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CHINA BILLION RESOURCES LIMITED

中富資源有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 274)

UPDATE ON THE ANNUAL RESULTS OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of China Billion Resources Limited (“**Company**” and together with its subsidiaries, “**Group**”) dated 27 March 2020 (“**2019 Results Announcement**”) in relation to the unaudited consolidated annual results of the Group for the financial year ended 31 December 2019 (“**2019 Unaudited Annual Results**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the 2019 Results Announcement.

AUDITOR’S AGREEMENT ON THE 2019 ANNUAL RESULTS

The Board is pleased to announce that as at the date of this announcement, the Company’s auditors, ZHONGHUI ANDA CPA Limited (“**Auditor**”), has completed its audit of the annual results of the Group for the year ended 31 December 2019 (“**2019 Audited Annual Results**”) in accordance with Hong Kong Standards on Auditing (“**HKSA**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), including the financial figures in respect of the Group’s consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes as set out in the 2019 Unaudited Annual Results. The 2019 Audited Annual Results has been agreed by the Auditor, reviewed by the audit committee of the Company and approved by the Board as at the date of this announcement.

Except for the following reclassifications and clarifications, the overall 2019 Unaudited Annual Results remain substantially the same as the 2019 Audited Annual Results:

(1) Reclassification on consolidated statement of financial position:

	31 December 2019 HK\$’000 (audited)	31 December 2019 HK\$’000 (unaudited)
Current liabilities		
Borrowings	51,120	58,008
Non-current liabilities		
Borrowings	66,361	59,473

(2) Reclassification on notes to the consolidated financial statements:

8. Income tax credit

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

	31 December 2019 HK\$'000	31 December 2019 HK\$'000
	Continuing operations / Total (audited)	Continuing operations / Total (unaudited)
(Loss)/profit before tax	<u>(126,130)</u>	<u>(126,130)</u>
Tax at the domestic income tax rate	(29,931)	(29,864)
Tax effect of income that is not taxable	(234)	(234)
Tax effect of expenses that are not deductible	7,237	7,181
Tax effect of tax losses not recognised	15,194	15,183
Tax effect of utilisation of tax losses not previously recognised	<u>(128)</u>	<u>(128)</u>
Income tax credit	<u><u>(7,862)</u></u>	<u><u>(7,862)</u></u>

(3) Clarification on segment information:

The Company noted that there are clerical errors in note 4 of the 2019 Unaudited Annual Results on pages 7 to 10 of the 2019 Results Announcement and would like to delete the entire note 4 and replace it with the following (for ease of reference and comparison, the amended figures are underlined):

4. 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 used in the preparation of 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 (unaudited)					
Revenue from external customers	18,377	8,280	17,899	-	44,556
Segment (loss) / profit	(88,110)	780	<u>(267)</u>	-	<u>(87,597)</u>
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	<u>87,251</u>	485	-	-	<u>87,736</u>
As at 31 December 2019 (unaudited)					
Segment assets	207,900	108,830	21,415	-	338,145
Segment liabilities	104,033	107,671	<u>13,638</u>	-	<u>225,342</u>
For the year ended 31 December 2018 (audited)					
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 (audited)					
Segment assets	249,111	107,030	-	-	356,141
Segment liabilities	44,289	100,585	-	-	144,874

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

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

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

Geographical information:

(a) Revenue from external customers

	2019 HK\$'000 (unaudited)	2018 HK\$'000 (audited)
Continuing operations		
Hong Kong	8,280	1,816
PRC	<u>36,276</u>	<u>25,230</u>
	<u>44,556</u>	<u>27,046</u>
Discontinued operation		
Hong Kong	<u>-</u>	<u>22,359</u>
	<u>44,556</u>	<u>49,405</u>

(b) Non-current assets

	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Hong Kong	17,168	47
PRC	185,599	205,010
	<u>202,767</u>	<u>205,057</u>

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	2018
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Customer A (sales of gold products)	-	24,819
Customer B (sales of coal)	17,899	-
Customer C (sales of gold products)	16,323	-

(4) Clarification of discount rate:

The Company noted that there is a typographical error in note 12 of the 2019 Unaudited Annual Results on page 18 of the 2019 Results Announcement and would like to make the following clarification:

The discount rate (post-tax discount rate applied to the cash flow projections) for calculating the recoverable amount of mining right should be 12.8% instead of 12.6%.

AUDITOR'S OPINION

The Auditor has expressed an unqualified opinion on the audited consolidated financial statements of the Group for the financial year ended 31 December 2019.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

Attention is drawn 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. The Auditor's opinion is not modified in respect of this matter.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this further announcement have been agreed by the Auditor to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board on 29 April 2020. The work performed by Auditor in this respect did not constitute an assurance engagement in accordance with HKSA, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Auditor on this further announcement.

PUBLICATION OF ANNUAL REPORT

Pursuant to the joint statement released by the Stock Exchange and the Securities Futures Commission dated 16 March 2020, the Company is eligible for deferring the publication of its annual report for up to 60 days from 16 March 2020. The Company expects to publish its annual report for the year ended 31 December 2019 on 8 May 2020.

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

Hong Kong, 29 April 2020

As at the date of this announcement, the Board comprises:

Executive directors:

Mr. Qiao Bingya (*Chairman of the Board*)
Mr. Zhang Yiwen (*Chief executive officer*)
Mr. Xie Qiangming

Independent non-executive directors:

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