Executive Director, Mr. Qiao Bingya, Mr. Zhang Yiwen and Mr. Xie Qiangming will expire on 9 June 2021, 31 July 2022 and 29 September 2021.

The appointment of the NED, Mr. Sun Aimin will expire on 11 June 2021 according to his appointment letter.

The appointment of the all INEDs, Mr. Cai Jianhua, Mr. Ho Wing Chung and Mr. Yan Xiaotian will expire on 16 July 2021, 21 July 2021 and 29 September 2021 respectively according to their respective appointment letter.

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section head "Connected Transactions and Related Party Transactions" below and notes 27 and 34 to the consolidated financial statements of this annual report, no transaction, arrangement or contract of significance in relation to the Group's business in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at any time during the Reporting Period or at the end of the year 2020.

### MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

### CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

On 10 August 2020, the Company and its wholly-owned subsidiary, Westralian Resources, entered into the Settlement Agreement with Mr. Cai with respect to the settlement and rescheduling of RMB58,485,000, being the amount owed by the Company to Mr. Cai under the Loan Agreement as at 31 July 2020. In connection with the settlement arrangements, the Company and Westralian Resources have agreed to sell the 29% equity interest in Hunan Westralian, a company owned as to 80% by Westralian Resources, to Mr. Cai for RMB38,485,000 to partially settle the outstanding amount owed to Mr. Cai on a dollar for dollar basis. In return, Mr. Cai has agreed to extend the maturity date and the drawdown period under the Loan Agreement to 31 August 2021.

The Proposed Disposal constituted a "transaction" under Chapter 14 of the Listing Rules. As the highest percentage ratio applicable for the Proposed Disposal is above 5% but below 25%, the Proposed Disposal constituted a discloseable transaction for the Company and was therefore subject to the reporting and announcement requirements, but exempt from the circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Mr. Cai was a director of Hunan Westralian, which is a subsidiary of Westralian Resources, he was regarded as a then connected person of the Company at subsidiary level. As such, the Proposed Disposal and the Proposed Extension also constituted connected transactions of the Company under Chapter 14A of the Listing Rules. The Proposed Disposal and the Proposed Extension are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Details of the settlement arrangements, please refer to note 27 to the consolidated financial statements of this annual report, and the announcement of the Company dated 10 August 2020.

# REPORT OF THE DIRECTORS

## CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

*(Continued)*

Save as disclosed above and in the section headed “Directors’ Interests in Transactions, Arrangements or Contracts of Significance” above and notes 27 and 34 to the consolidated financial statements of this annual report, no other connected transaction nor related party transaction of the Company has been carried out during the Reporting Period.

In relation to the loans and transactions disclosed under notes 27 and 34 to the consolidated financial statements of this annual report, the loans and transactions are fully exempted connected transactions under Rule 14A.90 of the Listing Rules as they are conducted on normal commercial terms and are unsecured by the assets of the Group.

## SHARE OPTION SCHEME

The Company adopted the Share Option Scheme which was approved by Shareholders at the extraordinary general meeting held on 22 February 2016.

The exercise period of the share options is determined by the Board, which are entitled to make any offer to any eligible participant within the 10 years period starting from 22 February 2016, they may determine the number of underlying shares, the subscription price and the expiration day in full discretion.

The goal of the Share Option Scheme is to enable the Group to grant share options to eligible participants as incentives or rewards for their contributions to the Group, thereby linking their interests with that of the Group. The eligible participants include any employee, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary).

The total number of shares the Company may issue in any 12-month period under the Share Option Scheme is limited to 1% of the shares of the Company issued. Any further grant of share options exceeding this limit is subject to Shareholders’ approval in a general meeting.

Under the Share Option Scheme, any share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, is subject to INEDs’ approval. In the cases where share options are granted to a substantial shareholder or an INED, (i) if the total number of Shares granted exceeds 0.1% of the issued shares of the Company, or (ii) if the aggregated value (based on the closing price at the date of grant) is over HK\$5 million within the twelve months period, the grant is subject to Shareholders’ approval in a general meeting.

The offer of a grant of share options shall deem to be accepted when the offer letter is duly signed by the grantee and the nominal consideration for the grant of HK\$1 is received by the Company within 21 days from the date of the offer.

# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEME *(Continued)*

The exercise price of the share option is determined by the Board, but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet of Stock Exchange on the date of the offer of the grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.

On the basis of 1,262,713,382 issued Shares as at the date of this report, and no further Shares has been issued or repurchased by the Company before the annual general meeting, the maximum number of shares options that can be exercised under the refreshed mandate limit of the Share Option Scheme is 126,271,338 Shares, representing 10% of such issued share capital and such limit does not exceed the 30% limit stipulated under Note (2) to Rule 17.03(3) of the Listing Rules. The Director will be authorised to issue share options to subscribe for a total of 126,271,338 Shares, representing 10% of the total number of Shares in issue as at the date of this report. No share options under the Share Option Scheme were granted, exercised, cancelled, lapsed or outstanding during the Reporting Period and up to the date of this annual report.

## REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Brief summary of the remuneration policy of the Group is set out in page 23 of this annual report. Details of the Directors' fee and remuneration of the Directors and the emoluments of the five highest paid individuals during the Reporting Period are set out in note 15 to the consolidated financial statements of this annual report.

## PENSION SCHEMES

Details of the pension schemes are set out in note 15 to the consolidated financial statements of this annual report.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES OF THE COMPANY

As at 31 December 2020, none of the Directors or chief executive of the Company or their associates had any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

# REPORT OF THE DIRECTORS

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period was the Company, any of its subsidiaries, its holding company or a subsidiary of its holding company a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive (including their spouse and children under 18 years of age) had an interest in, or been granted any rights to subscribe for the securities of the Company and its associated corporations (within the meaning of the SFO), or had exercised any such right.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

Save as disclosed below, as at 31 December 2020, to the best knowledge of the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company, as recorded in the register maintained by the Company pursuant to section 336 of the SFO:

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of shareholding
Chunda International Technology Development Co., Limited (note 1)	Beneficial owner	143,423,489	11.35%
	A concert party to an agreement to buy shares	50,090,975	3.97%
Mr. Wang Tao (note 1)	Beneficial owner	27,540,000	2.18%
	Interest of controlled corporation	143,423,489	11.35%
	A concert party to an agreement to buy shares	50,090,975	3.97%
Ms. Wang Juan	Beneficial owner	165,101,665	13.08%
Ms. Zhao Xiaohong (note 2)	Beneficial owner	50,090,975	3.97%
	A concert party to an agreement to buy shares	143,423,489	11.35%
Mr. Zhao Tao (note 2)	Interest of spouse	193,514,464	15.32%
Mr. Li Tie Jian	Beneficial owner	70,489,438	5.58%
Mr. Liu ZhiWei	Beneficial owner	80,158,476	6.34%
Wealthking Investments Limited (note 3)	Beneficial owner	61,467,209	4.87%
	Security interest	308,525,154	24.43%

# REPORT OF THE DIRECTORS

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES *(Continued)*

Notes:

1. Chunda International Technology Development Co., Limited, is a company wholly-owned by Mr. Wang Tao, therefore, Mr. Wang Tao is deemed to be interested in the Shares in which Chunda International Technology Development Co., Limited is interested in. Chunda International Technology Development Co., Limited, Mr. Wang Tao and Ms. Zhao Xiaohong are deemed as concert party pursuant to section 317(1)(a) of the SFO.
2. Chunda International Technology Development Co., Limited, Mr. Wang Tao and Ms. Zhao Xiaohong are deemed as concert party pursuant to section 317(1)(a) of the SFO. Mr. Zhao Tao is spouse of Ms. Zhao Xiaohong and is deemed to be interested in the Shares in which Ms. Zhao Xiaohong is interested in.
3. Wealthking Investments Limited (formerly known as OP Financial Limited).

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the Companies Law, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or their respective associates had, either directly or indirectly, an interest in a business which causes or may cause any significant competition with the businesses of the Group during the Reporting Period.

## REVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee has reviewed with the Management and the Auditor, the accounting principles and policies as adopted by the Company, the practices of the Group and the audited consolidated financial statements for the Reporting Period.

## CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 16 to 32 of this annual report.

# REPORT OF THE DIRECTORS

## EVENT AFTER THE REPORTING PERIOD

On 1 March 2021, the Company (as issuer) entered into a subscription agreement with an independent third party (as subscriber). Under the subscription agreement, the Company proposed to raise HK\$201,600,000 by the issue and allotment of new Shares to the subscriber conditional upon, amongst other things, the grant of a waiver of the obligation on the part of the subscriber to make a general offer for the Shares other than those already owned or agreed to be acquired by the subscriber and parties acting in concert with it in accordance with Rule 26 of the Takeovers Code. At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 1 March 2021 pending the publication of an announcement of the Subscription Agreement pursuant to the Takeovers Code.

In view of the change of financial circumstances of the subscriber and protracted suspension, the Company and the subscriber entered into a termination agreement to terminate the subscription agreement on 22 April 2021. Trading in the Shares on the Stock Exchange has been resumed with effect from 9:00 a.m. on 23 April 2021.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued share capital throughout the Reporting Period and as at the date of this report.

## AUDITOR

ZHONGHUI ANDA was appointed as the auditor of the Group on 10 October 2014 for conducting the audit works of the Group since then.

ZHONGHUI ANDA shall retire in the forthcoming AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of ZHONGHUI ANDA as the auditor of the Group will be proposed at the forthcoming AGM.

On behalf of the Board

**Qiao Bingya**

*Chairman of the Board*

Hong Kong, 23 April 2021

# INDEPENDENT AUDITOR'S REPORT



## TO THE SHAREHOLDERS OF CHINA BILLION RESOURCES LIMITED

*(incorporated in the Cayman Islands with limited liability)*

### DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Billion Resources Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 109, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the material uncertainty relating to the going concern basis described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR DISCLAIMER OF OPINION

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately HK\$163,273,000 for the year ended 31 December 2020 and as at 31 December 2020 the Group had net current liabilities approximately HK\$97,754,000 during the year. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the continued support of substantial shareholders. The consolidated financial statements do not include any adjustments that would result from the failure to obtain the substantial shareholders' support. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the uncertainty relating to the continued support of the Group's substantial shareholders, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

# INDEPENDENT AUDITOR'S REPORT

## RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the significance of the material uncertainty relating to the going concern basis described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

### **Yeung Hong Chun**

*Audit Engagement Director*

Practising Certificate Number P07374

Hong Kong, 7 April 2021

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>	9	<b>57,152</b>	44,556
Cost of sales		<u>(30,298)</u>	<u>(25,476)</u>
<b>Gross profit</b>		<b>26,854</b>	19,080
Other income	10	<b>1,875</b>	1,348
Administrative expenses		<b>(33,678)</b>	(37,340)
Other expenses	11	<u>(120,762)</u>	<u>(87,736)</u>
<b>Loss from operations</b>		<b>(125,711)</b>	(104,648)
Finance costs	12	<u>(43,818)</u>	<u>(21,482)</u>
<b>Loss before tax</b>		<b>(169,529)</b>	(126,130)
Income tax credit	13	<u>6,256</u>	<u>7,862</u>
<b>Loss for the year</b>	14	<u>(163,273)</u>	<u>(118,268)</u>
<b>Other comprehensive income/(loss):</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value changes of equity investment at fair value through other comprehensive income		<b>2,853</b>	–
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>11,185</u>	<u>(4,186)</u>
<b>Other comprehensive income/(loss) for the year</b>		<u>14,038</u>	<u>(4,186)</u>
<b>Total comprehensive loss for the year</b>		<u>(149,235)</u>	<u>(122,454)</u>
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(108,567)</b>	(98,434)
Non-controlling interests		<u>(54,706)</u>	<u>(19,834)</u>
Loss for the year		<u>(163,273)</u>	<u>(118,268)</u>
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		<b>(92,228)</b>	(102,294)
Non-controlling interests		<u>(57,007)</u>	<u>(20,160)</u>
Total comprehensive loss		<u>(149,235)</u>	<u>(122,454)</u>
<b>Loss per share (HK cents)</b>			
Basic	17	<u>(10.03)</u>	<u>(10.99)</u>
Diluted	17	<u>N/A</u>	<u>N/A</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	18	114,917	78,303
Right-of-use assets	19	3,752	1,010
Mining right	20	75,746	107,326
Equity investment at fair value through other comprehensive income	21	60,058	–
Loan receivables	24	–	16,128
		<u>254,473</u>	<u>202,767</u>
<b>Current assets</b>			
Trade and other receivables	23	18,400	41,546
Loan receivables	24	91,003	92,685
Bank and cash balances		9,307	42,497
		<u>118,710</u>	<u>176,728</u>
<b>Current liabilities</b>			
Trade and other payables	25	36,812	52,221
Contract liabilities	26	10,946	–
Borrowings	27	53,655	51,120
Lease liabilities	28	2,476	1,035
Other borrowings	29	112,575	–
		<u>216,464</u>	<u>104,376</u>
<b>Net current (liabilities)/assets</b>		<u>(97,754)</u>	<u>72,352</u>
<b>Total assets less current liabilities</b>		<u>156,719</u>	<u>275,119</u>
<b>Non-current liabilities</b>			
Borrowings	27	141,873	66,361
Lease liabilities	28	1,690	–
Other borrowings	29	–	106,575
Deferred tax liabilities	30	11,802	17,191
		<u>155,365</u>	<u>190,127</u>
<b>NET ASSETS</b>		<u>1,354</u>	<u>84,992</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Capital and reserves</b>			
Share capital	31	12,627	210,485
Reserves	32	<u>235,579</u>	<u>(51,579)</u>
Equity attributable to owners of the Company		248,206	158,906
Non-controlling interests		<u>(246,852)</u>	<u>(73,914)</u>
<b>TOTAL EQUITY</b>		<u><b>1,354</b></u>	<u><b>84,992</b></u>

The consolidated financial statements on pages 46 to 109 were approved and authorised for issue by the board of directors on 7 April 2021 and are signed on its behalf by:

Approved by:

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**Qiao Bingya**  
*Director*

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**Zhang Yiwen**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the Company						Total	Non-controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Foreign currency translation reserve	Equity investment revaluation reserves	(Accumulated losses)/ retained earning			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2019	175,449	488,361	300	30,135	-	(497,512)	196,733	(53,754)	142,979
Issue of settlement shares (note 31 (i))	14,036	12,631	-	-	-	-	26,667	-	26,667
Issue of subscription shares (note 31 (iii))	21,000	16,800	-	-	-	-	37,800	-	37,800
Total comprehensive loss for the year	-	-	-	(3,860)	-	(98,434)	(102,294)	(20,160)	(122,454)
<b>At 31 December 2019</b>	<b>210,485</b>	<b>517,792</b>	<b>300</b>	<b>26,275</b>	<b>-</b>	<b>(595,946)</b>	<b>158,906</b>	<b>(73,914)</b>	<b>84,992</b>
At 1 January 2020	210,485	517,792	300	26,275	-	(595,946)	158,906	(73,914)	84,992
Capital reorganisation (note 31 (iii))	(199,961)	(517,792)	-	-	-	717,753	-	-	-
Issue of settlement shares (note 31 (iv))	708	8,212	-	-	-	-	8,920	-	8,920
Issue of subscription shares (note 31 (v))	1,395	12,440	-	-	-	-	13,835	-	13,835
Disposal of partial interest in a subsidiary	-	-	-	-	-	158,773	158,773	(115,931)	42,842
Total comprehensive loss for the year	-	-	-	13,486	2,853	(108,567)	(92,228)	(57,007)	(149,235)
<b>At 31 December 2020</b>	<b>12,627</b>	<b>20,652</b>	<b>300</b>	<b>39,761</b>	<b>2,853</b>	<b>172,013</b>	<b>248,206</b>	<b>(246,852)</b>	<b>1,354</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 HK\$'000	2019 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	(169,529)	(126,130)
Adjustments for:		
Finance costs	43,818	21,482
Interest income	(14)	(6)
Depreciation	13,032	4,732
Amortisation of mining right	1,044	1,465
Gain on settlement of convertible bonds by shares	(1,032)	(1,333)
Impairment loss on property, plant and equipment	68,785	31,385
Impairment loss on prepayment for property, plant and equipment and construction	1,517	2,612
Impairment loss on a former related company	–	5,812
Impairment loss on other receivables	–	4,407
Impairment loss on loan receivables	4,737	485
Impairment loss on mining right	45,344	43,035
Impairment loss on right-of-use assets	379	–
Operating profit/(loss) before working capital changes	8,081	(12,054)
Change in loan receivables	13,073	(2,275)
Change in trade and other receivables	21,629	(16,450)
Change in trade and other payables	(8,295)	20,173
Change in contract liabilities	10,946	–
<b>Net cash generated from/(used in) operating activities</b>	<b>45,434</b>	<b>(10,606)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in amount due from a former director	–	47
Decrease in amount due from a former related company	–	2,592
Interest received	14	6
Purchases of property, plant and equipment	(84,315)	(60,174)
Proceeds from disposals of property, plant and equipment	–	5
Purchase for equity investment at fair value through other comprehensive income	(57,205)	–
<b>Net cash used in investing activities</b>	<b>(141,506)</b>	<b>(57,524)</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 HK\$'000	2019 HK\$'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in amount due to a former related company	–	689
Borrowings raised	<b>81,293</b>	116,015
Repayment of borrowings	<b>(11,858)</b>	(13,885)
Repayment of lease liabilities	<b>(1,860)</b>	(1,994)
Repayment of convertible bonds	–	(25,514)
Lease interests paid	<b>(96)</b>	(106)
Loan interests paid	<b>(44)</b>	(8,233)
Proceeds from issue of shares	<b>13,835</b>	37,800
	<hr/>	<hr/>
<b>Net cash generated from financing activities</b>	<b>81,270</b>	104,772
	<hr/>	<hr/>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(14,802)</b>	36,642
Effect of foreign exchange rate changes	<b>(18,388)</b>	4,642
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>42,497</b>	1,213
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>9,307</b>	42,497
	<hr/> <hr/>	<hr/> <hr/>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances	<b>9,307</b>	42,497
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business was Room 2105, 21st Floor, West Tower, Shun Tak Centre, 168– 200 Connaught Road Central, Hong Kong and has been changed to Unit 1802, 18/F., The L Plaza, 367– 375 Queen’s Road Central, Hong Kong. The Company’s shares are listed on the main board of the Stock Exchange.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 22 to the consolidated financial statements.

## 2. GOING CONCERN BASIS

The Group incurred a loss of approximately HK\$163,273,000 for the year ended 31 December 2020 and as at 31 December 2020 the Group had net current liabilities of approximately HK\$97,754,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

### **New standards, amendments and revised conceptual framework not yet adopted**

Standards, amendments and revised conceptual framework that have been issued but not yet effective on 1 January 2020 and not been early adopted by the Group are as follows:

		Effective for the financial year beginning on or after
HKFRS 16	Amendments in relation to COVID-19 Related Rent Concessions	1 June 2020
HKFRS 4,7,9 and 16 and HKAS 39	Amendments in relation to Interest Rate Benchmark Reform	1 January 2021
HKFRS 3	Amendments in relation to Reference to the Conceptual Framework	1 January 2022
HKAS 16	Amendments in relation Proceeds before Intended Use	1 January 2022
HKAS 37	Amendments in relation to Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1	Amendments in relation to Classification of Liabilities as Current or Non-current	1 January 2023
HK – int 5	Amendments in relation to Amendments to HKAS 1	1 January 2023
HKFRS 10 and HKAS 28	Amendments in relation to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

### Annual Improvements to HKFRSs 2018-2020 Cycle

		Effective for the financial year beginning on or after
HKFRS 1	Subsidiary as a first-time adopter	1 January 2022
HKFRS 9	Fee in the '10 percent' test for derecognition of financial liabilities	1 January 2022
HKFRS 16	Lease incentives	1 January 2022
HKAS 41	Taxation in fair value measurements	1 January 2022

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

## 4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments which are carried at their fair values. These consolidated financial statements are presented in Hong Kong dollars (HK\$) and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 5 to these consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currency translation

#### *(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in HK\$, which is the Company's functional and presentation currency.

#### *(b) Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

#### *(c) Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currency translation *(Continued)*

#### *(c) Translation on consolidation (Continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	20%
Plant and machinery	20%
Furniture, fixtures and equipment	15%-25%
Motor vehicles	10%

Depreciation of mining infrastructure is calculated using the units of production method to write off the cost of the assets proportionately to the extraction of the proved and probable mineral reserves.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Stripping costs

Stripping costs incurred in the development of a mine before production commences are capitalised as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a units of production basis.

Stripping costs incurred subsequently during the production phase of its operation are deferred for those operations where this is the most appropriate basis for matching the cost against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in stripping costs over the life of the mine. The amount of stripping costs deferred is based on the strip ratio obtained by dividing the tonnage of waste mined by the quantity of minerals contained in the ore. Stripping costs incurred in the period are deferred to the extent that the current period ratio exceeds the life of the mine strip ratio. Such deferred costs are then charged to profit or loss to the extent that, in subsequent periods, the current period ratio falls short of the life of mine ratio. The life of mine ratio is based on economically recoverable reserves of the mine. Changes are accounted for prospectively, from the date of the change.

Deferred stripping costs are included as part of "Mining infrastructure". These form part of the total investment in the relevant cash generating units, which are reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

### Mining right

Mining right is stated at cost less accumulated amortisation and any impairment losses. Mining right includes the cost of acquiring mining licenses, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining right is amortised over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the units of production method. Mining right is written off to profit or loss if the mining property is abandoned.

### Leases

#### *The Group as lessee*

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal useful lives are as follows:

Buildings	2 years
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leases *(Continued)*

#### *The Group as lessee (Continued)*

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

### Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

### Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified as financial assets at amortised cost and equity investments at fair value through other comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial assets** *(Continued)*

#### **(i) Financial assets at amortised cost**

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

#### **(ii) Equity investments at fair value through other comprehensive income**

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

### **Loss allowances for expected credit losses**

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“lifetime expected credit losses”) for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Loss allowances for expected credit losses** *(Continued)*

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

### **Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

### **Financial liabilities and equity instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

### **Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### **Trade and other payables**

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

### Other revenue

Interest income is recognised using the effective interest method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Employee benefits

#### *(a) Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### *(b) Pension obligations*

The Group operates a defined contribution MPF Scheme in Hong Kong under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

#### *(c) Termination benefits*

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

### **Government grants**

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

### **Taxation**

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Taxation** *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### **Segment reporting**

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
  
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

### Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements apart from those involving estimations, which are dealt with below.

### Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the shareholders at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 2 to the consolidated financial statements.

### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### *(a) Impairment of property, plant and equipment*

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the fair value less costs of disposal. Where the fair value less costs of disposal are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of fair value less costs of disposal, a material impairment loss may arise. The directors performed impairment assessment of the Group's property, plant and equipment and impairment loss of HK\$68,785,000 (2019: HK\$31,385,000) was recognised in profit or loss during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

### Key sources of estimation uncertainty *(Continued)*

#### **(b) Impairment of mining right**

Mining right is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is determined with reference to the fair value less costs of disposal. Where the fair value less costs of disposal are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of fair value less costs of disposal, a material impairment loss may arise. The directors performed impairment assessment of the Group's mining right and impairment loss of HK\$45,344,000 (2019: HK\$43,035,000) was recognised in profit or loss during the year.

#### **(c) Impairment loss for bad and doubtful debts**

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables and loan receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and loan receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

#### **(d) Mine reserves**

Mining right and mining development assets are amortised over the estimated useful lives of the mines in accordance with the production plans of the entities concerned and the mineral resources and reserves of the mines using the units of production method.

The process of estimating the quantities of the Group's gold reserve and resources is inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting mineral prices and costs change. Changes in reported reserves and resources estimated can impact the carrying value of intangible asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

### Key sources of estimation uncertainty *(Continued)*

#### **(e) Fair value of financial instruments that are not traded in an active market**

The Group appointed an independent professional valuer to assess the fair values of the equity investments at fair value through other comprehensive income. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

## 6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### **(a) Foreign currency risk**

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### **(b) Credit risk**

The carrying amount of the bank and cash balances, trade and other receivables, loan receivables, amount due from a related company and amounts due from directors included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has significant exposure to individual customers and debtors. At 31 December 2020, the Group's largest of the trade and other receivables were 27% of the total amount. The Group's largest of the loan receivables were 92% of the total amount.

It has policies in place to ensure that sales and loans are made to customers with an appropriate credit history.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 6. FINANCIAL RISK MANAGEMENT *(Continued)*

### (b) Credit risk *(Continued)*

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 365 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade loan receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Low provision
Performing	Low risk of default and strong capacity to pay	12 months expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 6. FINANCIAL RISK MANAGEMENT *(Continued)*

### (b) Credit risk *(Continued)*

	<b>Loan receivables</b> HK\$'000
<b>Balance at 31 December 2020</b>	102,492
Provision for loss allowance	<u>(11,489)</u>
Carrying amounts	<u><u>91,003</u></u>
Balance at 31 December 2019	115,565
Provision for loss allowance	<u>(6,752)</u>
Carrying amounts	<u><u>108,813</u></u>
<p>All of these loans are considered to have low risk and under the "Performing" category because they have a low risk of default and have strong ability to meet their obligations.</p>	
Expected credit loss rate	
2020	11%
2019	6%
Loss allowance at 1 January 2019	6,267
Increase in provision in 2019	<u>485</u>
Loss allowance at 31 December 2019	6,752
Increase in provision in 2020	<u>4,737</u>
Loss allowance at 31 December 2020	<u><u>11,489</u></u>

The increase in loss allowance is due to increase in expected credit loss rates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 6. FINANCIAL RISK MANAGEMENT *(Continued)*

### (c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000
<b>At 31 December 2020</b>			
Trade and other payables	36,812	–	–
Borrowings	55,017	140,867	117,847
Other borrowings	118,000	–	–
<b>At 31 December 2019</b>			
Trade and other payables	52,221	–	–
Borrowings	51,120	72,525	83,253
Other borrowings	–	118,000	–

### (d) Interest rate risk

The Group's borrowings bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

Except as stated above, the Group has no other significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 6. FINANCIAL RISK MANAGEMENT *(Continued)*

### (e) Categories of financial instruments

	2020 HK\$'000	2019 HK\$'000
<b>Financial assets:</b>		
Equity investments at fair value through other comprehensive income	60,058	–
Financial assets at amortised cost (including cash and cash equivalents)	<u>109,597</u>	<u>183,760</u>
	<u><b>169,655</b></u>	<u>183,760</u>
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	<u><b>344,915</b></u>	<u>276,277</u>

### (f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

## 7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 7. FAIR VALUE MEASUREMENTS *(Continued)*

### (a) Disclosures of level in fair value hierarchy at 31 December 2020

Description	Fair value measurements using:			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Recurring fair value measurements:</b>				
Equity investments at fair value through other comprehensive income				
Private equity investments	-	-	57,853	57,853

### (b) Reconciliation of assets measured at fair value based on level 3:

	Equity investments at fair value through other comprehensive income HK\$'000
At 1 January 2020	-
Total gains or losses recognised	
– in profit or loss (#)	-
– in other comprehensive income	2,853
Purchases	55,000
At 31 December 2020	57,853

(#) Include gains or losses for assets held at end of reporting period

The total gains or losses recognised in other comprehensive income are presented in changes in fair value of equity investments at fair value through other comprehensive income, net of tax in the consolidated statement of profit or loss and other comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 7. FAIR VALUE MEASUREMENTS *(Continued)*

### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2020:

The Group's financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

#### *Level 3 fair value measurements*

Description	Valuation technique	Unobservable Inputs	Range	Effect on fair value for increase of inputs	Fair value 2020 HK\$'000
Equity investments at fair value through other comprehensive income					
Private equity investments	Market comparable approach	Lack of marketability discount	16%	Decrease	57,853

## 8. SEGMENT INFORMATION

The Group has three reportable segments as follows:

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

Money lending segment – provision of money lending services; and

Trading and wholesale segment – engaged in trading of coal and wholesale and trading of frozen meat.

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

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 8. SEGMENT INFORMATION *(Continued)*

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

	Mining products HK\$'000	Money lending HK\$'000	Trading and wholesale HK\$'000	Total HK\$'000
<b>For the year ended 31 December 2020</b>				
Revenue from external customers	31,715	7,927	17,510	57,152
Segment loss	(136,663)	(3,791)	(255)	(140,709)
Depreciation of property, plant and equipment	11,144	–	–	11,144
Depreciation of right-of-use assets	–	66	–	66
Amortisation of mining right	1,044	–	–	1,044
Interest revenue	7	–	7	14
Interest expense	32,329	6,898	–	39,227
Income tax credit	6,256	–	–	6,256
Additions to segment non-current assets	99,028	228	–	99,256
impairment loss	116,025	4,737	–	120,762
<b>As at 31 December 2020</b>				
Segment assets	201,791	91,585	73,776	367,152
Segment liabilities	226,315	94,137	1,424	321,876
<b>For the year ended 31 December 2019</b>				
Revenue from external customers	18,377	8,280	17,899	44,556
Segment (loss)/profit	(88,110)	780	(267)	(87,597)
Depreciation of property, plant and equipment	2,694	–	–	2,694
Amortisation of mining right	1,465	–	–	1,465
Interest revenue	5	–	1	6
Interest expense	6,314	7,000	–	13,314
Income tax credit	7,862	–	–	7,862
Additions to segment non-current assets	68,401	–	1	68,402
Impairment loss	87,251	485	–	87,736
<b>As at 31 December 2019</b>				
Segment assets	207,900	108,830	21,415	338,145
Segment liabilities	104,033	107,671	13,638	225,342

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 8. SEGMENT INFORMATION *(Continued)*

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

	2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>		
Total revenue of reportable segments and consolidated revenue	<u>57,152</u>	<u>44,556</u>
<b>Profit or loss</b>		
Total loss of reportable segments	(140,709)	(87,597)
Other loss	<u>(22,564)</u>	<u>(30,671)</u>
Consolidated loss for the year	<u>(163,273)</u>	<u>(118,268)</u>
<b>Assets</b>		
Total assets of reportable segments	367,152	338,145
Other assets	<u>6,031</u>	<u>41,350</u>
Consolidated total assets	<u>373,183</u>	<u>379,495</u>
<b>Liabilities</b>		
Total liabilities of reportable segments	321,876	225,342
Other liabilities	<u>49,953</u>	<u>69,161</u>
Consolidated total liabilities	<u>371,829</u>	<u>294,503</u>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 8. SEGMENT INFORMATION *(Continued)*

Geographical information:

### (a) Revenue from external customers

	2020 HK\$'000	2019 HK\$'000
Hong Kong	7,927	8,280
PRC	49,225	36,276
	<u>57,152</u>	<u>44,556</u>

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

### (b) Non-current assets

	2020 HK\$'000	2019 HK\$'000
Hong Kong	3,764	1,040
PRC	190,651	185,599
	<u>194,415</u>	<u>186,639</u>

### (c) Revenue from major customers

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

	2020 HK\$'000	2019 HK\$'000
Customer A (sales of coal)	12,528	17,899
Customer B (sales of gold products)	2,021*	16,323
Customer C (sales of gold products)	12,251	–
Customer D (sales of gold products)	9,425	–
Customer E (sales of gold products)	8,285	–

\* Revenue from the customer did not exceed 10% of total revenue in the respective year. The amount was shown for comparative purpose

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 9. REVENUE

	2020 HK\$'000	2019 HK\$'000
Mining products	31,715	18,377
Trading of coal and wholesale and trading of frozen meat	17,510	17,899
Revenue from contracts with customers	49,225	36,276
Interest income of money lending	7,927	8,280
Total revenue	<u>57,152</u>	<u>44,556</u>

Disaggregation of revenue from contracts with customers:

	Mining products HK\$'000	Trading and wholesale HK\$'000	Total HK\$'000
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**For the year ended 31 December 2020**

### *Geographical markets*

PRC	<u>31,715</u>	<u>17,510</u>	<u>49,225</u>
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### *Major products*

Gold products	31,715	–	31,715
Frozen meat	–	4,982	4,982
Coal	–	12,528	12,528

Total	<u>31,715</u>	<u>17,510</u>	<u>49,225</u>
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### *Timing of revenue recognition*

At a point in time	<u>31,715</u>	<u>17,510</u>	<u>49,225</u>
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**For the year ended 31 December 2019**

### *Geographical markets*

PRC	<u>18,377</u>	<u>17,899</u>	<u>36,276</u>
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### *Major products*

Gold products	18,377	–	18,377
Coal	–	17,899	17,899

Total	<u>18,377</u>	<u>17,899</u>	<u>36,276</u>
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### *Timing of revenue recognition*

At a point in time	<u>18,377</u>	<u>17,899</u>	<u>36,276</u>
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 9. REVENUE *(Continued)*

### Sales of gold products

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

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

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

### Trading of coal and wholesale and trading of frozen meat

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

Sales to customers are normally made with credit terms of 30 to 90 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

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

## 10. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Interest income	14	6
Sales of scrap materials	–	4
Gain on settlement of convertible bonds by shares	1,032	1,333
Government grants	829	–
Others	–	5
	<u>1,875</u>	<u>1,348</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 11. OTHER EXPENSE

	2020 HK\$'000	2019 HK\$'000
Impairment loss on property, plant and equipment	68,785	31,385
Impairment loss on prepayments for property, plant and equipment and construction	1,517	2,612
Impairment loss on a former related company	–	5,812
Impairment loss on other receivables	–	4,407
Impairment loss on loan receivables	4,737	485
Impairment loss on mining right	45,344	43,035
Impairment loss on right-of-use assets	379	–
	<u>120,762</u>	<u>87,736</u>

## 12. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest of Settlement Convertible Bonds	937	6,619
Lease interests	96	106
Loan interests	57,498	22,985
Total borrowing costs	58,531	29,710
Amount capitalised	(14,713)	(8,228)
	<u>43,818</u>	<u>21,482</u>

Borrowing costs on fund borrowed generally are capitalised at a rate of 17% per annum (2019: 57%).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 13. INCOME TAX CREDIT

	2020 HK\$'000	2019 HK\$'000
Deferred tax (note 30)	<u>6,256</u>	<u>7,862</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year. No provision for Hong Kong Profits Tax has been made in the consolidated financial statement since the group has sufficient tax losses brought forward to set off against current year's assessable profit for the year ended 31 December 2019.

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

The applicable income tax rate for the subsidiaries of the Group in the PRC in the current year is 5%-25% (2019: 5%-25%).

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

	2020 HK\$'000	2019 HK\$'000
Loss before tax	<u>(169,529)</u>	<u>(126,130)</u>
Tax at the domestic income tax rate	(40,138)	(29,931)
Tax effect of income that is not taxable	(249)	(234)
Tax effect of expenses that are not deductible	4,981	7,237
Tax effect of tax losses not recognised	29,150	15,194
Tax effect of utilisation of tax losses not previously recognised	<u>–</u>	<u>(128)</u>
<b>Income tax credit</b>	<u><b>(6,256)</b></u>	<u><b>(7,862)</b></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 14. LOSS FOR THE YEAR

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

	2020 HK\$'000	2019 HK\$'000
Auditor's remuneration	1,100	880
Amortisation of mining right	1,044	1,465
Cost of sales*	30,298	25,476
Depreciation of right-of-use assets	1,870	2,019
Depreciation of property, plant and equipment	11,162	2,713
Staff costs including directors' emoluments		
Salaries, bonus and allowances	23,591	16,160
Retirement benefits scheme contributions	3,865	1,901

\* Cost of sales include staff costs, depreciation of approximately HK\$10,580,000 (2019: approximately HK\$5,630,000) which are included in the amounts disclosed separately above.

## 15. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION

The emoluments of each director were as follows:

For the year ended 31 December 2020					
		Fees HK\$'000	Salaries, allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive directors:					
Mr. Qiao Bingya	(i)	-	228	12	240
Mr. Xie Qiangming	(ii)	-	114	6	120
Mr. Zhang Yiwen		-	480	-	480
Non-Executive directors:					
Mr. Sun Aimin	(iii)	-	66	-	66
Independent non-executive directors:					
Mr. Cai Jianhua		240	-	-	240
Mr. Ho Wing Chung		120	-	-	120
Mr. Yan Xiaotian	(iv)	30	-	-	30
		<u>390</u>	<u>888</u>	<u>18</u>	<u>1,296</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 15. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION

(Continued)

		For the year ended 31 December 2019			
		Fees	Salaries, allowances	Retirement benefit scheme contributions	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:					
Mr. Long Xiaobo	(v)	–	280	7	287
Mr. Zuo Weiqi	(v)	–	252	6	258
Mr. Chen Yi-chung	(v)	–	383	6	389
Mr. Qiao Bingya	(i)	–	129	5	134
Mr. Xie Qiangming	(ii)	–	29	1	30
Mr. Xiao Jie	(vi)	–	160	–	160
Mr. Zhang Li	(vii)	–	260	11	271
Mr. Zhang Yiwen		–	411	–	411
Non-Executive directors:					
Mr. Zhang Jing	(ix)	–	90	–	90
Mr. Zhang Wei	(ix)	–	90	–	90
Independent non-executive directors:					
Mr. Cai Jianhua		240	–	–	240
Mr. Ho Wing Chung		120	–	–	120
Mr. Yan Xiaotian	(iv)	30	–	–	30
Ms. Liu Shuang	(viii)	76	–	–	76
Mr. Xie Qiangming	(ii)	90	–	–	90
		<u>556</u>	<u>2,084</u>	<u>36</u>	<u>2,676</u>

Notes:

- (i) Appointed on 10 June 2019
- (ii) Appointed as an independent non-executive director on 17 July 2018, and re-designated as executive director on 30 September 2019
- (iii) Appointed on 12 June 2020
- (iv) Appointed on 30 September 2019
- (v) Resigned on 10 June 2019

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 15. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION

(Continued)

- (vi) Retired on 6 June 2019
- (vii) Appointed on 18 April 2018 and resigned on 30 September 2019
- (viii) Resigned on 24 April 2019
- (ix) Appointed on 1 September 2018 and resigned on 30 September 2019

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2019: Nil).

The five highest paid individuals in the Group during the year included one (2019: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four (2019: three) individuals are set out below:

	2020 HK\$'000	2019 HK\$'000
Basic salaries and allowances	3,220	2,100
Retirement benefit scheme contributions	72	45
	<u>3,292</u>	<u>2,145</u>

The emoluments fell within the following band:

	Number of individuals	
	2020	2019
Nil to HK\$1,000,000	3	3
HK\$1,000,001 to HK\$1,500,000	<u>1</u>	<u>–</u>

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 16. DIVIDENDS

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2020 and 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 17. LOSS PER SHARE

### Basic loss per share

The calculation of basic loss per share attributable to owners of the Company for the year ended 31 December 2020 is based on the loss for the year attributable to owners of the Company of approximately HK\$108,567,000 (2019: approximately HK\$98,434,000) and the weighted average number of ordinary shares of 1,082,011,000 (2019: 896,070,000) in issue during the year.

### Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2020 and 2019.

## 18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Mining infrastructure HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>Cost</b>							
At 1 January 2019	6,569	10,393	4,079	2,101	83,963	51,050	158,155
Additions	2,507	9,487	316	–	–	56,092	68,402
Disposal	–	–	–	(532)	(103)	–	(635)
Exchange differences	(145)	(281)	(72)	(34)	(1,556)	(1,471)	(3,559)
At 31 December 2019	8,931	19,599	4,323	1,535	82,304	105,671	222,363
Additions	–	3,583	337	644	–	94,464	99,028
Disposal	–	–	(167)	–	–	–	(167)
Transfer	33,022	3,145	–	–	57,781	(93,948)	–
Exchange differences	547	1,307	254	113	5,042	9,280	16,543
<b>At 31 December 2020</b>	<b>42,500</b>	<b>27,634</b>	<b>4,747</b>	<b>2,292</b>	<b>145,127</b>	<b>115,467</b>	<b>337,767</b>
<b>Accumulated depreciation and impairment</b>							
At 1 January 2019	6,534	10,393	3,786	2,101	71,311	14,221	108,346
Charge for the year	606	1,960	81	–	66	–	2,713
Disposal	–	–	–	(527)	(103)	–	(630)
Impairment loss for the year	522	2,055	–	–	3,350	25,458	31,385
Exchange differences	142	229	75	(39)	1,463	376	2,246
At 31 December 2019	7,804	14,637	3,942	1,535	76,087	40,055	144,060
Charge for the year	6,926	3,243	264	131	598	–	11,162
Disposal	–	–	(167)	–	–	–	(167)
Impairment loss for the year	7,578	2,543	–	198	18,415	40,051	68,785
Exchange differences	(86)	(115)	(20)	(22)	(406)	(341)	(990)
<b>At 31 December 2020</b>	<b>22,222</b>	<b>20,308</b>	<b>4,019</b>	<b>1,842</b>	<b>94,694</b>	<b>79,765</b>	<b>222,850</b>
<b>Carrying amount</b>							
<b>At 31 December 2020</b>	<b>20,278</b>	<b>7,326</b>	<b>728</b>	<b>450</b>	<b>50,433</b>	<b>35,702</b>	<b>114,917</b>
At 31 December 2019	1,127	4,962	381	–	6,217	65,616	78,303

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group carried out reviews of the recoverable amount of its property, plant and equipment in 2020 as a result of the Group implement continuous maintenance and enhancement works program annually and review the expansion of existing mining locations within current mining right but has not updated a technical report to “upgrade” the reserves and/or resources of the Gold Mine. The reviews of property, plant and equipment led to the recognition of impairment losses of approximately HK\$68,785,000 (2019: approximately HK\$31,385,000), which has been recognised in profit or loss. The recoverable amount of the relevant assets of approximately HK\$114,189,000 (2019: approximately HK\$77,922,000) has been determined on the basis of their fair value less costs of disposal using discounted cash flow method (level 3 fair value measurements).

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

	2020	2019
Discount rate (post-tax discount rate applied to the cash flow projections)	<b>12.66%</b>	12.8%
Years of cash flows projection (expected mining period)	<b>10 years</b>	11 years

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 19. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2020 HK\$'000	2019 HK\$'000
At 31 December		
Right-of-use assets		
– Buildings	<u>3,752</u>	<u>1,010</u>
Lease commitments of short-term leases	<u>45</u>	<u>–</u>
The maturity analysis, bases on undiscounted cash flows, of the Group's lease liabilities is as follows:		
– Less than 1 year	<u>2,628</u>	<u>1,050</u>
– Between 1 and 2 years	<u>1,722</u>	<u>–</u>
	<u>4,350</u>	<u>1,050</u>
Year ended 31 December:		
Depreciation charge of right-use assets		
– Buildings	<u>1,870</u>	<u>2,019</u>
Lease interests	<u>96</u>	<u>106</u>
Expenses related to short-term leases	<u>47</u>	<u>371</u>
Total cash outflow for leases	<u>1,956</u>	<u>2,100</u>
Additions to right-of-use assets	<u>4,991</u>	<u>–</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 20. MINING RIGHT

	HK\$'000
<b>Cost</b>	
At 1 January 2019	1,434,127
Exchange differences	<u>(26,592)</u>
At 31 December 2019	1,407,535
Exchange differences	<u>86,226</u>
<b>At 31 December 2020</b>	<b><u>1,493,761</u></b>
<b>Accumulated amortisation and impairment</b>	
At 1 January 2019	1,278,879
Amortisation for the year	1,465
Impairment loss for the year	43,035
Exchange differences	<u>(23,170)</u>
At 31 December 2019	1,300,209
Amortisation for the year	1,044
Impairment loss for the year	45,344
Exchange differences	<u>71,418</u>
<b>At 31 December 2020</b>	<b><u>1,418,015</u></b>
<b>Carrying amount</b>	
<b>At 31 December 2020</b>	<b><u><u>75,746</u></u></b>
At 31 December 2019	<u><u>107,326</u></u>

Mining right includes the cost of acquiring mining licenses, costs transferred from exploration right and exploration and evaluation assets upon determination that an exploration property is capable of commercial production and land compensation costs. Land compensation costs represent the compensation paid to inhabitants for relocating them from the areas nearby the mining sites so that the Group can use the land as leaching piles and dumping areas for waste ores. The mining permit will expire on 31 December 2025. Mining right is amortised over the estimated useful lives of the mines in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the units of production method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 20. MINING RIGHT *(Continued)*

The Group carried out reviews of the recoverable amount of its mining right in 2020 as a result of the Group implement continuous maintenance and enhancement works program annually and review the expansion of existing mining locations within current mining right but has not updated a technical report to “upgrade” the reserves and/or resources of the Gold Mine. The reviews of mining right led to the recognition of impairment losses of approximately HK\$45,344,000 (2019: approximately HK\$43,035,000), which has been recognised in profit or loss. The recoverable amount of the relevant assets of approximately HK\$75,746,000 (2019: approximately HK\$107,326,000) has been determined on the basis of their fair value less costs of disposal using discounted cash flow method (level 3 fair value measurements).

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

	2020	2019
Discount rate (post-tax discount rate applied to the cash flow projections)	<b>12.66%</b>	12.80%
Years of cash flows projection (expected mining period)	<b>10 years</b>	11 years

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 HK\$'000
Equity securities, at fair value	
Unlisted equity securities	<u>60,058</u>
Analysed as:	
Non-current assets	<u>60,058</u>

Notes:

- (i) The above investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss.
- (ii) On 20 January 2020, the Group completed an investment in Target Company, which is principally engaged in: (i) comprehensive utilisation of waste resources; (ii) procurement, processing, production and sales of metal scrap and metal-containing waste; (iii) trading in mineral products; and (iv) sales of metal materials. The purchase consideration was settled at a total cash consideration of HKD55,000,000. The fair value of this investment as at 31 December 2020 was approximately HK\$57,853,000, its carrying amount accounts for more than 5% of the Group's total assets as at 31 December 2020. The fair value gain of equity investment at fair value through other comprehensive income for the year ended 31 December 2020 was approximately HK\$2,853,000.

On 25 September 2020, the Group completed another investment in a company, which is principally engaged in online auction. The purchase consideration was settled at a total cash consideration of HK\$2,205,000. The fair value of this investment as at 31 December 2020 was approximate to investment cost.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 22. SUBSIDIARIES

Particulars of the Company's major subsidiaries are set out below:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing		Principal activities and place of operation
			Direct	Indirect	
GCC Finance Company Limited	Hong Kong	HK\$2 Ordinary shares	100%	–	Money lending services in Hong Kong
Westralian Resources	Australia	80,000 Ordinary shares of AUD1 each	100%	–	Investment holding in the PRC
Hunan Westralian (Note (i))	PRC	US\$29,700,000	–	51% (2019: 80%)	Gold mining, exploration and trading of gold products in the PRC
Huzhou Huamao Trading Co., Limited (Note (ii))	PRC	HK\$1,000,000	–	100%	Trading of coal in the PRC
Changsha Huamao Resources Trading Co., Limited	PRC	RMB\$1,000,000	–	100%	Trading of coal and wholesale and trading of frozen meat in the PRC

Note:

(i) Hunan Westralian is a foreign owned enterprise established in the PRC.

(ii) Huzhou Huamao Trading Co., Limited is a Hong Kong owned enterprise established in the PRC.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

The following table shows information of subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 22. SUBSIDIARIES *(Continued)*

Name	Hunan Westralian Mining Co., Limited	
	2020	2019
Principal place of business/country of incorporation	PRC/PRC	PRC/PRC
% of ownership interests and voting rights held by NCI	49.0%	20.0%
	<u>HK\$'000</u>	<u>HK\$'000</u>
At 31 December:		
Non-current assets	179,713	172,073
Current assets	20,694	31,857
Non-current liabilities	(153,674)	(17,192)
Current liabilities	<u>(550,513)</u>	<u>(556,307)</u>
Net liabilities	<u>(503,780)</u>	<u>(369,569)</u>
Accumulated NCI	<u>(246,852)</u>	<u>(73,914)</u>
Year ended 31 December:		
Revenue	31,715	18,377
Loss for the year	(136,647)	(99,170)
Total comprehensive loss	(124,491)	(100,799)
Loss allocated to NCI	(54,705)	(19,834)
Net cash generated from operating activities	29,939	18,299
Net cash used in investing activities	(99,027)	(60,169)
Net cash generated from financing activities	63,292	52,963
Effect of foreign exchange rate changes	<u>3,296</u>	<u>(9,165)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(2,500)</u>	<u>1,928</u>

As at 31 December 2020, the bank and cash balances of the Group' subsidiaries in the PRC denominated in RMB amounted to HK\$8,308,000 (2019: HK\$5,366,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 23. TRADE AND OTHER RECEIVABLES

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

	2020 HK\$'000	2019 HK\$'000
Trade receivables	7,630	27,625
Prepayments	6,581	2,583
Prepayment for construction	2,178	5,129
Prepayments for property, plant and equipment	354	1,384
Deposits	1,509	999
Other receivables	148	3,826
	<u>18,400</u>	<u>41,546</u>

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

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	661	25,808
31 – 60 days	852	1,601
61 – 90 days	–	–
Over 90 days	6,117	216
	<u>7,630</u>	<u>27,625</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 23. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Current	Over 90 days Past due	Total
<b>At 31 December 2020</b>			
Weighted average expected loss rate	0%	0%	
Receivable amount (HK'000)	1,513	6,117	7,630
Loss allowance (HK'000)	–	–	–
<b>At 31 December 2019</b>			
Weighted average expected loss rate	0%	0%	
Receivable amount (HK'000)	27,409	216	27,625
Loss allowance (HK'000)	–	–	–

## 24. LOAN RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Loan receivables	102,492	115,565
Provision for loss allowance	<u>(11,489)</u>	<u>(6,752)</u>
Carrying amount	<u><u>91,003</u></u>	<u><u>108,813</u></u>

On 27 November 2018, the Group entered into a loan agreement with a third party ("Borrower A"). Pursuant to the loan agreement, the loan is secured by the 96% shares of the Borrower A and guaranteed by the directors of Borrower A, the principal amount of the loan is HK\$85,000,000 with interest rate of 7.5% per annum and repayable in twelve months. On 9 January 2020, the Group and Borrower A entered into a supplementary agreement to extend the original maturity date under the loan agreement to 25 November 2021, and all other terms and conditions remain unchanged.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 24. LOAN RECEIVABLES

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

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

	2020 HK\$'000	2019 HK\$'000
Within one year	91,003	92,685
In the second year	—	16,128
	<u>91,003</u>	<u>108,813</u>

Reconciliation of loss allowance for loan receivables:

	2020 HK\$'000	2019 HK\$'000
At 1 January	6,752	6,267
Increase in loss allowance for the year	<u>4,737</u>	<u>485</u>
At 31 December	<u>11,489</u>	<u>6,752</u>

## 25. TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables	1,029	13,618
Accrued liabilities and other payables	35,783	19,589
Amount due to a matured convertible bond holder (note (i))	—	19,014
	<u>36,812</u>	<u>52,221</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 25. TRADE AND OTHER PAYABLES *(Continued)*

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

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	128	13,618
31 – 60 days	901	–
	<u>1,029</u>	<u>13,618</u>

Note:

- (i) On 27 March 2020, the Company entered into Wu Settlement Agreement with Creditor B, being the only remaining holder of the convertible bonds, for the settlement of the amount of approximately HK\$18,161,000 (comprising outstanding principal of approximately HK\$13,970,000 and accrued and unpaid interest of approximately HK\$4,191,000) due to him as at the maturity date. The outstanding amount of approximately HK\$18,161,000 continued to accrue interest at 10% per annum from the maturity date. Details of the Wu Settlement Agreement, please refer to the Company's announcement published on the same date.

Up to 29 April 2020, part of the outstanding amount of HK\$10,000,000 (comprising outstanding principal of approximately HK\$8,328,000 and accrued and unpaid interest of approximately HK\$1,672,000) was fully settled by cash.

On 30 June 2020, the Company further entered into a supplemental agreement with Creditor B to extend the final settlement date of the remaining outstanding amount under the settlement agreement to 30 September 2020. On 20 August 2020, the Company received a transfer form signed by Credit B as transferor and Ms. Tung as transferee whereby Creditor B assigned to Ms. Tung all his rights under the Relevant Bonds (as amended by the Wu Settlement Agreement) with respect to the entire outstanding amount of approximately HK\$9,952,000 (comprising outstanding principal of approximately HK\$9,833,000 and accrued and unpaid interest of approximately HK\$119,000 up to 12 June 2020).

On 31 August 2020, the Company entered into Tung Settlement Agreement with Ms. Tung for the settlement of the amount owed by the Company under the Relevant Bonds and the Wu Settlement Agreement, being approximately HK\$9,952,000. The amount was settled in full by the Company by the issue and allotment of 70,789,074 Shares to Ms. Tung at a price of HK\$0.14058 per Share (the closing market price on the issue date was HK\$0.126). The issue of settlement shares was completed on 9 October 2020 and the premium on the issue of shares, amounting to approximately HK\$8,212,000, was credited to the Company's share premium account.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 26. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	As at 31 December		As at
	2020	2020	1 January
	HK\$'000	HK\$'000	2019
			HK\$'000
Contract liabilities	<u>10,946</u>	<u>–</u>	<u>–</u>
Contract receivables (included in trade receivables)	<u>7,630</u>	<u>27,625</u>	<u>25,125</u>

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

	2020	2019
	HK\$'000	HK\$'000
–2021	<u>10,946</u>	<u>N/A</u>

Significant changes in contract liabilities during the year

	2020	2019
	HK\$'000	HK\$'000
Increase due to operations in the year	<u>10,946</u>	<u>–</u>

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 27. BORROWINGS

	2020 HK\$'000	2019 HK\$'000
<b>Short-term borrowings</b>		
– secured, 24% interest per annum and due within one year (note(i))	24,479	49,961
– unsecured, 24% interest per annum and due within one year (note (ii))	1,467	1,159
– secured, 36% interest per annum and due within one year (note (iii))	27,709	–
	<u>53,655</u>	<u>51,120</u>
<b>Long-term borrowings</b>		
– secured, 36% interest per annum and due within three years (note (iii))	86,115	59,473
– unsecured, 36% interest per annum and due within three years	55,758	6,888
	<u>141,873</u>	<u>66,361</u>
	<u><b>195,528</b></u>	<u>117,481</u>

Note:

- (i) During 2019, the borrowing is secured by the entire 80% shares of Hunan Westralian held by the Westralian Resources and it is due to Mr. Cai, one of the former directors of Hunan Westralian.

On 10 August 2020, the Company and Westralian Resources, entered into the Settlement Agreement with Mr. Cai. In connection with the settlement arrangements, the Company and Westralian Resources have agreed to sell the 29% equity interest in Hunan Westralian, a company owned as to 80% by Westralian Resources, to Mr. Cai for approximately HK\$42,842,000 (equivalent to RMB38,485,000) to partially settle the outstanding amount owed to Mr. Cai. Mr. Cai has agreed to extend the maturity date to 31 August 2021. The borrowing is secured by the 51% shares of Hunan Westralian as at 31 December 2020.

- (ii) The borrowings are guaranteed by a general manager (“General Manager”) of Hunan Westralian.
- (iii) The borrowing is secured by 35% of mining right owned by Hunan Westralian and guaranteed by 10.4% of shares of Xinhua Choumu Mining Co., Limited owned by the General Manager.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 28. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Within one year	<b>2,628</b>	1,050	<b>2,476</b>	1,035
In the second to fifth years, inclusive	<b>1,722</b>	–	<b>1,690</b>	–
	<b>4,350</b>	1,050	<b>4,166</b>	1,035
Less: Future finance charges	<b>(184)</b>	(15)		
Present value of lease liabilities	<b>4,166</b>	1,035		
Less: Amount due for settlement within 12 months (shown under current liabilities)			<b>(2,476)</b>	(1,035)
Amount due for settlement after 12 months			<b>1,690</b>	–

At 31 December 2020, the average effective borrowing rate was 5% (2019: 5%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

## 29. OTHER BORROWINGS

The lender has a security interest over the shares of the Company and is deemed to be interested in such shares. The other borrowing is unsecured, 6% interest per annum and maturity date within 12 months (2019: 24 months).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 30. DEFERRED TAX LIABILITIES

	Revaluation of mining right HK\$'000
At 1 January 2019	25,452
Charge to profit or loss for the year	(7,862)
Exchange differences	(399)
	<hr/>
At 31 December 2019	17,191
Charge to profit or loss for the year	(6,256)
Exchange differences	867
	<hr/>
<b>At 31 December 2020</b>	<b><u>11,802</u></b>

No deferred tax asset have been recognised in respect of tax loss approximately HK\$20,484,000 (2019: HK\$30,630,000) due to the unpredictability of future profit streams. These tax losses will expire from year 2021 to 2025.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 31. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
At 1 January 2019, 31 December 2019 and 2020 (25,000,000,000 ordinary shares of HK\$0.01 each)		
	<u>25,000,000</u>	<u>25,000</u>
Issued and fully paid:		
At 1 January 2019 (17,544,977,408 ordinary shares of HK\$0.01 each)		
	17,544,977	175,449
Issue of settlement shares (i)	1,403,509	14,036
Issue of subscription shares (ii)	<u>2,100,000</u>	<u>21,000</u>
At 31 December 2019 (21,048,486,179 ordinary shares of HK\$0.01 each)		
	21,048,486	210,485
Capital Reorganisation (iii)	(19,996,062)	(199,961)
Issue of settlement shares (iv)	70,789	708
Issue of subscription shares (v)	<u>139,500</u>	<u>1,395</u>
<b>At 31 December 20120</b>		
<b>(1,262,713,382 ordinary shares of HK\$0.01 each)</b>		
	<u>1,262,713</u>	<u>12,627</u>

- (i) On 23 October 2019, the Company entered into a settlement agreement in respect of issue and allotment of 1,403,508,771 then shares of the Company at a price of HK\$0.01995 per share (the closing market price on the issue date was HK\$0.019) to Creditor A to settle part of convertible bonds. The issue of settlement shares was completed on 6 November 2019 and the premium on the issue of shares, amounting to approximately HK\$12,631,000, was credited to the Company's share premium account.
- (ii) On 27 November 2019, the Company entered into one subscription agreement with each of the three subscribers, pursuant to which the subscribers subscribed for a total of 2,100,000,000 then shares of the Company at a price of HK\$0.018 per share. The share subscription was completed on 4 December 2019 and the premium on the issue of shares, amounting to approximately HK\$16,800,000, was credited to the Company's share premium account.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 31. SHARE CAPITAL *(Continued)*

- (iii) On 27 November 2019, The Board proposed to implement the capital reorganisation involving (1) Share Consolidation: consolidation of every twenty issued and unissued shares into one Consolidated Share; and (2) Capital Reduction: (i) reduction of issued capital thereby the par value of each issued Consolidated Share reduced from HK\$0.20 to HK\$0.01; (ii) subdivision of each authorised but unissued Consolidated Share of par value of HK\$0.20 into 20 unissued Adjusted Shares; and (iii) application of the credit standing to the credit of the share premium account of the Company in and towards setting off of part of the accumulated deficit of the Company. The Capital Reorganisation was completed on 16 March 2020.
  
- (iv) On 31 August 2020, the Company entered into Tung Settlement Agreement with Ms. Tung for the settlement of the amount owed by the Company under the Relevant Bonds and the Wu Settlement Agreement, being approximately HK\$9,952,000. The amount was settled in full by the Company by the issue and allotment of 70,789,074 Shares to Ms. Tung at a price of HK\$0.14058 per Share (the closing market price on the issue date was HK\$0.126). The issue of settlement shares was completed on 9 October 2020 and the premium on the issue of shares, amounting to approximately HK\$8,212,000, was credited to the Company's share premium account.
  
- (v) On 9 November 2020, the Company entered into one subscription agreement with each of the three subscribers, pursuant to which the subscribers subscribed for a total of 139,500,000 Shares at a price of HK\$0.09918 per Share. The issue of subscription shares was completed on 27 November 2020 and the premium on the issue of shares, amounting to approximately HK\$12,440,000, was credited to the Company's share premium account.

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

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

The directors of the Company review the capital structure periodically. As apart of this review, the directors of the Company consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors of the Company, the Company will balance its overall capital structure through new share issues, the issue of new debt or the redemption of existing debt.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 32. RESERVES

### (a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

### (b) Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	(Accumulated losses)/ retained earning HK\$'000	Total HK\$'000
At 1 January 2019	488,361	300	(467,377)	21,284
Issue of settlement shares (note 31(i))	12,631	–	–	12,631
Issue of subscription shares (note 31(ii))	16,800	–	–	16,800
Loss for the year	–	–	(102,294)	(102,294)
At 31 December 2019	517,792	300	(569,671)	(51,579)
Capital Reorganisation (note 31(iii))	(517,792)	–	717,753	199,961
Issue of settlement shares (note 31(iv))	8,212	–	–	8,212
Issue of subscription shares (note 31(v))	12,440	–	–	12,440
Loss for the year	–	–	(301,157)	(301,157)
<b>At 31 December 2020</b>	<b>20,652</b>	<b>300</b>	<b>(153,075)</b>	<b>(132,123)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 32. RESERVES (Continued)

### (c) Nature and purpose of reserves

#### (i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

#### (ii) Capital redemption reserve

Capital redemption reserve arises from the reduction of the nominal value of the issued capital of the Company upon the cancellation of the repurchased shares.

#### (iii) Foreign currency translation reserve

Foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy in note 4.

## 33. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2020 HK\$'000	2019 HK\$'000
Construction contracted but not provided for	<u>–</u>	<u>7,215</u>

## 34. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2020 HK\$'000	2019 HK\$'000
Interest expenses to other borrowings	<u>6,000</u>	<u>6,000</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER

	2020 HK\$'000	2019 HK\$'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	12	30
Right-of-use assets	<u>3,591</u>	<u>1,010</u>
	<u>3,603</u>	<u>1,040</u>
<b>CURRENT ASSETS</b>		
Other receivables	1,973	5,783
Amounts due from subsidiaries	18,165	292,694
Bank and cash balances	<u>344</u>	<u>37,114</u>
	<u>20,482</u>	<u>335,591</u>
<b>CURRENT LIABILITIES</b>		
Other payables	1,626	19,256
Borrowings	24,479	–
Other borrowings	112,575	–
Amounts due to subsidiaries	898	898
Lease liabilities	<u>2,362</u>	<u>1,035</u>
	<u>141,940</u>	<u>21,189</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>	<u>(121,458)</u>	<u>314,402</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>(117,855)</u>	<u>315,442</u>
<b>NON-CURRENT LIABILITIES</b>		
Other borrowings	–	106,575
Borrowings	–	49,961
Lease liabilities	<u>1,641</u>	<u>–</u>
	<u>1,641</u>	<u>156,536</u>
<b>NET (LIABILITIES)/ASSETS</b>	<u>(119,496)</u>	<u>158,906</u>
<b>EQUITY</b>		
Share capital	12,627	210,485
Reserves	<u>(132,123)</u>	<u>(51,579)</u>
<b>Total equity</b>	<u>(119,496)</u>	<u>158,906</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transaction

On 10 August 2020, the Company and Westralian Resources, entered into the settlement agreement with Mr. Cai with respect to the settlement of approximately HK\$42,842,000. On completion of the Loan Arrangement, the equity holding of Westralian Resources in Hunan Westralian decreases from 80% to 51%. The effect of the Loan Arrangement on the equity attributable to the owners of the Company is a gain recognised directly in retained earning of the Group of approximately HK\$158,773,000.

### (b) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Lease Liabilities HK\$'000	Other borrowings HK\$'000	Amount due to a former related company HK\$'000	Settlement Convertible Bonds HK\$'000	Borrowings HK\$'000	Total HK\$'000
At 1 January 2019	–	100,575	2,385	65,909	6,599	175,468
Changes in cash flows	(2,100)	–	689	(25,514)	93,897	66,972
Non-cash changes						
– addition	3,029	–	–	–	–	3,029
– reclassify to amount due from a former related company	–	–	(3,074)	–	–	(3,074)
– equity-settlement	–	–	–	(28,000)	–	(28,000)
– interest charged	106	6,000	–	6,619	16,985	29,710
– reclassify to other payables	–	–	–	(19,014)	–	(19,014)
At 31 December 2019	1,035	106,575	–	–	117,481	225,091
Changes in cash flows	(1,956)	–	–	–	69,391	67,435
Non-cash changes						
– addition	4,991	–	–	–	–	4,991
– disposal of partial interest in a subsidiary	–	–	–	–	(42,842)	(42,842)
– interest charged	96	6,000	–	–	51,498	57,594
At 31 December 2020	4,166	112,575	–	–	195,528	312,269

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## **37. EVENT AFTER THE REPORTING PERIOD**

At the request of the Company, trading in its shares on the Stock Exchange was halted with effect from 9:00 a.m. on 1 March 2021, pending the release of an announcement pursuant to The Code on Takeovers and Mergers.

## **38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 7 April 2021.

## FIVE YEARS FINANCIAL SUMMARY

The following is a summary of the published results and of the assets and liabilities of the Group:

### RESULTS

	Year ended 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue					
Continuing operations	<b>57,152</b>	44,556	27,046	22,803	40,399
Discontinued operation	<u>–</u>	<u>–</u>	<u>22,359</u>	<u>21,424</u>	<u>–</u>
	<b><u>57,152</u></b>	<b><u>44,556</u></b>	<b><u>49,405</u></b>	<b><u>44,227</u></b>	<b><u>40,399</u></b>
Loss before tax	<b>(169,529)</b>	(126,130)	(120,864)	(21,381)	(13,910)
Income tax credit/(expense)	<b><u>6,256</u></b>	<u>7,862</u>	<u>11,090</u>	<u>(1,015)</u>	<u>(11,549)</u>
Loss for the year from continuing operations	<b>(163,273)</b>	(118,268)	(109,774)	(22,396)	(25,459)
Profit/(loss) from discontinued operation	<u>–</u>	<u>–</u>	<u>15,496</u>	<u>(1,783)</u>	<u>–</u>
Loss for the year	<b><u>(163,273)</u></b>	<b><u>(118,268)</u></b>	<b><u>(94,278)</u></b>	<b><u>(24,179)</u></b>	<b><u>(25,459)</u></b>
Attributable to:					
Owners of the Company	<b>(108,567)</b>	(98,434)	(72,742)	(15,849)	(27,181)
Non-controlling interests	<b><u>(54,706)</u></b>	<u>(19,834)</u>	<u>(21,536)</u>	<u>(8,330)</u>	<u>1,722</u>
	<b><u>(163,273)</u></b>	<b><u>(118,268)</u></b>	<b><u>(94,278)</u></b>	<b><u>(24,179)</u></b>	<b><u>(25,459)</u></b>

### ASSETS AND LIABILITIES

	As at 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Non-current assets	<b>254,473</b>	202,767	205,057	296,205	289,382
Current assets	<b>118,710</b>	176,728	151,876	94,008	113,951
Current liabilities	<b>(216,464)</b>	(104,376)	(188,502)	(38,519)	(57,348)
Non-current liabilities	<b><u>(155,365)</u></b>	<u>(190,127)</u>	<u>(25,452)</u>	<u>(95,867)</u>	<u>(85,059)</u>
Net assets/(liabilities)	<b><u>1,354</u></b>	<b><u>84,992</u></b>	<b><u>142,979</u></b>	<b><u>255,827</u></b>	<b><u>260,926</u></b>
Attributable to:					
Owners of the Company	<b>248,206</b>	158,906	196,733	285,817	286,055
Non-controlling interests	<b><u>(246,852)</u></b>	<u>(73,914)</u>	<u>(53,754)</u>	<u>(29,990)</u>	<u>(25,129)</u>
Total equity/(deficit)	<b><u>1,354</u></b>	<b><u>84,992</u></b>	<b><u>142,979</u></b>	<b><u>255,827</u></b>	<b><u>260,926</u></b>

## DEFINITIONS

In this annual report, unless the context otherwise indicated, the following expressions shall have the following meanings:

“2019 Annual Report”	the annual report of the Company for the year ended 31 December 2019
“2020 Interim Report”	the interim report of the Company for the six months ended 30 June 2020
“Adjusted Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“AGM”	the annual general meeting of the Company
“Articles of Association”	the articles of association of the Company
“associate(s)”	having the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Company
“Auditor” or “ZHONGHUI ANDA”	ZHONGHUI ANDA CPA Limited, an independent external auditor of the Company
“Board”	the board of Directors
“Capital Reduction”	the Reduction of Issued Capital, the subdivision of each authorised but unissued Consolidated Share into 20 unissued Adjusted Shares and the Share Premium Reduction
“Capital Reorganisation”	the capital reorganisation approved by Shareholders at the EGM held on 30 December 2019 which involves the Share Consolidation and the Capital Reduction and became effective on 16 March 2020
“CB Settlement Agreements”	having the same meaning ascribed thereto under the Circular (i.e. a total 3 sets of convertible bonds settlement agreements entered into between the Company and the CB Settlement Creditors)
“CB Settlement Creditors”	having the same meaning ascribed thereto under the Circular (i.e. Mr. 李鐵鍵, Mr. 吳躍新 and Mr. 豆新虎)
“CG Code”	Corporate Governance Code as set out in Appendix 14 of the Listing Rules

## DEFINITIONS

“Chairman of the Board”	the chairman of the Board
“CEO”	the chief executive officer of the Company
“China” or “PRC”	the People’s Republic of China, but for the purposes of this annual report and for geographical reference only (unless otherwise indicated), excludes the Macao Special Administrative Region of the PRC, Hong Kong and Taiwan
“Circular”	a circular despatched by the Company to the Shareholders on 29 January 2016
“Code Provisions”	code provisions as set out in the CG Code
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company”	China Billion Resources Limited, a company incorporated in the Cayman Islands with limited liability, shares of which are listed on the Stock Exchange
“Company Secretary”	the company secretary of the Company
“Consolidated Share(s)”	the ordinary share(s) of HK\$0.20 each in the share capital of the Company after the Share Consolidation but prior to the Capital Reduction
“Corresponding Period”	the period for the year ended 31 December 2019
“Creditor A”	Mr. 李鐵鍵, one of the CB Settlement Creditors
“Creditor B”	Mr. 吳躍新, one of the CB Settlement Creditors
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company held on 30 December 2019
“Executive Director(s)”	the executive Director(s)
“Gold Mine”	the Group’s Yuanling gold project in Hunan Province, the PRC

## DEFINITIONS

“Group”	the Company and its subsidiaries
“HKAS”	Hong Kong Accounting Standards
“HKFRS”	Hong Kong Financial Reporting Standards
“HKFRSs”	Hong Kong Financial Reporting Standards comprise HKFRS, HKAS and Interpretations
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hunan Westralian”	Hunan Westralian Mining Co., Limited, a foreign owned enterprise established in the PRC and is a subsidiary of the Company
“INED(s)”	the independent non-executive Director(s)
“Internal Control Consultant”	an internal control consultant engaged by the Company on 17 December 2020 to perform an internal control review of the Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement dated 6 August 2019 entered into between the Company as borrower, Westralian Resources as co-borrower and Mr. Cai as lender, pursuant to which Mr. Cai has agreed to advance a facility of up to RMB80,000,000 to the Company
“Management”	the management of the Company
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“MPF Scheme”	Mandatory Provident Fund retirement benefits scheme
“Mr. Cai” or “Lender”	Mr. Cai Shuo, a former director of Hunan Westralian (appointed as director on 15 August 2019 and resigned on 20 August 2020)
“Ms. Tung”	Ms. Tung Yuen Ling
“NED(s)”	the non-executive Director(s)

## DEFINITIONS

“Nomination Committee”	the nomination committee of the Company
“Proposed Disposal”	have the same meaning as defined in the Company’s announcement dated 10 August 2020
“Proposed Extension”	have the same meaning as defined in the Company’s announcement dated 10 August 2020
“Reduction of Issued Capital”	the reduction of the par value of each issued Consolidated Share from HK\$0.20 to HK\$0.01 by cancelling HK\$0.19 of the paid-up capital on each issued Consolidated Share
“Relevant Bonds”	the convertible bonds issued by the Company to Creditor B on 24 May 2016 in the principal amount of HK\$13,970,030.14, which matured on 23 May 2019 (upon which the rights to conversion ceased) and part of the amount due thereunder has been repaid by the Company
“Remuneration Committee”	the remuneration committee of the Company
“Reporting Period”	the period for the year ended 31 December 2020
“RMB”	Renminbi, the lawful currency of the PRC
“Settlement Agreement”	the agreement dated 10 August 2020 entered into between the Company, Westralian Resources and Mr. Cai in relation to the settlement of amounts owed by the Company to Mr. Cai under the Loan Agreement
“Settlement Convertible Bonds”	the unsecured 10% convertible bonds in the aggregate principal amount of HK\$53,417,356.17 with a term of three years to be issued by the Company to the CB Settlement Creditors pursuant to the terms of the CB Settlement Agreements
“Settlement Sum”	the entire outstanding amount of HK\$9,951,528.08 as amended by the Wu Settlement Agreement, comprising outstanding principal of HK\$9,832,993.37 and accrued and unpaid interest of HK\$118,534.71 up to 12 June 2020
“Settlement Shares”	70,789,074 Shares to be issued by the Company to Ms. Tung in accordance with the terms of the Tung Settlement Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)

## DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Share Consolidation”	the consolidation of every twenty (20) then issued and unissued shares of the Company of HK\$0.01 each into one (1) Consolidated Share of par value of HK\$0.20
“Share Option Scheme”	the share option scheme approved by the Shareholders for adoption at the extraordinary general meeting of the Company held on 22 February 2016
“Share Premium Reduction”	the application of the credit arising from the Reduction of Issued Capital and the credit standing in the Company’s share premium account towards offsetting the accumulated deficit of the Company as at the effective date of the Capital Reduction in a manner as permitted by the Companies Law and other applicable laws
“Shareholder(s)”	holder(s) of the Share(s)
“SRK”	SRK Consulting China Limited, an independent technical adviser
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Loan Agreement”	the agreement dated 10 August 2020 entered into between the Company, Westralian Resources and Mr. Cai to supplement the Loan Agreement
“Supplemental Share Charge”	the agreement dated 10 August 2020 entered into between Westralian Resources as chargor and Mr. Cai as chargee to supplement the Share Charge
“Target Company”	德興市益豐再生有色金屬有限責任公司, a limited liability company incorporated in the PRC
“Tung Settlement Agreement”	the agreement dated 31 August 2020 entered into between the Company and Ms. Tung in relation to the settlement of HK\$9,951,528.08 outstanding amount and issue of 70,798,074 settlement shares

## DEFINITIONS

"Westralian Resources"	Westralian Resources Pty Ltd, a wholly-owned subsidiary of the Company incorporated in Australia
"Wu Settlement Agreement"	the agreement dated 27 March 2020 (as amended and supplemented by the supplemental agreement) entered into between the Company and Creditor B relation to the settlement of debt owed by the Company to Creditor B under the Relevant Bonds
"%"	per cent