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 2019

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Qiao Bingya *(Chairman of the Board)*
(appointed on 10 June 2019)
Mr. Zhang Yiwen *(Chief Executive Officer)*
Mr. Xie Qiangming
(re-designated on 30 September 2019)

INEDs

Mr. Cai Jianhua
Mr. Ho Wing Chung
Mr. Yan Xiaotian *(appointed on 30 September 2019)*

AUDIT COMMITTEE

Mr. Cai Jianhua *(Chairman)*
Mr. Ho Wing Chung
Mr. Yan Xiaotian *(appointed on 30 September 2019)*

REMUNERATION COMMITTEE

Mr. Yan Xiaotian *(Chairman)*
(appointed on 30 September 2019)
Mr. Cai Jianhua
Mr. Ho Wing Chung
Mr. Xie Qiangming

NOMINATION COMMITTEE

Mr. Qiao Bingya *(Chairman)*
(appointed on 10 June 2019)
Mr. Cai Jianhua
Mr. Ho Wing Chung
Mr. Yan Xiaotian *(appointed on 30 September 2019)*
Mr. Xie Qiangming

COMPANY SECRETARY

Ms. Sun Shui

AUTHORISED REPRESENTATIVES

Mr. Qiao Bingya *(appointed on 10 June 2019)*
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

Room 2105, 21/F
West Tower, Shun Tak Centre
168-200 Connaught 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

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 2019.

In 2019, the direction of the Company remains unchanged, and the management of the mining products segment is continuing their effort to improve the mining capability and facilities with the goal to maximise the output efficiency of the Gold Mine. As the Chinese government has increasingly strengthened the safety requirement and supervision of the mining industry, there will be further safety rectification and upgrading work in the Gold Mine. The Group will also formulate mining projects to better utilise the mine facilities to enhance its output efficiency and seek appropriate funding for such improvement. As at the date of this annual report, rectification improvement works has been completed. It should be noted that the rectification improvement works and relevant maintenance for the mining industry are continuing requirements.

At the end of 2018, the Group completed the disposal of a subsidiary related to the business of trading of cosmetics and skincare products in order to reintegrate the Group's business, streamline expenditures and focus on developing more promising businesses. In the third quarter of 2019, the Board decided to officially terminate and discontinue this business segment.

In the second half of 2019, the Group established a new trading company in PRC to develop the coal trading business. In the development stage, the subsidiary will mainly target on selling coal to power plants and steel mills. As this business still in the development stage, therefore, the Management adopted a relatively conservative approach at this stage and will gradually expand the business scale in order to steadily increase revenue while reducing business risks.

As mentioned in the 2019 Interim Report, In view of the Chinese government's policies and incentives to support green energy and environmental protection, investment in green and environmental-related businesses is part of the Group's future business direction. Therefore, during the Reporting Period, the Group entered into a capital increase agreement with Target Company, which 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 approximately 12.41% equity interest in the capital of the Target Company.

CHAIRMAN'S STATEMENT

The outbreak of the COVID-19 at the end of 2019 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. Therefore, we anticipate there will be impacts on the business in the first and second quarters of 2020.

It is expected 2020 will be a challenge 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.

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, 29 April 2020

BUSINESS AND FINANCIAL REVIEW

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

BUSINESS REVIEW

Mining Products

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

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

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

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

BUSINESS REVIEW *(Continued)*

Money Lending Business

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

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

Trading of Coal

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

Cosmetics and Skincare Products (discontinued operation)

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

FINANCIAL REVIEW

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

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

FINANCIAL REVIEW *(Continued)*

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

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

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

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

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

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

RISKS AND UNCERTAINTIES

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

Business risk

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

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

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

Operational risk

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

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

RISKS AND UNCERTAINTIES *(Continued)*

Financial risk

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

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

ENVIRONMENT PROTECTION

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

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

WORKPLACE QUALITY

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

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

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

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

With the continuous strengthening the relevant national environmental governance policies and the promotion and development of the comprehensive mutual benefit "One Belt One Road" policy by the Chinese government, the Group, as stated in the 2019 Interim Report, has exploited the new Management's connections, experience, network and resources, and is conducting research on several potential projects, including hazardous waste treatment business in the downstream industry chain as well as infrastructure construction and building materials trading business in the countries along the "Belt and Road". The Group has also established a dedicated team to develop and drive the abovementioned potential projects and to identify potential partners and/or acquisition targets with a view to bringing new business and opportunities to the Group.

PROSPECTS *(Continued)*

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

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2019, the Group had unpledged bank and cash balances of approximately HK$42.5 million (2018: approximately HK$1.2 million). The gearing ratio was approximately 296.5% (2018: approximately 148.8%) and the borrowings and convertible bonds of the Group was approximately HK$224.1 million (2018: approximately HK$173.1 million). The Group reported net current assets of approximately HK$72.4 million as at 31 December 2019 (2018: net current liabilities of approximately HK$36.6 million).

Details of maturity profile and interest rate structure of the borrowings and convertible bonds of the Group are set out in the notes 28 to 29 and 31 to the consolidated financial statements of this annual report.

COMMITMENTS

Particulars of commitments of the Group as at 31 December 2019 and 2018 are set out in the notes 35 and 36 to the consolidated financial statements of this annual report.

CONTINGENT LIABILITY

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

BANK BORROWINGS

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

EMPLOYEES AND REMUNERATION

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

FOREIGN EXCHANGE EXPOSURE

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

EXECUTIVE DIRECTORS

Mr. Qiao Bingya, aged 49, 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 37, 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 is now studying for Tulane-GSCASS Master of Finance at Graduate School of Chinese Academy of Social Sciences.

Mr. Xie Qiangming, aged 28, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cai Jianhua, aged 56, 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 53, 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 venders. 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 60, 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

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.

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;

(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.

BOARD OF DIRECTORS *(Continued)*

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 *(Chairmen of Board) (appointed on 10 June 2019)*
Mr. Zhang Yiwen *(Chief Executive Officer)*
Mr. Xie Qiangming *(re-designated from INED to Executive Director on 30 September 2019)*
Mr. Long Xiaobo *(resigned on 10 June 2019)*
Mr. Zuo Weiqi *(resigned on 10 June 2019)*
Mr. Chen Yi-chung *(resigned on 10 June 2019)*
Mr. Xiao Jie *(retired on 6 June 2019)*
Mr. Zhang Li *(resigned on 30 September 2019)*

NEDs:

Mr. Zhang Jing *(resigned on 30 September 2019)*
Mr. Zhang Wei *(resigned on 30 September 2019)*

INEDs:

Mr. Cai Jianhua
Mr. Ho Wing Chung
Mr. Yan Xiaotian *(appointed on 30 September 2019)*
Ms. Liu Shuang *(resigned on 24 April 2019)*
Mr. Xie Qiangming *(re-designated from INED to Executive Director on 30 September 2019)*

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 13 to 14 and whose respective interests in the Company's shares are set out on page 35 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
Executive Directors	
Mr. Qiao Bingya *(appointed on 10 June 2019)*	B & C
Mr. Zhang Yiwen	B
Mr. Xie Qiangming *(re-designated from INED to Executive Director on 30 September 2019)*	A & B
Mr. Long Xiaobo *(resigned on 10 June 2019)*	A & B
Mr. Zuo Weiqi *(resigned on 10 June 2019)*	B
Mr. Chen Yi-chung *(resigned on 10 June 2019)*	B
Mr. Xiao Jie *(retired on 6 June 2019)*	B
Mr. Zhang Li *(resigned on 30 September 2019)*	B
NEDs:	
Mr. Zhang Jing *(resigned on 30 September 2019)*	B
Mr. Zhang Wei *(resigned on 30 September 2019)*	B
INEDs	
Mr. Cai Jianhua	A & B
Mr. Ho Wing Chung	B
Mr. Yan Xiaotian *(appointed on 30 September 2019)*	B & C
Ms. Liu Shuang *(resigned on 24 April 2019)*	A & 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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board is Mr. Qiao Bingya and the Chief Executive Officer is Mr. Zhang Yiwen. The positions of Chairman of the Board and Chief Executive Officer are held by separate persons in order to preserve independence and a balance of views and judgement.

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.

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.

BOARD PRACTICES *(Continued)*

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:

Name of Directors	**Attendance/Total no. of meetings held during the Reporting Period**
Executive Directors	
Mr. Qiao Bingya *(appointed on 10 June 2019)*	3/4
Mr. Zhang Yiwen	9/9
Mr. Xie Qiangming *(re-designated from INED to Executive Director on 30 September 2019)*	9/9
Mr. Long Xiaobo *(resigned on 10 June 2019)*	3/5
Mr. Zuo Weiqi *(resigned on 10 June 2019)*	3/5
Mr. Chen Yi-chung *(resigned on 10 June 2019)*	3/5
Mr. Xiao Jie *(retired on 6 June 2019)*	0/4
Mr. Zhang Li *(resigned on 30 September 2019)*	4/7
NEDs:	
Mr. Zhang Jing *(resigned on 30 September 2019)*	4/7
Mr. Zhang Wei *(resigned on 30 September 2019)*	5/7
INEDs	
Mr. Cai Jianhua	9/9
Mr. Ho Wing Chung	8/9
Mr. Yan Xiaotian *(appointed on 30 September 2019)*	2/2
Ms. Liu Shuang *(resigned on 24 April 2019)*	3/3

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.

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

Name of Directors	Attendance/Total no. of meetings held during the Reporting Period
Executive Directors	
Mr. Qiao Bingya *(Chairman of the committee) (appointed on 10 June 2019)*	1/2
Mr. Xie Qiangming *(re-designated from INED to Executive Director on 30 September 2019)*	5/5
Mr. Long Xiaobo *(resigned on 10 June 2019)*	2/3
Mr. Zuo Weiqi *(resigned on 10 June 2019)*	2/3
INEDs	
Mr. Cai Jianhua	5/5
Mr. Ho Wing Chung	5/5
Mr. Yan Xiaotian *(appointed on 30 September 2019)*	0/0
Ms. Liu Shuang *(resigned on 24 April 2019)*	2/2

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.

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

Name of Directors	**Attendance/Total no. of meetings held during the Reporting Period**
Executive Directors	
Mr. Xie Qiangming *(re-designated from INED to Executive Director on 30 September 2019)*	5/5
Mr. Long Xiaobo *(resigned on 10 June 2019)*	2/3
INEDs	
Mr. Yan Xiaotian *(Chairman of the committee) (appointed on 30 September 2019)*	0/0
Mr. Cai Jianhua	5/5
Mr. Ho Wing Chung	5/5
Ms. Liu Shuang *(resigned on 24 April 2019)*	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 34 to 35 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.

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:

Name of Directors	Attendance/Total no. of meetings held during the Reporting Period
INEDs	
Mr. Cai Jianhua *(Chairman of the committee)*	3/3
Mr. Ho Wing Chung	3/3
Mr. Yan Xiaotian *(appointed on 30 September 2019)*	0/0
Mr. Xie Qiangming *(re-designated from INED to Executive Director on 30 September 2019)*	3/3
Ms. Liu Shuang *(resigned on 24 April 2019)*	2/2

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 Directors are not aware of any other material uncertainties that may cast significant doubt on the Company's ability to continue as a going-concern.

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.

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.

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 form 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.

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	880,000
Non-audit services	
– Services in relation to internal control review services	90,000
– Services in relation to environmental, social and governance reporting	95,000
– Other services	16,000
Total fees	1,081,000

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.

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.

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.

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 Room 2105, 21st Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company's shares are listed on the main board of the Stock Exchange.

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;

(iii) Trading of Coal segment – engaged in trading of coal; and

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

The activities of the subsidiaries are set out in note 21 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 7 to the consolidated financial statement of this annual report and detailed management discussion and analysis is set out on pages 5 to 12 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 5 to 6 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 pages 42 to 43 of this annual report.

Details of movements in the reserves of the Group during the Reporting Period are set out on page 46 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 2019, the Company has no reserves available for distribution to the Shareholders (2018: nil).

FINAL DIVIDENDS

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

CHARITABLE DONATIONS

The Group made no charitable and other donations for the Reporting Period (2018: 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 108 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 98.00% of the Group's total purchases, and the purchase from the Group's largest supplier included therein accounted for 96.06% of the total purchase for the year.

For the Reporting Period, the Group's sales to its five largest customers accounted for 98.25% of the Group's total sales, and the sales to the largest customer included therein accounted for 40.17% 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 2019, the authorised share capital of the Company was HK$250 million, divided into 25,000 million Shares of HK$0.01 each, of which 21,048,486,179 Shares were issued and fully paid up or credited as fully paid up in the amount of HK$210,484,861.79. Details of movement in the share capital of the Company during the Reporting Period are set out in note 33 to the audited consolidated financial statements of this annual report.

CAPITAL REORGANISATION

The Capital Reorganisation was approved by the Shareholders at the EGM held on 30 December 2019. The Capital Reorganisation involves the following steps which took effect on 16 March 2020 in the following order:

Share Consolidation

Pursuant to the Share Consolidation, every twenty (20) then issued and unissued shares of the Company of HK$0.01 each immediately before the Share Consolidation were consolidated into one (1) Consolidated Share.

CAPITAL REORGANISATION *(Continued)*

Capital Reduction

Immediately after the Share Consolidation became effective, (i) the par value of each issued Consolidated Share was reduced from HK$0.20 to HK$0.01 by cancelling HK$0.19 of the paid-up capital on each issued Consolidated Share; (ii) each authorised but unissued Consolidated Share was subdivided into 20 Adjusted Share; and (iii) the credit arising from the Reduction of Issued Capital along with the entire amount standing to the credit of the share premium account of the Company, which amounted to approximately HK$488,361,000 as at 30 June 2019, was applied to set off against part of the accumulated deficit of the Company.

For details of abovementioned Capital Reorganisation, please refer to (i) the circular of the Company dated 6 December 2019 in respect of, among other things, the proposed Capital Reorganisation; (ii) the announcement of the Company dated 30 December 2019 in respect of the poll results of the EGM held on 30 December 2019; (iii) the announcement of the Company dated 5 February 2020 in respect of, among other things, the updated expected timetable of the Capital Reorganisation; and (iv) the announcement of the Company dated 16 March 2020 in respect of, among other things, the Capital Reorganisation becoming effective.

SETTLEMENT CONVERTIBLE BONDS AND SETTLEMENT AGREEMENTS

The unsecured 10% convertible bonds due 2019 issued by the Company on 24 May 2016 pursuant to the CB Settlement Agreements in the principal amount of approximately HK$53,417,000 with fair value of approximately HK$53,360,000 for the settlement of the outstanding debts together with the accrued interests of the Company owing to the CB Settlement Creditors was matured on 23 May 2019. Originally, the bonds could be convertible into ordinary shares of the Company at the initial conversion price of HK$0.1 per share at any time commencing on the seventh day next following the issue date up to and including the date which is seven days prior to the maturity date. Interest of 10% per annum should be paid on the maturity date. No shares have been converted, purchased or redeemed pursuant to the terms and conditions of the Settlement Convertible Bonds on or before the maturity date. Further details regarding the CB Settlement Agreements are set out in section headed "CB Settlement Agreements" in the letter from the Board in the circular of the Company dated 29 January 2016. Details of movements in the convertible bonds of the Company during the Reporting Period are set out in note 29 to the consolidated financial statements of this annual report.

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

SETTLEMENT CONVERTIBLE BONDS AND SETTLEMENT AGREEMENTS

(Continued)

On 28 August 2019, the Company made a partial payment of RMB7,000,000 (approximately equivalent to HK$7,778,000) to Creditor A. On 23 October 2019, the Company further entered into a supplementary agreement with Creditor A, for settlement of principal payments over due and interest accrued and unpaid, settled by issue and allotment of 1,403,508,771 Shares at a price of HK$0.01995 per share and by cash RMB14,434,000 (equivalent to HK$16,091,000). The Company issued the relevant Shares to Creditor A on 6 November 2019. Details of the settlement agreement and supplementary agreement, please refer to notes 29 and 33 to the consolidated financial statements of this annual report, and the announcements of the Company dated 23 October 2019 and 6 November 2019.

On 27 March 2020, the Company entered into a settlement agreement with Creditor B, being the only remaining holder of the convertible bonds, for the settlement of the amount due to him as at the Maturity Date, i.e. HK$18,161,039.18, being the principal amount and interest accrued under the bonds up to the Maturity Date. Details of the settlement agreement with Creditor B, please refer to the announcement of the Company dated 27 March 2020.

SUBSCRIPTION AGREEMENT

On 27 November 2019, the Company entered into three subscription agreements with three subscribers namely, Mr. Fang Tongtong, Ms. Wang Yuhua and Mr. Nie Qiaoming. A total of 2,100,000,000 new Shares were issued and allotted by the Company under general mandate to the subscribers at the subscription price of HK$0.018 per subscription share pursuant to the subscription agreements on 4 December 2019. On the date of the subscription agreements, based on the closing price of the then share of HK$0.019 per the ordinary share of HK$0.01 each in the then share capital of the Company before the Capital Reorganisation becomes effective, the subscription shares have a market value of approximately HK$39.9 million. The aggregate nominal value of the subscription shares is approximately HK$21.0 million.

As at 31 December 2019, approximately HK$1.5 million of the proceeds of approximately HK$37.8 million has been utilised as the general working capital of the Group. Details of the subscription agreement, please refer to note 33 to the consolidated financial statements of this annual report, and the announcements of the Company dated 27 November 2019 and 4 December 2019.

As at the date of this report, the proceeds has been fully utilised as general working capital of the Group.

BANK LOANS AND BORROWINGS

The total borrowings of the Group as at 31 December 2019 amounted to approximately HK$224,056,000 (2018: approximately HK$107,174,000). Particulars of bank loans and borrowings are set out in notes 28 and 31 to the consolidated financial statements of this annual report.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors:

Mr. Qiao Bingya *(appointed on 10 June 2019)*
Mr. Zhang Yiwen
Mr. Xie Qiangming *(re-designated from INED to Executive Director on 30 September 2019)*
Mr. Long Xiaobo *(resigned on 10 June 2019)*
Mr. Zuo Weiqi *(resigned on 10 June 2019)*
Mr. Chen Yi-chung *(resigned on 10 June 2019)*
Mr. Xiao Jie *(retired on 6 June 2019)*
Mr. Zhang Li *(resigned on 30 September 2019)*

NEDs:

Mr. Zhang Jing *(resigned on 30 September 2019)*
Mr. Zhang Wei *(resigned on 30 September 2019)*

INEDs:

Mr. Cai Jianhua
Mr. Ho Wing Chung
Mr. Yan Xiaotian *(appointed on 30 September 2019)*
Ms. Liu Shuang *(resigned on 24 April 2019)*
Mr. Xie Qiangming *(re-designated from INED to Executive Director on 30 September 2019)*

In accordance with article 83(3) of the Articles of Association, Mr. Qiao Bingya, who was appointed was appointed as Director on 10 June 2019, shall retire from office at the first general meeting of the Company after his appointment and, be 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 taken 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. Zhang Yiwen and Mr. Xie Qiangming 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 13 to 14 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 2019 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.

Name of Directors	Details of Changes
Mr. Zhang Li	Resigned from all positions with the Company on 30 September 2019
Mr. Zhang Jing	Resigned from all positions with the Company on 30 September 2019
Mr. Zhang Wei	Resigned from all positions with the Company on 30 September 2019
Mr. Xie Qiangming	Re-designated from an INED to an Executive Director and ceased to be the chairman of Remuneration Committee and a member of Audit Committee on 30 September 2019
Mr. Yan Xiaotian	Appointed as an INED, the chairmen of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee on 30 September 2019

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 2020, 31 July 2022 and 29 September 2021.

The appointment of the all INEDs, Mr. Cai Jianhua, Mr. Ho Wing Chung and Mr. Yan Xiaotian will expire on 16 July 2020, 21 July 2020 and 29 September 2020 respectively according to their respective appointment letter.

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 24 to 25 and 37 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 2019.

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

Save as disclosed in the section headed "Directors' Interests in Transactions, Arrangements or Contracts of Significance" above and notes 24 to 25 and 37 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 24 to 25 and 37 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.

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.

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 1,052,424,308 issued Shares as at the date of this report, of which was adjusted by the Capital Reorganisation (as at 31 December 2019: 21,048,486,179 then shares), 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 105,242,430 Shares (as at 31 December 2019: 2,104,848,617 then 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 105,242,430 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 22 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 2019, 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:

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 2019, 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	4,097,813,965	19.47%
	A concert party to an agreement to buy shares	1,001,819,520	4.75%
Ms. Fan Rong (note 1)	Interest of controlled corporation	4,097,813,965	19.47%
	A concert party to an agreement to buy shares	1,001,819,520	4.75%
Ms. Wang Juan	Beneficial owner	3,302,033,303	15.69%
Ms. Zhao Xiaohong (note 2)	Beneficial owner	1,001,819,500	4.75%
	A concert party to an agreement to buy shares	4,097,813,965	19.47%
Mr. Zhao Tao (note 2)	Interest of spouse	5,099,633,465	24.22%
Mr. Li Tie Jian	Beneficial owner	1,409,788,771	6.70%
Mr. Liu ZhiWei	Beneficial owner	1,410,769,528	6.70%
OP Financial Limited (note 3)	Security interest	8,647,536,796	41.08%

Notes:

1. Chunda International Technology Development Co., Limited is beneficially and wholly owned by Mr. Fan Rong. Ms. Fan Rong 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, Ms. Fan Rong 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, Ms. Fan Rong 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. OP Financial Limited has a security interest over 8,647,536,796 Shares.

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 15 to 27 of this annual report.

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.

AUDITORS

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, 29 April 2020

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF
CHINA BILLION RESOURCES LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Billion Resources Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 107, which comprise the consolidated statement of financial position as at 31 December 2019, 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.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of HK$98,434,000 for the year ended 31 December 2019 and the Group had a net operating cash outflow of HK$10,606,000 during the year. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

PROPERTY, PLANT AND EQUIPMENT AND MINING RIGHT

Refer to Notes 18 and 20 to the consolidated financial statements.

The Group tested the amounts of property, plant and equipment and mining right for impairment. These impairment tests are significant to our audit because the balances of property, plant and equipment and mining right of HK$78,303,000 and HK$107,326,000 respectively as at 31 December 2019 are material to the consolidated financial statements. In addition, the Group's impairment tests involve application of judgement and are based on assumptions and estimates.

Our audit procedures included, among others:

– Assessing the identification of the related cash generating units;

– Assessing the arithmetical accuracy of the fair value less costs of disposal calculations;

– Assessing the competence, independence and integrity of the external valuer engaged by client;

– Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model; and

– Checking key assumptions and input data in the valuation model to supporting evidence.

We consider that the Group's impairment tests for property, plant and equipment and mining right are supported by the available evidence.

TRADE AND OTHER RECEIVABLES AND LOAN RECEIVABLES

Refer to Note 22 and 23 to the consolidated financial statements.

The Group tested the amounts of trade and other receivables and loan receivables for impairment. This impairment test is significant to our audit because the balance of trade and other receivables and loan receivables of HK$41,546,000 and HK$108,813,000 respectively as at 31 December 2019 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

– Assessing the Group's procedures on granting credit limits and credit periods to customers and borrowers;

– Assessing the Group's relationship and transaction history with the customers and borrowers;

– Evaluating the Group's impairment assessment;

– Assessing ageing of the debts;

– Assessing creditworthiness of the customers and borrowers;

– Checking subsequent settlements from the customers and borrowers;

– Assessing the value of the collateral for the debts; and

– Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade and other receivables and loan receivables are supported by the available evidence.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 HKFRSs 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 objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Yeung Hong Chun
Audit Engagement Director
Practising Certificate Number P07374

Hong Kong, 29 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019** HK$'000	2018 HK$'000
Continuing Operations			
Revenue	8	**44,556**	27,046
Cost of sales and services rendered		**(25,476)**	(10,215)
Gross profit		**19,080**	16,831
Other income	9	**1,348**	46
Administrative expenses		**(37,340)**	(28,689)
Other expenses	10	**(87,736)**	(98,775)
Loss from operations		**(104,648)**	(110,587)
Finance costs	11	**(21,482)**	(10,310)
Fair value gain of derivative financial instruments		**–**	33
Loss before tax		**(126,130)**	(120,864)
Income tax credit	12	**7,862**	11,090
Loss for the year from continuing operations		**(118,268)**	(109,774)
Discontinued operation			
Profit for the year from discontinued operation	13	**–**	15,496
Loss for the year	14	**(118,268)**	(94,278)
Other comprehensive loss after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(4,186)**	(18,570)
Other comprehensive loss for the year, net of tax		**(4,186)**	(18,570)
Total comprehensive loss for the year		**(122,454)**	(112,848)
(Loss)/profit for the year attributable to:			
Owners of the Company			
– Continuing operations		**(98,434)**	(88,238)
– Discontinued operation		**–**	15,496
		(98,434)	(72,742)

	Notes	2019 HK$'000	2018 HK$'000
Non-controlling interests			
– Continuing operations		**(19,834)**	(21,536)
		(19,834)	(21,536)
Loss for the year		**(118,268)**	(94,278)
Total comprehensive loss attributable to:			
Owners of the Company		**(102,294)**	(89,084)
Non-controlling interests		**(20,160)**	(23,764)
Total comprehensive loss		**(122,454)**	(112,848)
(Loss)/earnings per share (HK cents)			
From continuing and discontinued operations			
Basic	17(a)	**(10.99)**	(8.29)
Diluted	17(a)	**N/A**	N/A
From continuing operations			
Basic	17(b)	**(10.99)**	(10.06)
Diluted	17(b)	**N/A**	N/A
From discontinued operation			
Basic	17(c)	**N/A**	1.77
Diluted	17(c)	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	18	**78,303**	49,809
Right-of-use assets	19	**1,010**	–
Mining right	20	**107,326**	155,248
Loan receivables	23	**16,128**	–
		202,767	205,057
Current assets			
Trade and other receivables	22	**41,546**	32,115
Loan receivables	23	**92,685**	107,023
Amount due from a former related company	24	**–**	11,478
Amount due from a former director	25	**–**	47
Bank and cash balances		**42,497**	1,213
		176,728	151,876
Current liabilities			
Trade and other payables	26	**52,221**	13,033
Derivative financial instruments	27	**–**	1
Borrowings	28	**51,120**	6,599
Convertible bonds	29	**–**	65,909
Lease liabilities	30	**1,035**	–
Other borrowings	31	**–**	100,575
Amount due to a former related company	24	**–**	2,385
		104,376	188,502
Net current assets/(liabilities)		**72,352**	(36,626)
Total assets less current liabilities		**275,119**	168,431
Non-current liabilities			
Borrowings	28	**66,361**	–
Deferred tax liabilities	32	**17,191**	25,452
Other borrowings	31	**106,575**	–
		190,127	25,452
NET ASSETS		**84,992**	142,979

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Notes	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	33	**210,485**	175,449
Reserves	34	**(51,579)**	21,284
Equity attributable to owners of the Company		**158,906**	196,733
Non-controlling interests		**(73,914)**	(53,754)
TOTAL EQUITY		**84,992**	142,979

The consolidated financial statements on pages 42 to 107 were approved and authorised for issue by the board of directors on 29 April 2020 and are signed on its behalf by:

Approved by:

Qiao Bingya
Director

Zhang Yiwen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non–controlling interests HK$'000	Total HK$'000
At 1 January 2018	175,449	488,361	300	46,477	(424,770)	285,817	(29,990)	255,827
Total comprehensive loss for the year	–	–	–	(16,342)	(72,742)	(89,084)	(23,764)	(112,848)
At 31 December 2018	175,449	488,361	300	30,135	(497,512)	196,733	(53,754)	142,979
At 1 January 2019	**175,449**	**488,361**	**300**	**30,135**	**(497,512)**	**196,733**	**(53,754)**	**142,979**
Issue of settlement shares (note 33(i))	**14,036**	**12,631**	**–**	**–**	**–**	**26,667**	**–**	**26,667**
Issue of subscription shares (note 33(ii))	**21,000**	**16,800**	**–**	**–**	**–**	**37,800**	**–**	**37,800**
Total comprehensive loss for the year	**–**	**–**	**–**	**(3,860)**	**(98,434)**	**(102,294)**	**(20,160)**	**(122,454)**
At 31 December 2019	**210,485**	**517,792**	**300**	**26,275**	**(595,946)**	**158,906**	**(73,914)**	**84,992**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax		
– Continuing operations	**(126,130)**	(120,864)
– Discontinued operation	**–**	15,496
	(126,130)	(105,368)
Adjustments for:		
Finance costs	**21,482**	10,310
Interest income	**(6)**	(20)
Depreciation	**4,732**	1,692
Amortisation of mining right	**1,465**	3,326
Gain on settlement of convertible bonds by shares	**(1,333)**	–
Gain on disposal of discontinued operation	**–**	(14,967)
Fair value gain of derivative financial instruments	**–**	(33)
Impairment loss on property, plant and equipment	**31,385**	17,603
Impairment loss on prepayment for property, plant and equipment and construction	**2,612**	19,986
Impairment loss on a former related company	**5,812**	–
Impairment loss on other receivables	**4,407**	–
Impairment loss on loan receivables	**485**	6,267
Impairment loss on mining right	**43,035**	54,919
Operating loss before working capital changes	**(12,054)**	(6,285)
Change in inventories	**–**	(287)
Change in loan receivables	**(2,275)**	(95,045)
Change in trade and other receivables	**(16,450)**	(1,434)
Change in trade and other payables	**20,173**	1,055
Change in contract liabilities	**–**	1,438
Net cash used in operating activities	**(10,606)**	(100,558)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in amount due from a former director	**47**	4,492
Decrease/(increase) in amount due from a former related company	**2,592**	(1,970)
Interest received	**6**	20
Disposal of a subsidiary	**–**	(4,202)
Purchases of property, plant and equipment	**(60,174)**	(982)
Proceeds from disposals of property, plant and equipment	**5**	–
Net cash used in investing activities	**(57,524)**	(2,642)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in amount due to a former related company	**689**	2,385
Other borrowings raised	**–**	100,000
Borrowings raised	**116,015**	4,513
Repayment of borrowings	**(13,885)**	(708)
Repayment of lease liabilities	**(1,994)**	–
Repayment of convertible bonds	**(25,514)**	–
Lease interests paid	**(106)**	–
Loan interests paid	**(8,233)**	–
Proceeds from issue of shares	**37,800**	–
Net cash generated from financing activities	**104,772**	106,190
NET INCREASE IN CASH AND CASH EQUIVALENTS	**36,642**	2,990
Effect of foreign exchange rate changes	**4,642**	(4,990)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,213**	3,213
CASH AND CASH EQUIVALENTS AT END OF YEAR	**42,497**	1,213
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**42,497**	1,213

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 21 to the consolidated financial statements.

2. GOING CONCERN BASIS

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

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

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

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

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

The Group has first adopted HKFRS 16 "Lease" from 1 January 2019, but has not restated comparatives figures for the year ended 31 December 2018, as permitted under the specific transitional provisions in the standard. The Group has elected to apply the modified retrospective approach for the application HKFRS 16 as lessee and will recognize the right-of-use assets at the date of initial application equal to the lease liability, adjusted by the amount of related prepaid or accrued lease payments recognised in the consolidated statement of financial position immediately before the date of initial application.

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

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

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

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

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

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

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

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

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

b) The reconciliation of operation lease commitment to lease liabilities

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

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

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

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

		Effective for the financial year beginning on or after
HKFRS 3	Amendments in relation to Definition of a Business	1 January 2020
HKAS 1 and 8	Amendments in relation to Definition of Material	1 January 2020
HKFRS 7, HKFRS 9 and HKAS 39	Amendments in relation to Hedge Accounting Requirements	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
HKAS 1	Amendments in relation to Classification of Liabilities as Current or Non-current	1 January 2022
HKFRS 10 and HKAS 28	Amendments in relation to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

4. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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%
Leasehold improvements	20%-50%
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.

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

Policy applicate from 1 January 2019

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessee *(Continued)*

Policy applicate from 1 January 2019 (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.

Policy applicate before 1 January 2019

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Convertible bonds

Combined instrument

Convertible bond which entitles the holder to convert the bond into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consist of a liability and derivative components. At the date of issue, the fair values of the derivative components are determined using an option pricing model. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components on initial recognition.

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.

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Discontinued operation

A discontinued operation is a component of the Group, the operation and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operation, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operation, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Discontinued operation *(Continued)*

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss and other comprehensive income, which comprises:

The post-tax profit or loss of the discontinued operation; and

The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

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 Mandatory Provident Fund retirement benefits 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 People's Republic of China. 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.

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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 productions 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.

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.

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.

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$31,385,000 (2018: HK$17,603,000) was recognised in profit or loss during the year.

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$43,035,000 (2018: HK$54,919,000) 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.

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 2019, the Group's largest of the trade and other receivables were 46% of the total amount. The Group's largest of the loan receivables were 85% 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.

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

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

	Loan receivables HK$'000
Balance at 31 December 2019	115,565
Provision for loss allowance	(6,752)
Carrying amounts	108,813
Balance at 31 December 2018	113,290
Provision for loss allowance	(6,267)
Carrying amounts	107,023

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.

Weighted average expected credit loss rate	
2019	6%
2018	6%
Loss allowance at 1 Jan 2018	–
Increase in provision in 2018	6,267
Loss allowance at 31 Dec 2018	6,267
Increase in provision in 2019	485
Loss allowance at 31 Dec 2019	6,752

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

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
At 31 December 2019			
Trade and other payables	52,221	–	–
Borrowings	51,120	72,525	83,253
Other borrowings	–	118,000	–
At 31 December 2018			
Trade and other payables	13,033	–	–
Borrowings	6,599	–	–
Convertible bonds	65,909	–	–
Other borrowings	100,575	–	–
Amount due to a related company	2,385	–	–

(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.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	**183,760**	149,710
Financial liabilities:		
Financial liabilities at amortised cost	**276,277**	188,501
Financial liabilities at fair value through profit or loss		
Held for trading	**–**	1

(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.

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.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Fair values *(Continued)*

(i) Disclosures of level in fair value hierarchy

Fair value measurements using:

	Level 2 HK$'000
At 31 December 2019	
Recurring fair value measurements:	
Derivative financial instruments	N/A

	Level 2 HK$'000
At 31 December 2018	
Recurring fair value measurements:	
Derivative financial instruments	1

(ii) Disclosure of valuation techniques and inputs used in fair value measurements:

Description	Valuation technique	Inputs	Fair value 2018 HK$'000
Derivative financial instruments	Binomial model	Volatility	1
		Discount rate	
		Dividend yield	

7. SEGMENT INFORMATION

The Group has four reportable segments as follows:

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

Money lending segment – provision of money lending services;

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

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

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

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment liabilities do not include convertible bonds.

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

	Continuing operations			Discontinued operation	
	Mining products HK$'000	Money lending HK$'000	Trading of coal HK$'000	Cosmetics and skincare products HK$'000	Total HK$'000
For the year ended 31 December 2019					
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**
As at 31 December 2019					
Segment assets	**207,900**	**108,830**	**21,415**	**–**	**338,145**
Segment liabilities	**104,033**	**107,671**	**13,638**	**–**	**225,342**
For the year ended 31 December 2018					
Revenue from external customers	25,230	1,816	–	22,359	49,405
Segment (loss)/profit	(76,759)	(5,145)	–	15,496	(66,408)
Depreciation of property, plant and equipment	474	–	–	1,198	1,672
Amortisation of mining right	3,326	–	–	–	3,326
Interest revenue	3	–	–	–	3
Interest expense	839	672	–	–	1,511
Income tax credit	(11,090)	–	–	–	(11,090)
Additions to segment non-current assets	520	–	–	462	982
Impairment loss	92,508	6,267	–	–	98,775
As at 31 December 2018					
Segment assets	249,111	107,030	–	–	356,141
Segment liabilities	44,289	100,585	–	–	144,874

7. SEGMENT INFORMATION *(Continued)*

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

	2019 HK$'000	2018 HK$'000
Revenue		
Total revenue of reportable segments and consolidated revenue	**44,556**	49,405
Elimination of discontinued operation	–	(22,359)
Consolidated revenue from continuing operations	**44,556**	27,046
Profit or loss		
Total loss of reportable segments	**(87,597)**	(66,408)
Other loss	**(30,671)**	(27,870)
Elimination of discontinued operation	–	(15,496)
Consolidated loss for the year from continuing operations	**(118,268)**	(109,774)
Assets		
Total assets of reportable segments	**338,145**	356,141
Other assets	**41,350**	792
Consolidated total assets	**379,495**	356,933
Liabilities		
Total liabilities of reportable segments	**225,342**	144,874
Convertible bonds	–	65,909
Other liabilities	**69,161**	3,171
Consolidated total liabilities	**294,503**	213,954

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

7. SEGMENT INFORMATION *(Continued)*

Geographical information:

(a) Revenue from external customers

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

(b) Non-current assets

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

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

(c) Revenue from major customers

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

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

8. REVENUE

	2019 **HK$'000**	2018 HK$'000
Mining products	**18,377**	25,230
Trading of coal	**17,899**	–
Cosmetics and skincare products	**–**	22,359
Revenue from contracts with customers	**36,276**	47,589
Interest income of money lending	**8,280**	1,816
Total revenue	**44,556**	49,405
Representing:		
Continuing operations	**44,556**	27,046
Discontinued operation (note 13)	**–**	22,359
	44,556	49,405

Disaggregation of revenue from contracts with customers:

	Continuing operations		**Discontinued operation**	
	Mining products HK$'000	**Trading of coal HK$'000**	**Cosmetics and skincare products HK$'000**	**Total HK$'000**
For the year ended 31 December 2019				
Geographical markets				
PRC	**18,377**	**17,899**	**–**	**36,276**
Major products				
Gold products	**18,377**	**–**	**–**	**18,377**
Coal	**–**	**17,899**	**–**	**17,899**
Total	**18,377**	**17,899**	**–**	**36,276**
Timing of revenue recognition				
At a point in time	**18,377**	**17,899**	**–**	**36,276**

8. REVENUE *(Continued)*

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

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.

8. REVENUE *(Continued)*

Trading of coal

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

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

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

Sales of cosmetics and skincare products

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

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

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

Provision of beauty treatment services

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

9. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Interest income	6	20
Sales of scrap materials	4	26
Gain on settlement of convertible bonds by shares	1,333	–
Others	5	–
	1,348	46
Representing:		
Continuing operations	1,348	46
Discontinued operation	–	–
	1,348	46

10. OTHER EXPENSES

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

11. FINANCE COSTS

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

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

12. INCOME TAX CREDIT

	2019 HK$'000	2018 HK$'000
Deferred tax (note 32)	**7,862**	11,090
Representing:		
Continuing operations	**7,862**	11,090
Discontinued operation	**–**	–
	7,862	11,090

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

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

12. INCOME TAX CREDIT *(Continued)*

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

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

	Continuing operations		Discontinued operation		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
(Loss)/profit before tax	**(126,130)**	(120,864)	**–**	15,496	**(126,130)**	(105,368)
Tax at the domestic income tax rate	**(29,931)**	(30,126)	**–**	2,557	**(29,931)**	(27,569)
Tax effect of income that is not taxable	**(234)**	–	**–**	(2,470)	**(234)**	(2,470)
Tax effect of expenses that are not deductible	**7,237**	2,857	**–**	–	**7,237**	2,857
Tax effect of tax losses not recognised	**15,194**	16,359	**–**	–	**15,194**	16,359
Tax effect of utilisation of tax losses not previously recognised	**(128)**	(180)	**–**	(87)	**(128)**	(267)
Income tax credit	**(7,862)**	(11,090)	**–**	–	**(7,862)**	(11,090)

13. DISCONTINUED OPERATION

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

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

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

13. DISCONTINUED OPERATION

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

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

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

14. LOSS FOR THE YEAR

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

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

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

15. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION

The emoluments of each director were as follows:

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

15. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION

(Continued)

		For the year ended 31 December 2018				
		Fees HK$'000	Salaries, allowances HK$'000	Discretionary bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:						
Mr. Long Xiaobo	(i)	–	918	234	18	1,170
Mr. Zuo Weiqi	(i)	–	918	78	18	1,014
Mr. Chen Yi-chung	(i)	–	1,444	75	18	1,537
Mr. Xiao Jie	(iv)	–	600	–	–	600
Mr. Zhang Li	(v)	–	411	–	11	422
Mr. Zhang Yiwen	(vi)	–	42	–	–	42
Non-Executive directors:						
Mr. Zhang Jing	(vii)	–	40	–	–	40
Mr. Zhang Wei	(vii)	–	40	–	–	40
Mr. Ng Kwok Kei Sammy	(xi)	–	51	–	–	51
Mr. Wong Wa Tak Barry	(xi)	–	51	–	–	51
Independent non-executive directors:						
Mr. Cai Jianhua		210	–	–	–	210
Ms. Liu Shuang	(x)	210	–	–	–	210
Mr. Liu Feng	(xii)	66	–	–	–	66
Mr. Ho Wing Chung	(viii)	55	–	–	–	55
Mr. Xie Qiangming	(iii)	55	–	–	–	55
		596	4,515	387	65	5,563

Notes:

(i) Resigned on 10 June 2019

(ii) Appointed on 10 June 2019

(iii) Appointed as an independent non-executive director on 17 July 2018, and re-designated as executive director on 30 September 2019

(iv) Retired on 6 June 2019

(v) Appointed on 18 April 2018 and resigned on 30 September 2019

(vi) Appointed on 6 November 2018

15. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION

(Continued)

Notes: (Continued)

(vii) Appointed on 1 September 2018 and resigned on 30 September 2019

(viii) Appointed on 17 July 2018

(ix) Appointed on 30 September 2019

(x) Resigned on 24 April 2019

(xi) Appointed on 29 March 2018 and resigned on 31 August 2018

(xii) Retired on 25 May 2018

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2018: Nil).

The five highest paid individuals in the Group during the year included two (2018: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2018: two) individuals are set out below:

	2019 **HK$'000**	2018 HK$'000
Basic salaries and allowances	**2,100**	1,872
Retirement benefit scheme contributions	**45**	36
	2,145	1,908

The emoluments fell within the following band:

	Number of individuals	
	2019	2018
Nil to HK$1,000,000	**3**	1
HK$1,000,001 to HK$1,500,000	**–**	1

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 2019 and 2018.

17. (LOSS)/EARNINGS PER SHARE

(a) From continuing and discontinued operations

Basic loss per share

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

Diluted loss per share

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

(b) From continuing operations

Basic loss per share

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

Diluted loss per share

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

(c) From discontinued operation

Basic earnings per share

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

Diluted earnings per share

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

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvement HK$'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
Cost								
At 1 January 2018	6,918	12,706	10,946	16,359	2,213	88,119	53,765	191,026
Additions	–	290	–	398	–	294	–	982
Disposals of subsidiary	–	(12,996)	–	(12,491)	–	–	–	(25,487)
Exchange differences	(349)	–	(553)	(187)	(112)	(4,450)	(2,715)	(8,366)
At 31 December 2018	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**
Accumulated depreciation and impairment								
At 1 January 2018	6,697	11,254	10,812	15,527	2,213	70,787	1,490	118,780
Charge for the year	189	666	175	551	–	111	–	1,692
Disposal of subsidiary	–	(11,920)	–	(12,086)	–	–	–	(24,006)
Impairment loss for the year	27	–	–	–	–	4,389	13,187	17,603
Exchange differences	(379)	–	(594)	(206)	(112)	(3,976)	(456)	(5,723)
At 31 December 2018	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**
Carrying amount								
At 31 December 2019	**1,127**	**–**	**4,962**	**381**	**–**	**6,217**	**65,616**	**78,303**
At 31 December 2018	35	–	–	293	–	12,652	36,829	49,809

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

The Group carried out reviews of the recoverable amount of its property, plant and equipment in 2019 as a result of the Group adjusted its production strategy. The reviews of property, plant and equipment led to the recognition of impairment losses of HK$31,385,000 (2018: approximately HK$17,603,000), which has been recognised in profit or loss. The recoverable amount of the relevant assets of approximately HK$77,922,000 (2018: approximately HK$49,516,000) has been determined on the basis of their fair value less costs of disposal using discounted cash flow method (level 3 fair value measurements).

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

Growth rate	2.5% and remain constant from the fifth year
Discount rate (post-tax discount rate applied to the cash flow projections)	12.8%
Years of cash flows projection (expected mining period)	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.

19. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2019 **HK$'000**
At 31 December	
Right-of-use assets	
– Buildings	**1,010**
The maturity analysis, bases on undiscounted cash flows, of the Group's lease liabilities is as follows:	
– Less than 1year	**1,050**
Year ended 31 December:	
Depreciation charge of right-use assets	
– Buildings	**2,019**
Lease interests	**106**
Expenses related to short-term leases	**371**
Total cash outflow for leases	**2,100**

20. MINING RIGHT

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

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

20. MINING RIGHT *(Continued)*

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

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

Growth rate	2.5% and remain constant from the fifth year
Discount rate (post-tax discount rate applied to the cash flow projections)	12.8%
Years of cash flows projection (expected mining period)	11years

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

21. 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	100.0%	–	Money lending services in Hong Kong
Supreme China Limited (Note (i))	BVI	50,000 Ordinary hares of US$1 each	–	–	Investment holding in Hong Kong
Westralian Resources Pty Ltd	Australia	80,000 Ordinary shares of AUD1 each	100.0%	–	Investment holding in the PRC
Hunan Westralian Mining Co., Limited (Note (ii))	PRC	US$29,700,000	–	80.0%	Gold exploration, development and mining in the PRC
Huzhou Huamao Trading Co., Limited (Note (iii))	PRC	HK$1,000,000	–	100.0%	Trading of coal in the PRC

21. SUBSIDIARIES *(Continued)*

Note:

(i) Supreme China Limited was struck off on 1 November 2019.

(ii) Hunan Westralian Mining Co., Limited is a foreign owned enterprise established in the PRC.

(iii) 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.

Name	**Hunan Westralian Mining Co., Limited**	
	2019	2018
Principal place of business/country of incorporation % of ownership interests and voting rights held by NCI	**PRC/PRC**	PRC/PRC
	20.0%	20.0%
	HK$'000	HK$'000
At 31 December:		
Non-current assets	**172,073**	193,546
Current assets	**31,857**	53,655
Current liabilities	**(556,307)**	(491,045)
Non-current liabilities	**(17,192)**	(24,926)
Net liabilities	**(369,569)**	(268,770)
Accumulated NCI	**(73,914)**	(53,754)
Year ended 31 December:		
Revenue	**18,377**	25,230
Loss for the year	**(99,170)**	(107,680)
Total comprehensive loss	**(100,799)**	(118,820)
Loss allocated to NCI	**(19,834)**	(21,536)
Net cash generated from/(used in) operating activities	**18,299**	(10,340)
Net cash used in investing activities	**(60,169)**	(12,783)
Net cash generated from financing activities	**52,963**	13,000
Effect of foreign exchange rate changes	**(9,165)**	11,116
Net increase in cash and cash equivalents	**1,928**	993

21. SUBSIDIARIES *(Continued)*

As at 31 December 2019, the bank and cash balances of the Group' subsidiaries in the PRC denominated in RMB amounted to HK$5,366,000 (2018: HK$1,059,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

22. TRADE AND OTHER RECEIVABLES

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

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

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

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

22. 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
At 31 December 2019			
Weighted average expected loss rate	**0%**	**0%**	
Receivable amount (HK'000)	**27,409**	**216**	**27,625**
Loss allowance (HK'000)	**–**	**–**	**–**
At 31 December 2018			
Weighted average expected loss rate	0%	0%	
Receivable amount (HK'000)	23,662	1,463	25,125
Loss allowance (HK'000)	–	–	–

23. LOAN RECEIVABLES

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

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

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

23. LOAN RECEIVABLES *(Continued)*

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

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

	2019	2018
	HK$'000	HK$'000
Within one year	**92,685**	107,023
In the second year	**16,128**	–
	108,813	107,023

Reconciliation of loss allowance for loan receivables:

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

24. AMOUNT DUE FROM/(TO) A FORMER RELATED COMPANY

Amount due from/(to) a former related company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance are as follows:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Amount due from/(to) a former related company		
深圳市柏恩投資有限責任公司 (Note a)	–	11,478
廣州市伯錦如日投資諮詢有限公司 (Note a)	–	(2,385)

	For the year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Maximum outstanding balance during the year:		
深圳市柏恩投資有限責任公司 (Note a)	–	11,478

Note:

a. One of the former directors, Mr. Long Xiaobo has controlled over the related companies.
b. The above amounts are unsecured, interest-free and repayable on demand.

25. AMOUNT DUE FROM A FORMER DIRECTOR

Amount due from a former director disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance is as follows:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Amount due from a former director:		
Mr. Long Xiaobo	–	47

25. AMOUNT DUE FROM A FORMER DIRECTOR *(Continued)*

	For the year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Maximum outstanding balance during the year:		
Mr. Long Xiaobo	**N/A**	1,513

The above amount is unsecured, interest-free and maturity date within 12 months.

26. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	HK$'000
Trade payables	**13,618**	–
Accrued liabilities and other payables	**19,589**	13,033
Amount due to a matured convertible bond holder (note 29)	**19,014**	–
	52,221	13,033

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

	2019	2018
	HK$'000	HK$'000
0 – 30 days	**13,618**	–

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2019	2018
	HK$'000	HK$'000
Embedded derivatives in convertible bonds	**–**	1

28. BORROWINGS

	2019 HK$'000	2018 HK$'000
Short-term borrowings		
– secured, 24% interest per annum and due within one year (note(i))	**49,961**	–
– unsecured, 24% interest per annum and due within one year (note (ii))	**1,159**	–
– unsecured, 36% interest per annum and due within one year	**–**	6,599
	51,120	6,599
Long-term borrowings		
– secured, 36% interest per annum and due within three years (note (iii))	**59,473**	–
– unsecured, 36% interest per annum and due within three years	**6,888**	–
	66,361	–
	117,481	6,599

Note:

(i) The borrowing is secured by the entire 80% shares of Hunan Westralian held by the Westralian Resources Pty Ltd and it is due to one of directors of Hunan Westralian.

(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.

29. CONVERTIBLE BONDS

Settlement Convertible Bonds

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

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

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

	HK$'000
Liability component at 1 January 2018	57,685
Effective interest charged to profit or loss during the year 2018	8,224
Liability component at 31 December 2018	65,909
Settlement by cash	(25,514)
Settlement by shares	(28,000)
Effective interest charged to profit or loss during the year 2019	6,619
Matured during the year and reclassify to other payable (note 26)	(19,014)
Liability component at 31 December 2019	**–**

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

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

30. LEASE LIABILITIES

	Lease payments 2019 HK$'000	Present value of lease payments 2019 HK$'000
Within one year	1,050	1,035
	1,050	
Less: Future finance charges	(15)	
Present value of lease liabilities	1,035	1,035
Less: Amount due for settlement within 12 months (shown under current liabilities)		(1,035)
Amount due for settlement after 12 months		–

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

31. OTHER BORROWINGS

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

32. DEFERRED TAX LIABILITIES

	Revaluation of mining right HK$'000
At 1 January 2018	38,182
Charge to profit or loss for the year	(11,090)
Exchange differences	(1,640)
At 31 December 2018	25,452
Charge to profit or loss for the year	(7,862)
Exchange differences	(399)
At 31 December 2019	**17,191**

No deferred tax asset have been recognised in respect of tax loss approximately HK$30,630,000 (2018: HK$30,444,000) due to the unpredictability of future profit streams.

33. SHARE CAPITAL

		Number of shares '000	Amount HK$'000
Authorised:			
At 1 January 2018, 31 December 2018 and 2019 (25,000,000,000 ordinary shares of HK$0.01 each)		25,000,000	250,000
Issued and fully paid:			
At 1 January 2018 and 31 December 2018 (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

33. SHARE CAPITAL *(Continued)*

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

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

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

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

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

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

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

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

34. 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 HK$'000	Total HK$'000
At 1 January 2018	488,361	300	(378,293)	110,368
Loss for the year	–	–	(89,084)	(89,084)
At 31 December 2018	488,361	300	(467,377)	21,284
Issue of settlement shares (note 33(i))	12,631	–	–	12,631
Issue of subscription shares (note 33(ii))	16,800	–	–	16,800
Loss for the year	–	–	(102,294)	(102,294)
At 31 December 2019	**517,792**	**300**	**(569,671)**	**(51,579)**

(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.

35. CAPITAL COMMITMENTS

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

	2019 HK$'000	2018 HK$'000
Construction contracted but not provided for	**7,215**	–

36. LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 HK$'000
Within one year	2,100
In the second to fifth years, inclusive	1,173
	3,273

Operating lease payments represent rentals payable by the Group for certain of its office premises and warehouses.

37. 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:

	2019 HK$'000	2018 HK$'000
Professional fee paid to a former related company*	**285**	300
Interest income from amount due from a former director	–	16
Interest expenses to other borrowings	**6,000**	575

* A former director has controlled over the former related company.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	30	46
Investments in subsidiaries	–	30,487
Right-of-use assets	1,010	–
	1,040	30,533
CURRENT ASSETS		
Other receivables	5,783	551
Amounts due from subsidiaries	292,694	336,051
Bank and cash balances	37,114	147
	335,591	336,749
CURRENT LIABILITIES		
Other payables	19,256	3,166
Derivative financial instruments	–	1
Convertible bonds	–	65,909
Other borrowings	–	100,575
Amounts due to subsidiaries	898	898
Lease liabilities	1,035	–
	21,189	170,549
NET CURRENT LIABILITIES	314,402	166,200
TOTAL ASSETS LESS CURRENT LIABILITIES	315,442	196,733
NON-CURRENT LIABILITIES		
Other borrowings	106,575	–
Convertible bonds	49,961	–
	156,536	–
NET ASSETS	158,906	196,733
EQUITY		
Share capital	210,485	175,449
Reserves	(51,579)	21,284
Total equity	158,906	196,733

39. EVENTS AFTER THE REPORTING PERIOD

(i) During the Reporting Period, the Board proposed to implement the Capital Reorganisation which entails the Share Consolidation and Capital Reduction. As at the date of this annual report, the Capital Reorganisation has been approved by the Shareholders at the EGM held on 30 December 2019 and a petition in relation to the Capital Reduction was presented by the Company to the Grand Court of the Cayman Islands which has been approved on 13 March 2020 (Cayman Islands time) and that all conditions of the Capital Reorganisation as set out in the circular of the Company dated 6 December 2019 have been fulfilled. Accordingly, the Capital Reorganisation became effective on 16 March 2020 (Hong Kong time).

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

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

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

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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 related party HK$'000	Settlement Convertible bonds HK$'000	Borrowings HK$'000	Total HK$'000
At 1 January 2018	–	–	–	57,685	1,283	58,968
Changes in cash flows	–	100,000	2,385	–	3,805	106,190
Non-cash changes						
– interest charged	–	575	–	8,224	1,511	10,310
At 31 December 2018	–	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

41. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 April 2020.

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				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
Revenue					
Continuing operations	**44,556**	27,046	22,803	40,399	43,613
Discontinued operation	**–**	22,359	21,424	–	–
	44,556	49,405	44,227	40,399	43,613
Loss before tax	**(126,130)**	(120,864)	(21,381)	(13,910)	(35,205)
Income tax credit/(expense)	**7,862**	11,090	(1,015)	(11,549)	(2,797)
Loss for the year from continuing operations	**(118,268)**	(109,774)	(22,396)	(25,459)	(38,002)
Profit/(loss) from discontinued operation	**–**	15,496	(1,783)	–	–
Loss for the year	**(118,268)**	(94,278)	(24,179)	(25,459)	(38,002)
Attributable to:					
Owners of the Company	**(98,434)**	(72,742)	(15,849)	(27,181)	(34,460)
Non-controlling interests	**(19,834)**	(21,536)	(8,330)	1,722	(3,542)
	(118,268)	(94,278)	(24,179)	(25,459)	(38,002)

ASSETS AND LIABILITIES

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**202,767**	205,057	296,205	289,382	210,330
Current assets	**176,728**	151,876	94,008	113,951	29,078
Current liabilities	**(104,376)**	(188,502)	(38,519)	(57,348)	(509,744)
Non-current liabilities	**(190,127)**	(25,452)	(95,867)	(85,059)	(64,522)
Net assets/(liabilities)	**84,992**	142,979	255,827	260,926	(334,858)
Attributable to:					
Owners of the Company	**158,906**	196,733	285,817	286,055	(311,537)
Non-controlling interests	**(73,914)**	(53,754)	(29,990)	(25,129)	(23,321)
Total equity/(deficit)	**84,992**	142,979	255,827	260,926	(334,858)

DEFINITIONS

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

"2018 Annual Report"	the annual report of the Company for the year ended 31 December 2018
"2019 Interim Report"	the interim report of the Company for the six months ended 30 June 2019
"Adjusted Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
"AGM"	the annual general meeting of the Company
"Articles of Association"	the articles of association of the Company
"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
"Chief Executive Officer"	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 2018
"Creditor A"	Mr. 李鐵鍵, one of the CB Settlement Creditors
"Creditor B"	Mr. 吳躍新, one of the CB Settlement Creditors
"Cristal Marketing"	Cristal Marketing Management Company Limited, a company incorporated in Hong Kong with limited liability and was a subsidiary of the Group prior to the completing of the disposal
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company

"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
"HKFRSs"	Hong Kong Financial Reporting Standards
"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 23 October 2019 to perform an internal control review of the Group
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Management"	the management of the Company
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"MPF Scheme"	Mandatory Provident Fund retirement benefits scheme
"NED(s)"	the non-executive Director(s)
"Nomination Committee"	the nomination committee of the Company
"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
"Remuneration Committee"	the remuneration committee of the Company

DEFINITIONS

"Reporting Period"	the period for the year ended 31 December 2019
"RMB"	Renminbi, the lawful currency of the PRC
"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
"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)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	德興市益豐再生有色金屬有限責任公司, a limited liability company incorporated in the PRC
"%"	per cent