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CHINA BILLION RESOURCES LIMITED
中富資源有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 274)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021

The Board presents herewith the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 and selected explanatory notes, together with the comparative figures for the six months ended 30 June 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	4	47,070	18,727
Cost of sales and services rendered		<u>(38,480)</u>	<u>(11,404)</u>
Gross profit		8,590	7,323
Other income and gains		21,594	553
Administrative expenses		<u>(15,786)</u>	<u>(15,867)</u>
Profit/(loss) from operations		14,398	(7,991)
Finance costs	5	<u>(35,157)</u>	<u>(28,105)</u>
Loss before tax		(20,759)	(36,096)
Income tax credit/(expense)	6	<u>708</u>	<u>(1,606)</u>

		Six months ended 30 June	
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	7	(20,051)	(37,702)
Other comprehensive loss after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(18,779)</u>	<u>(5,129)</u>
Other comprehensive loss for the period		<u>(18,779)</u>	<u>(5,129)</u>
Total comprehensive loss for the period		<u>(38,830)</u>	<u>(42,831)</u>
Loss for the period attributable to:			
Owners of the Company		(4,238)	(32,990)
Non-controlling interests		<u>(15,813)</u>	<u>(4,712)</u>
Loss for the period		<u>(20,051)</u>	<u>(37,702)</u>
Total comprehensive loss for the period attributable to:			
Owners of the Company		(1,159)	(37,710)
Non-controlling interests		<u>(37,671)</u>	<u>(5,121)</u>
Total comprehensive loss for the period		<u>(38,830)</u>	<u>(42,831)</u>
Loss per share (HK cents)			
Basic	8	<u>(0.34)</u>	<u>(7.10)</u>
Diluted	8	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2021

	Notes	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Non-current assets			
Property, plant and equipment		115,717	114,917
Right-of-use assets		229	3,752
Mining right	9	78,146	75,746
Equity investment at fair value through other comprehensive income	10	60,088	60,058
		<u>254,180</u>	<u>254,473</u>
Current assets			
Inventories		2,961	–
Trade and other receivables		17,877	18,400
Loan receivables	11	411	91,003
Bank and cash balances		2,123	9,307
		<u>23,372</u>	<u>118,710</u>
Current liabilities			
Trade and other payables		27,999	36,812
Contract liabilities		6,856	10,946
Borrowings	12	70,822	53,655
Lease liabilities		216	2,476
Other borrowings		–	112,575
		<u>105,893</u>	<u>216,464</u>
Net current liabilities		<u>(82,521)</u>	<u>(97,754)</u>
Total assets less current liabilities		<u>171,659</u>	<u>156,719</u>
Non-current liabilities			
Borrowings	12	197,867	141,873
Lease liabilities		19	1,690
Deferred tax liabilities		11,249	11,802
		<u>209,135</u>	<u>155,365</u>
NET (LIABILITIES)/ASSETS		<u><u>(37,476)</u></u>	<u><u>1,354</u></u>
Capital and reserves			
Share capital	13	12,627	12,627
Reserves		234,420	235,579
Equity attributable to owners of the Company		247,047	248,206
Non-controlling interests		<u>(284,523)</u>	<u>(246,852)</u>
TOTAL EQUITY		<u><u>(37,476)</u></u>	<u><u>1,354</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

1. GENERAL INFORMATION

China Billion Resources Limited was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 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 (i) gold mining, exploration and trading of gold products in the PRC; (ii) provision of money lending services in Hong Kong; and (iii) trading of coal and wholesale and trading of frozen meat in the PRC.

2. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the HKICPA, applicable disclosures required by the Listing Rules, and 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 condensed 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 condensed 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.

These condensed financial statements should be read in conjunction with the 2020 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2020.

The Group incurred a loss attributable to owners of the Company of approximately HK\$4,238,000 for the period and the Group had net current liabilities and net liabilities of approximately HK\$82,521,000 and HK\$37,476,000 respectively as at 30 June 2021. 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.

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

The HKICPA has issued the following new and revised HKFRS, HKAS and Interpretations which are effective for accounting periods beginning on or after 1 January 2021:

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions

The adoption of the above new and revised HKFRSs has no material impact on these financial statements.

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

		Effective for the financial periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018-2020	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 16 (Amendment)	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
HKFRS 17	Insurance Contracts and the Related Amendments	1 January 2023
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination	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. REVENUE AND 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.

Information about reportable segment profit or loss, assets and liabilities:

	Mining products HK\$'000	Money lending HK\$'000	Trading and wholesale HK\$'000	Total HK\$'000
<u>For the six months ended 30 June 2021</u>				
Revenue from external customers	36,465	2,257	8,348	47,070
Segment (loss)/profit	(32,280)	3,829	(498)	(28,949)
Depreciation of property, plant and equipment	5,572	–	1	5,573
Depreciation of right-of-use assets	–	57	–	57
Amortisation of mining right	651	–	–	651
Income tax credit	708	–	–	708
Additions to segment non-current assets	1,978	–	–	1,978
<u>As at 30 June 2021</u>				
Segment assets	207,289	733	68,359	276,381
Segment liabilities	283,044	292	1,701	285,037
<u>For the six months ended 30 June 2020</u>				
Revenue from external customers	3,575	4,031	11,121	18,727
Segment (loss)/profit	(23,560)	538	(123)	(23,145)
Depreciation of property, plant and equipment	172	–	1	173
Income tax expense	(1,606)	–	–	(1,606)
Additions to segment non-current assets	11,405	–	–	11,405
<u>As at 31 December 2020</u>				
Segment assets	201,791	91,585	73,776	367,152
Segment liabilities	226,315	94,137	1,424	321,876

4. REVENUE AND SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment revenue, profit or loss:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
<u>Revenue</u>		
Total revenue of reportable segments and consolidated revenue	<u>47,070</u>	<u>18,727</u>
<u>Profit or loss</u>		
Total loss of reportable segments	(28,949)	(23,145)
Finance costs	(4,438)	(10,203)
Other profit or loss	<u>13,336</u>	<u>(4,354)</u>
Consolidated loss for the period	<u>(20,051)</u>	<u>(37,702)</u>

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

Breakdown of revenue:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Mining products	36,465	3,575
Trading of coal and wholesale and trading of frozen meat	<u>8,348</u>	<u>11,121</u>
Revenue from contract with customers	44,813	14,696
Interest income of money lending	<u>2,257</u>	<u>4,031</u>
Total revenue	<u>47,070</u>	<u>18,727</u>

Disaggregation of revenue from contracts with customers:

All revenue from contracts with customers was derived from the PRC for the six months ended 30 June 2021 and 2020. The timing of revenue recognition of all revenue from contracts with customers was at a point in time for the six months ended 30 June 2021 and 2020.

5. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Loan interests	35,498	28,090
Lease interests	7	15
	<u>35,505</u>	<u>28,105</u>
Total borrowing costs	35,505	28,105
Amount capitalised	(348)	–
	<u>35,157</u>	<u>28,105</u>

6. INCOME TAX CREDIT/(EXPENSE)

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Deferred tax	708	(1,606)

No provision for Hong Kong Profits Tax is required since the Company has no assessable profit for the period (2020: Nil).

The applicable income tax rate for the subsidiaries of the Group in the PRC in the Reporting Period is 2.5% – 25% (2020: 5% – 25%).

7. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Directors' remuneration	660	726
Depreciation of property, plant and equipment	5,572	172
Depreciation of right-of-use assets	57	–
Amortisation of mining right	651	150
Cost of sales and services rendered	38,480	11,404

8. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company for the Reporting Period is based on the loss for the period attributable to owners of the Company of approximately HK\$4,238,000 (2020: approximately HK\$32,990,000) and the weighted average number of ordinary shares of approximately 1,262,713,000 (2020: approximately 464,627,000 ordinary shares) in issue during the Reporting Period.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the Reporting Period and Corresponding Period.

9. MINING RIGHT

HK\$'000

Cost

At 1 January 2020	1,407,535
Exchange differences	86,226

At 31 December 2020	1,493,761
Exchange differences	20,205

At 30 June 2021	1,513,966
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Accumulated amortisation and impairment

At 1 January 2020	1,300,209
Amortisation for the year	1,044
Impairment loss for the year	45,344
Exchange differences	71,418

At 31 December 2020	1,418,015
Amortisation for the period	651
Exchange differences	17,154

At 30 June 2021	1,435,820
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Carrying amount

At 30 June 2021	78,146
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At 31 December 2020	75,746
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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.

10. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Equity securities, at fair value		
Unlisted equity securities	<u>60,088</u>	<u>60,058</u>
Analysed as:		
Non-current assets	<u>60,088</u>	<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 30 June 2021 was approximate to investment cost.

11. LOAN RECEIVABLES

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Loan receivables	8,361	102,492
Provision for loss allowance	(7,950)	(11,489)
Carrying amount	<u>411</u>	<u>91,003</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.

During the Reporting Period, both Borrower A & Borrower B has early repaid the loan in full.

The Directors 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:

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Within one year	<u>411</u>	<u>91,003</u>

Reconciliation of loss allowance for loan receivables:

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
At 1 January	11,489	6,752
(Decrease)/increase in loss allowance for the period/year	(3,539)	4,737
	<u>7,950</u>	<u>11,489</u>

12. BORROWINGS

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Short-term borrowings		
– secured, 24% interest per annum and due within one year (<i>note(i)</i>)	27,126	24,479
– unsecured, 24% interest per annum and due within one year (<i>note (ii)</i>)	1,631	1,467
– secured, 36% interest per annum and due within one year (<i>note (iii)</i>)	42,065	27,709
	<u>70,822</u>	<u>53,655</u>
Long-term borrowings		
– secured, 36% interest per annum and due within three years (<i>note (iii)</i>)	118,677	86,115
– unsecured, 36% interest per annum and due within three years	79,190	55,758
	<u>197,867</u>	<u>141,873</u>
	<u>268,689</u>	<u>195,528</u>

Notes:

- (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 30 June 2021.

- (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.

13. SHARE CAPITAL

		Number of shares '000	Amount HK\$'000
Authorised:			
At 1 January 2020, 31 December 2020 and 30 June 2021 (25,000,000,000 ordinary shares of HK\$0.01 each)		25,000,000	250,000
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)	2,100,000	21,000
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)	139,500	1,395
At 31 December 2020 and 30 June 2021 (1,262,713,382 ordinary shares of HK\$0.01 each)		1,262,713	12,627
<p>(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.</p> <p>(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.</p> <p>(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.</p>			

13. SHARE CAPITAL (Continued)

- (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.

14. EVENT AFTER THE REPORTING PERIOD

On 2 July 2021, the Company entered into one subscription agreement with each of the four parties independent of the Company and its connected persons, namely Mr. Liu Jie, Mr. Wang Wenhuan, Mr. Luo Li and Ms. Yu Xiaofeng. On 19 July 2021, a total of 252,542,676 Shares were issued and allotted by the Company under general mandate to the aforesaid subscribers at the subscription price of HK\$0.234 per Share (the closing market price on the agreement date was HK\$0.239) pursuant to the subscription agreements. The aggregate nominal value of the subscription shares is HK\$2,525,426.76. One of the major reasons for the issuance of the subscription is that the subscription can provide the Company with additional funds, enhance its working capital and strengthen its capital base and financial position.

The net proceeds from the issue of the subscription shares, after the deduction of the relevant expenses, was approximately HK\$59 million, of which approximately HK\$54 million was planned to be used as partial repayment of the Group's high yield borrowings which had been taken out to fund the mining operations of the Group in the PRC, and the remaining approximately HK\$5 million was planned to be used as general working capital of the Group. As at the date of this announcement, the net proceeds have been fully utilised in accordance with the intended uses previously disclosure.

Details of the subscription agreement, please refer to the announcements of the Company dated 2 July 2021 and 19 July 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; and (iii) trading of coal and wholesale and trading of frozen meat in the PRC.

BUSINESS REVIEW

Mining Products

Although the adverse effects of COVID-19 continued to exist during the Reporting Period, the Gold Mine that resumed production since August 2020 have gradually generate revenue.

As mentioned in the 2020 Annual Report, 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.

During the Reporting Period, Hunan Westralian has generated and sold gold products to customers that are engaged in metal trading operations on site, based on the weighted average trading price for gold 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.

Money Lending Business

During the Reporting Period, in view of the current global economic, political and epidemic factors, the Management will continue to study the financial market, and adopt a more prudent and cautious approach in identifying potential customers and granting loan financing to customers to minimise the risk exposure of the Group.

During the Reporting Period, the HK\$100 million unsecured loan facility obtained from financial institution by the Company and a total of HK\$100 million secured loan facilities granted by the Company to two borrowers have all been settled. Since then, no further loan financing has been granted to customer of the Group.

Trading of Coal

From the second half of 2020 to the first half of 2021, due to price fluctuations in the PRC coal market, in order to control risks, all coal mine suppliers require customers to pay large amounts of coal supply guarantee deposits in advance. On the other hand, in order to reduce the impact of price fluctuations and ensure coal supply, major power plant customers have implemented strict bidding procedures, and the delivery time has also been compressed.

Taking into account the above situation, the relatively low and unattractive profit margin and the cost control measure, the Group has adopted a more prudent approach to slow down the development of trading of coal business, therefore, as at the date of this announcement, the coal trading business is temporarily stagnant. However, the management of the subsidiary will continue to study and monitor the actual business operating conditions and performance in order to adjust strategies and policies.

Wholesale and Trading of Frozen Meat

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.

As mentioned in the 2020 Annual Report, 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.

As at 30 June 2021, the Group has established supply relationship with foreign suppliers such as Brazil, Thailand, Spain and other countries that have been registered with the Chinese Customs and the Ministry of Commerce, and completed trial orders. At the same time, the management of this segment has also made progress in customer development and has conducted substantive transactions with large catering companies and wholesalers. However, this business segment is still in shrinking operation due to the reasons mentioned in previous paragraph. Also, due to the COVID-19, many foreign suppliers have to temporarily suspend production or are in intermittent production, which has affected the supply to a certain extent. Nevertheless, the market demand for frozen meats is still strong, which can be reflected in the high retail prices of frozen meats. Therefore, it is believed that after the epidemic is brought under control, the Group's frozen meat business will achieve rapid growth.

FINANCIAL REVIEW

During the Reporting Period, the Group recorded a total revenue of approximately HK\$47.1 million, representing an approximately 151.3% increase as compared with approximately HK\$18.7 million for the Corresponding Period. The increase in the Group's revenue mainly due to the increase in revenue derived from sales of gold products.

The revenue contributed by the mining products business segment during the Reporting Period was approximately HK\$36.5 million, representing an increase of approximately 9.2 times as compared with approximately HK\$3.6 million for the Corresponding Period. The increase in revenue was mainly due to Gold Mine that resumed production since August 2020 have gradually generate revenue.

During the Reporting Period, the revenue contributed by the money lending business segment was approximately HK\$2.3 million, representing a decrease of approximately 44.0% as compared with approximately HK\$4.0 million for the Corresponding Period. The decrease in revenue was mainly due to early loan repayment of borrowers during the Reporting Period.

During the Reporting Period, the revenue contributed by the trading of coal and wholesale and trading of frozen meat business segment was approximately HK\$8.3 million, representing a decrease of approximately 24.9% as compared with approximately HK\$11.1 million for the Corresponding Period. The decrease in revenue was mainly due to the reasons mentioned in the "Trading of Coal" section above, which resulted in no revenue contributed by the trading of coal (approximately HK\$11.1 million for the Corresponding Period). The wholesale and trading of frozen meat business started to generate revenue for the Group in the second half of 2020.

The gross profit for the Reporting Period was approximately HK\$8.6 million, representing an increase of approximately 17.3% as compared with approximately HK\$7.3 million for the Corresponding Period.

The loss for the Reporting Period was approximately HK\$20.0 million and the Corresponding Period was approximately HK\$37.7 million. The decrease in loss was mainly due to gain on the early settlement of other borrowings.

PROSPECTS

Except for the trading of coal business after the trial operation, the management of the subsidiary decided to slow down its development pace based on the actual business operating conditions and performance, as at the date of this announcement, the prospects of the Group and the core direction of the Company has not changed materially from the information disclosed in 2020 Annual Report.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group had unpledged cash and bank balances of approximately HK\$2.1 million (31 December 2020: approximately HK\$9.3 million). The gearing ratio was not applicable to the Group (31 December 2020: approximately 26,774.2%) and the borrowings of the Group was approximately HK\$268.7 million (31 December 2020: approximately HK\$308.1 million). The Group recorded a net current liabilities of approximately HK\$82.5 million as at 30 June 2021 (31 December 2020: net current liabilities of approximately HK\$97.8 million).

Details of the maturity profile and interest rate structure of the borrowings of the Group are set out in note 12 to the Interim Financial Statements of this announcement.

EMPLOYEES AND REMUNERATION

The remuneration policy of the Group is designed to ensure that remuneration offered to the Directors and/or employees is appropriate for their respective duties performed, sufficiently compensates 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 when appropriate, other allowances, incentive bonuses, mandatory provident funds and share options granted (if any) under the Share Option Scheme.

The emoluments payable to the Directors are determined by the responsibilities, qualifications, experience, duties, performance of the Directors, the prevailing market conditions and remuneration benchmarks of listed companies of similar size and industry nature. They include incentive bonuses primarily based on the results of the Group and share options granted (if any) under the Share Option Scheme. The remuneration committee of the Company performs review on the emoluments of the Directors from time to time. No Director, or any of his associates or executives, is involved in deciding his own emoluments.

Employees' remuneration packages are determined by the responsibilities, qualifications and experience, duties and performance of individuals as well as prevailing compensation packages in the market. The packages are reviewed annually and anytime as required.

The Group will allocate resources in training, retention and recruitment programs, and encouraging staff to upgrade their skillsets. The Group monitors and evaluates the performances of managerial staff regularly to ensure the Group is led by the finest.

As at 30 June 2021, the Group employed 514 staff (2020: 453). The remuneration of employees was commensurate with the market trend, the level of pay in the industry and with the performance of individual employees that are regularly reviewed every year.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Reporting Period (2020: nil).

EVENT AFTER THE REPORTING PERIOD

Details of the event occurring after the Reporting Period are set out in note 14 to the Interim Financial Statements of this announcement.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

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

Pursuant to the code provision A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules stipulates that 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.

Regarding the disclaimer of opinion in relation to the going concern issue of the Group raised by the Auditor as set out in the 2020 Annual Report, the Group has taken and will continue to take certain measures ("Proposed Measures") to improve the Group's working capital and cash flow position and mitigate its liquidity pressure. Save for the following Proposed Measures summary updates, as at the date of this announcement, there have been no material changes in respect of this matter since the publication of the 2020 Annual Report:

Proposed Measures

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

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

Proposed Measures**Current status**

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

Obtained

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

On 2 July 2021, the Company issued 252,542,676 Shares to independent third parties and raised approximately HK\$59 million net proceeds and mainly used for partial repayment of the Group's high yield borrowings which have been taken out to fund the mining operations of the Group in the PRC, and general working capital. The Group will continue to actively liaise 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

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 is actively liaison with the remaining creditors, and the creditors have initially agreed to extend the loans to 2022, details and final terms and conditions are still under negotiation, and the Management will try its best to strive for a longer repayment period and lower interest rate

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

The Management has conducted a cost and expenses review on each operating department to cut the administrative costs and/or expenses that are unnecessary, and control and/or reduce 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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct governing Directors' securities transactions. All Directors 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

REVIEW OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Company has reviewed with the Management the accounting principles and policies as adopted by the Company, the practices of the Group and the unaudited condensed consolidated financial statements for the Reporting Period.

SUPPLEMENTAL INFORMATION IN RELATION TO THE 2020 ANNUAL REPORT

Reference is made to paragraph (ii) under the section headed "Settlement Agreements and Subscription Agreements" on page 36 of the 2020 Annual Report published on 30 April 2021 in relation to the equity fundraising activity conducted by the Company on 27 November 2020 pursuant to the subscription agreements dated 9 November 2020.

In addition to the information as disclosed in the 2020 Annual Report, the Board wishes to provide the following supplemental information on the net proceeds from the subscription and its use:

Net proceeds raised	Intended use of the net proceeds	Actual use of the net proceeds as at 31 December 2020	Unutilised net proceeds and expected timeline
HK\$13.7 million	<ul style="list-style-type: none">– HK\$5 million towards the settlement of the Group's outstanding payment obligation under the Capital Increase Agreement which is the subject of the announcement of the Company dated 2 September 2019– HK\$8.7 million towards the general working capital of the Group	<ul style="list-style-type: none">– HK\$5 million had been utilised as intended– HK\$0.92 million had been utilised towards the general working capital of the Group as intended, including salary and rental expenses, and professional fees, etc.	The remaining HK\$7.78 million which remained available for use as at 31 December 2020 had been fully utilised as at 30 June 2021 towards the general working capital of the Group as intended, including salary and rental expenses, professional fees and inventory expenses, etc.

The above supplemental information does not affect other information contained in the 2020 Annual Report. Save as disclosed above, the content of the 2020 Annual Report remains unchanged.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2021 containing the relevant information required by the Listing Rules will be dispatched to the Shareholders and made available for review on the websites of the Stock Exchange and the Company in due course.

DEFINITIONS

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

“2020 Annual Report”	the annual report of the Company for the year ended 31 December 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
“Articles of Association”	the articles of association of the Company
“associate(s)”	having the meaning ascribed thereto under the Listing Rules
“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 Creditors”	having the same meaning ascribed thereto under the Circular (i.e. Mr. 李鐵鍵, Mr. 吳躍新 and Mr. 豆新虎)
“CG Code”	Corporate Governance Code as set out in Appendix 14 of the Listing Rules
“Chairman”	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 announcement and for geographical reference only (unless otherwise indicated), excludes the Macao Special Administrative Region of the PRC, Hong Kong and Taiwan
“Circular”	a circular despatched by the Company to the Shareholders on 29 January 2016
“Code Provisions”	code provisions as set out in the CG Code
“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
“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 six months ended 30 June 2020
“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
“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
“Interim Financial Statement”	the unaudited condensed consolidated financial statements for the six months ended 30 June 2021
“INED(s)”	the independent non-executive Director(s)
“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
“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)
“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
“Reporting Period”	the period for the six months ended 30 June 2021

“RMB”	Renminbi, the lawful currency of the PRC
“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)
“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
“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
“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

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

Hong Kong, 27 August 2021

As at the date of this announcement, the Board comprises following Directors, namely,

Executive Directors:

Mr. Qiao Bingya

(Chairman and CEO)

Mr. Xie Qiangming

Mr. Zhu Shengsheng

NED:

Mr. Sun Aimin

INEDs:

Mr. Cai Jianhua

Mr. Ho Wing Chung

Mr. Yan Xiaotian