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CHINA BILLION RESOURCES LIMITED

中富資源有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 274)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The Board presents herewith the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020 and selected explanatory notes, together with the comparative figures for the six months ended 30 June 2019, as follows:

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

For the six months ended 30 June 2020

		Six months ended 30 June	
	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	4	18,727	6,288
Cost of sales and services rendered		<u>(11,404)</u>	<u>(1,500)</u>
Gross profit		7,323	4,788
Other income and gains		553	7
Administrative expenses		<u>(15,867)</u>	<u>(13,701)</u>
Loss from operations		(7,991)	(8,906)
Finance costs	5	<u>(28,105)</u>	<u>(10,001)</u>
Loss before tax		(36,096)	(18,907)
Income tax expense	6	<u>(1,606)</u>	<u>(1,644)</u>

		Six months ended 30 June	
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	7	(37,702)	(20,551)
Other comprehensive loss after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(5,129)</u>	<u>(228)</u>
Other comprehensive loss for the period, net of tax		<u>(5,129)</u>	<u>(228)</u>
Total comprehensive loss for the period		<u>(42,831)</u>	<u>(20,779)</u>
Loss for the period attributable to:			
Owners of the Company		(32,990)	(18,461)
Non-controlling interests		<u>(4,712)</u>	<u>(2,090)</u>
Loss for the period		<u>(37,702)</u>	<u>(20,551)</u>
Total comprehensive loss for the period attributable to:			
Owners of the Company		(37,710)	(18,669)
Non-controlling interests		<u>(5,121)</u>	<u>(2,110)</u>
Total comprehensive loss for the period		<u>(42,831)</u>	<u>(20,779)</u>
			(restated)
Loss per share (HK cents)			
Basic and diluted	8	<u>(7.10)</u>	<u>(2.10)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2020

	<i>Notes</i>	As at 30 June 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		89,536	78,303
Right-of-use assets		–	1,010
Financial assets at fair value through other comprehensive income		32,000	–
Mining right	<i>9</i>	102,978	107,326
Loan receivables	<i>10</i>	111,819	16,128
		336,333	202,767
Current assets			
Inventories		14,769	–
Trade and other receivables		28,297	41,546
Loan receivables	<i>10</i>	1,025	92,685
Bank and cash balances		3,384	42,497
		47,475	176,728
Current liabilities			
Trade and other payables		42,196	52,221
Borrowings	<i>11</i>	65,175	51,120
Lease liabilities		–	1,035
		107,371	104,376
Net current (liabilities)/assets		(59,896)	72,352
Total assets less current liabilities		276,437	275,119
Non-current liabilities			
Borrowings	<i>11</i>	106,256	66,361
Deferred tax liabilities		18,453	17,191
Other borrowings	<i>12</i>	109,567	106,575
		234,276	190,127
NET ASSETS		42,161	84,992
Capital and reserves			
Share capital	<i>13</i>	10,524	210,485
Reserves		110,672	(51,579)
Equity attributable to owners of the Company		121,196	158,906
Non-controlling interests		(79,035)	(73,914)
TOTAL EQUITY		42,161	84,992

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

1. GENERAL INFORMATION

China Billion Resources Limited was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Room 2207, 22nd 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.

The Company is an investment holding company. The principal activities of its subsidiaries are (i) gold mining, exploration and trading of gold products in the PRC; (ii) provision of money lending services in Hong Kong; and (iii) trading of coal in the PRC.

2. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the HKICPA and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

These condensed financial statements should be read in conjunction with the 2019 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2019.

The Group incurred a loss attributable to owners of the Company of approximately HK\$32,990,000 for the period and the Group had net current liabilities of approximately HK\$59,896,000 as at 30 June 2020.

These condensed 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 have agreed to provide adequate funds for the Group to meet its liabilities as they fall due. The Directors are therefore of the opinion that it is appropriate to prepare the condensed financial statements on a going concern basis.

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

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2020. HKFRSs comprise HKFRS, HKAS 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 period and prior periods.

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

		Effective for the financial periods beginning on or after
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. REVENUE AND SEGMENT INFORMATION

The Group has three reportable segments as follows:

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

Money lending segment – provision of money lending services; and

Trading of coal segment – engaged in trading of coal.

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

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

	Mining products HK\$'000	Money lending HK\$'000	Trading of coal HK\$'000	Total HK\$'000
<u>For the six months ended 30 June 2020</u>				
Revenue from external customers	3,575	4,031	11,121	18,727
Segment (loss)/profit	(23,560)	538	(123)	(23,145)
Depreciation	172	–	1	173
Income tax expense	1,606	–	–	1,606
Additions to segment non-current assets	11,405	–	–	11,405
<u>As at 30 June 2020</u>				
Segment assets	226,363	112,910	43,542	382,815
Segment liabilities	153,312	2	4,024	157,338
<u>For the six months ended 30 June 2019</u>				
Revenue from external customers	2,072	4,216	–	6,288
Segment (loss)/profit	(11,482)	742	–	(10,740)
Depreciation	177	–	–	177
Income tax expense	1,644	–	–	1,644
Additions to segment non-current assets	13,389	–	–	13,389
<u>As at 31 December 2019</u>				
Segment assets	207,900	108,830	21,415	338,145
Segment liabilities	104,033	107,671	13,638	225,342

4. REVENUE AND SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment revenue, profit or loss:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
<u>Revenue</u>		
Total revenue of reportable segments and consolidated revenue	<u>18,727</u>	<u>6,288</u>
<u>Profit or loss</u>		
Total loss of reportable segments	(23,145)	(10,740)
Finance costs	(10,203)	(7,327)
Other profit or loss	<u>(4,354)</u>	<u>(2,484)</u>
Consolidated loss for the period	<u>(37,702)</u>	<u>(20,551)</u>

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

Breakdown of revenue:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Mining products	3,575	2,072
Trading of coal	<u>11,121</u>	<u>–</u>
Revenue from contract with customers	14,696	2,072
Interest income of money lending	<u>4,031</u>	<u>4,216</u>
Total revenue	<u>18,727</u>	<u>6,288</u>

Disaggregation of revenue from contracts with customers:

All revenue from contracts with customers was derived from the PRC for the six months ended 30 June 2020 and 2019. The timing of revenue recognition of all revenue from contracts with customers was at a point in time for the six months ended 30 June 2020 and 2019.

5. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Interest of Settlement Convertible Bonds	–	3,534
Loan interest	28,090	6,364
Interest of lease liability	15	103
	<u>28,105</u>	<u>10,001</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Deferred tax	<u>1,606</u>	<u>1,644</u>

No provision for Hong Kong Profits Tax is required since the Company has no assessable profit for the period (2019: Nil).

The applicable income tax rate for the subsidiaries of the Group in the PRC in the Reporting Period is 5% – 25% (2019: 5% – 25%).

7. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Directors' remuneration	726	1,763
Cost of sales and services rendered	11,404	1,500

8. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company for the Reporting Period is based on the loss for the period attributable to owners of the Company of approximately HK\$32,990,000 (2019: approximately HK\$18,461,000) and the weighted average number of ordinary shares of approximately 464,627,000, adjusted by Share Consolidation completed on 16 March 2020 (2019 (restated): approximately 877,249,000 ordinary shares, adjusted by Share Consolidation completed on 16 March 2020) in issue during the Reporting Period.

Diluted loss per share

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

9. MINING RIGHT

	<i>HK\$'000</i>
Cost	
At 1 January 2019	1,434,127
Exchange differences	<u>(26,592)</u>
At 31 December 2019	1,407,535
Exchange differences	<u>(26,894)</u>
At 30 June 2020	<u>1,380,641</u>
Accumulated amortisation and impairment	
At 1 January 2019	1,278,879
Amortisation for the year	1,465
Impairment loss for the year	43,035
Exchange differences	<u>(23,170)</u>
At 31 December 2019	1,300,209
Amortisation for the period	150
Exchange differences	<u>(22,696)</u>
At 30 June 2020	<u>1,277,663</u>
Carrying amount	
At 30 June 2020	<u><u>102,978</u></u>
At 31 December 2019	<u><u>107,326</u></u>

Mining right includes the cost of acquiring mining licenses, costs transferred from exploration right and exploration and evaluation assets upon determination that an exploration property is capable of commercial production and land compensation costs. Land compensation costs represent the compensation paid to inhabitants for relocating them from the areas nearby the mining sites so that the Group can use the land as leaching piles and dumping areas for waste ores. The mining permit will expire on 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.

10. LOAN RECEIVABLES

	As at 30 June 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
Loan receivables	119,596	115,565
Provision for loss allowance	<u>(6,752)</u>	<u>(6,752)</u>
Carrying amount	<u>112,844</u>	<u>108,813</u>

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

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

	As at 30 June 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
within one year	1,025	92,685
In the second year	<u>111,819</u>	<u>16,128</u>
	<u>112,844</u>	<u>108,813</u>

Reconciliation of loss allowance for loan receivables:

	As at 30 June 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
At 1 January	6,752	6,267
Increase in loss allowance for the period/year	<u>-</u>	<u>485</u>
	<u>6,752</u>	<u>6,752</u>

11. BORROWINGS

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Short-term borrowings		
– secured, 24% interest per annum and due within one year (<i>note(i)</i>)	63,951	49,961
– unsecured, 24% interest per annum and due within one year (<i>note (ii)</i>)	1,224	1,159
	<u>65,175</u>	<u>51,120</u>
Long-term borrowings		
– secured, 36% interest per annum and due within three years (<i>note (iii)</i>)	90,810	59,473
– unsecured, 36% interest per annum and due within three years	15,446	6,888
	<u>106,256</u>	<u>66,361</u>
	<u>171,431</u>	<u>117,481</u>

Notes:

- (i) The borrowing is secured by the entire 80% shares of Hunan Westralian held by the Westralian Resources 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.

12. 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 borrowings is unsecured, 6% interest per annum and maturity date within 24 months (2019: 24 months).

13. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
At 1 January 2019, 31 December 2019 and 30 June 2020 (25,000,000,000 ordinary shares of HK\$0.01 each)	<u>25,000,000</u>	<u>250,000</u>
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)	<u>2,100,000</u>	<u>21,000</u>

13. SHARE CAPITAL (Continued)

		Number of shares '000	Amount HK\$'000
At 1 January 2019 and 31 December 2019 (21,048,486,179 ordinary shares of HK\$0.01 each)		21,048,486	210,485
Share Consolidation	(iii)	(19,996,061)	–
Capital Reduction	(iv)	–	(199,961)
		<u>1,052,425</u>	<u>10,524</u>
At 30 June 2020 (1,052,424,308 ordinary shares of HK\$0.01 each)		<u>1,052,425</u>	<u>10,524</u>

- (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.
- (iii) Effective on 16 March 2020, pursuant to the Share Consolidation, every twenty (20) shares of HK\$0.01 each were consolidated into one (1) share of HK\$0.01 each. As a result, the then 21,048,486,179 issued shares of the Company of HK\$0.01 each were consolidated into 1,052,424,308 issued shares of HK\$0.01 each.
- (iv) The reduction of issued capital whereby the par value of each issued consolidated share was reduced from HK\$0.20 to HK\$0.01 by cancelling HK\$0.19 on each issued and fully paid share.

14. EVENTS AFTER THE REPORTING PERIOD

On 6 August 2019, the Company, Westralian Resources and the Lender entered into a one-year term RMB80,000,000 loan facility agreement at an interest rate of 24% per annum. The loan is secured by the entire 80% shares of Hunan Westralian held by Westralian Resources. The Company has drawn down RMB50,000,000 from the loan as at the date of this announcement.

On 10 August 2020, the aforesaid three parties of the Loan Agreement further entered into a settlement agreement with respect to the settlement and rescheduling of RMB58,485,000, being the amount owed by the Company to the Lender under the Loan Agreement as at 31 July 2020. In connection with the settlement arrangements, the Company and Westralian Resources have agreed to sell the 29% equity interest in Hunan Westralian to the Lender for RMB38,485,000 to partially settle the outstanding amount owed to Lender on a dollar for dollar basis. In return, the Lender has agreed to extend the maturity date and the drawdown period under the Loan Agreement to 31 August 2021. As the Lender was a director of Hunan Westralian, he was regarded as a connected person of the Company at subsidiary level. As such, the foresaid disposal and the extension also constituted connected transactions of the Company under Chapter 14A of the Listing Rules, but were exempted from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

For details of the abovementioned transactions, please refer to the Company's announcement dated 10 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

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 completed the mining technical reform project in east mine in the fourth quarter of 2019. Hunan Westralian will continue to complete the remaining improvement constructions works as soon as possible under the guidance or instruction of relevant regulatory bodies.

As stated in the 2019 Annual Report, Hunan Westralian will require further capital investment for improvement of its mining capability and facilities. In order to increase the overall production capacity of the Gold Mine and improve (including) the working environment and the living environment of the employees, in the past few years, the Gold Mine has been carrying out rectification works and upgrading mining facilities in accordance with government requirements. Therefore, 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. This situation is expected to improve after the main rectification improvement works are completed and production is resumed. The production capacity of existing ore processing plant (150 tons per day) and new ore processing plant (still under construction) is expected to increase to a minimum of 500 tons per day. 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 and the rectification improvement works 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 half of 2020 to cooperate with the emergency COVID-19 prevention and control measures announced by the Chinese government to ensure employee safety. As at the date of this announcement, Gold Mine has gradually resumed to production and continued to carry out the overall rectification improvement works.

Although the mining permit will expire on 2 September 2020, the Directors considered that the Group will 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. The management of Hunan Westralian has applied for the renewal permit, and the renewal mining permit is expected to be issued in September 2020.

Money Lending Business

As stated in the 2019 Annual 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.

Save as the supplementary agreement entered into with relevant financial institution in 2019 to extend the HK\$100 million unsecured loan facility granted to the Company at a favourable rate for further two years, in December 2019 and January 2020, the Group has entered into supplementary loan agreements with two Borrowers to extend the total of HK\$100 million secured loan facilities for further approximately two years (for details of the HK\$85 million supplementary loan agreement, please refer to the Company's announcement dated 9 January 2020).

Trading of Coal

In the first half of 2020, the Group continued to develop the coal trading business in PRC. In the development stage, the subsidiary mainly target on selling coal to power plant. On one hand, the management of the subsidiary will strive to find customers with stable demand, and stable low-cost coal supply channel to achieve better profitability, and on the other hand, they will continue to study and monitor the actual business operating conditions and performance in order to adjust strategies and policies..

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. 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 recorded a total revenue of approximately HK\$18.7 million, representing an approximately 197.8% increase as compared with approximately HK\$6.3 million for the Corresponding Period. The increase in the Group's revenue mainly due to the increase in revenue derived from trading of coal business segment.

The revenue contributed by the mining products business segment during the Reporting Period was approximately HK\$3.6 million, representing an increase of approximately 72.5% as compared with approximately HK\$2.1 million for the Corresponding Period. The increase in revenue was mainly due to additional sales of sub-mining ore produced during the rectification improvement process.

During the Reporting Period, the revenue contributed by the money lending business segment was approximately HK\$4.0 million, representing a decrease of approximately 4.4% as compared with approximately HK\$4.2 million for the Corresponding Period. The decrease in revenue was mainly due to decrease in loan principal in the second half of 2019.

During the Reporting Period, the revenue contributed by the trading of coal business segment was approximately HK\$11.1 million. The trading of coal business started to generate revenue in the fourth quarter of 2019 to the Group.

The gross profit for the Reporting Period was approximately HK\$7.3 million, representing an increase of approximately 52.9% as compared with approximately HK\$4.8 million for the Corresponding Period.

The loss for the Reporting Period was approximately HK\$37.7 million and the Corresponding Period was approximately HK\$20.6 million. The increase in loss was mainly due to the increase in the finance costs incurred from the mining products business segment during the Reporting Period of approximately HK\$18.0 million.

During the Reporting Period, the Group made a partial capital contribution of HK\$32.0 million in cash to the Target Company pursuant to the relevant capital increase agreement after the Target Company obtained a provisional hazardous waste treatment licence on 20 January 2020.

PROSPECTS

As disclosed in the 2019 Annual 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. As at the date of this announcement, Gold Mine has gradually resumed to production and carried out the overall improvement works.

Regarding the newly launched coal trading business, the Management adopted a relatively conservative approach at this stage, and will adjust the business scale according to the actual business operating conditions and performance after the trial operation in order to steadily increase revenue while reducing business risks.

With the increasing demand for the frozen meat and the gradual standardisation and regularisation of related import trade, this business has begun to grow rapidly in China in recent years. Since the second half of 2019, the Management has begun to conduct a number of market surveys on the import trade of frozen chicken by-products imported into China. After nearly half year of industrial studies and analysis, the Company decided to develop wholesale and trading frozen chicken by-products as an entry point for the international frozen meat import business. After stabilising the business, the management plans to extend the scope of business to other frozen meats such as beef, pork and seafood, and hopes to eventually achieve the goal of establishing its own online store and cold chain e-commerce and/or cooperation with large e-commerce platform.

As disclosed in the 2019 Annual Report and 2019 Interim Report, 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. The project team is conducting research looking 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 and use of the new substantial Shareholders' connections, experience, networks and resources to enhance the business prospects of the Group, thereby maximising the value for the Shareholders.

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 Annual 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”.

As such, in 2019, the Group entered into a capital increase agreement with Target Company, principally engaged in: (i) comprehensive utilization of waste resources; (ii) procurement, processing, production and sales of metal scrap and metal-containing waste; (iii) trading in mineral products; and (iv) sales of metal materials in Jiangxi Province, PRC. 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. As at the date of this announcement, the Group owns 12.41% equity interest in the capital of the Target Company and since the Target Company has obtained the provisional hazardous waste treatment licence, the Group has made a capital contribution of HK\$42 million to the Target Company.

The Board is of the view that the abovementioned investments 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.

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

As at 30 June 2020, the Group had unpledged cash and bank balances of approximately HK\$3.4 million (31 December 2019: approximately HK\$42.5 million). The gearing ratio was approximately 802.3% (31 December 2019: approximately 296.5%) and the borrowings of the Group was approximately HK\$281.0 million (31 December 2019: approximately HK\$224.1 million). The Group recorded a net current liabilities of approximately HK\$59.9 million as at 30 June 2020 (31 December 2019: net current assets of approximately HK\$72.4 million).

Details of the maturity profile and interest rate structure of the borrowings of the Group are set out in notes 11 and 12 to the Interim Financial Statements of this announcement.

EMPLOYEES AND REMUNERATION

The remuneration policy of the Group is designed to ensure that remuneration offered to the Directors and/or employees is appropriate for their respective duties performed, sufficiently compensates them for the effort and time dedicated to the affairs of the Group, and is competitive and effective in attracting, retaining and motivating employees. The key components of the Company's remuneration package include basic salary, and when appropriate, other allowances, incentive bonuses, mandatory provident funds and share options granted (if any) under the Share Option Scheme.

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

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

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

As at 30 June 2020, the Group employed 453 staff (2019: 285). The remuneration of employees was commensurate with the market trend, the level of pay in the industry and with the performance of individual employees that are regularly reviewed every year.

INTERIM DIVIDENDS

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

EVENTS AFTER THE REPORTING PERIOD

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

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

Pursuant to the code provision A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Accordingly, following the appointment of Mr. Qiao Bingya as CEO on 12 June 2020, there is a deviation from the code provision A.2.1 of the CG Code as Mr. Qiao Bingya is also the Chairman.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct governing Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

REVIEW OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

DEFINITIONS

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

“associate(s)”	having the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Capital Reduction”	the Reduction of Issued Capital, the subdivision of each authorized but unissued Consolidated Share into 20 unissued Adjusted Shares and the Share Premium Reduction
“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)
“CEO”	the chief executive officer of the Company
“CG Code”	Corporate Governance Code as set out in Appendix 14 of the Listing Rules
“Chairman”	the chairman of the Board
“China” or “PRC”	the People’s Republic of China, but for the purposes of this interim results announcement and for geographical reference only (unless otherwise indicated), excludes the Macao Special Administrative Region of the PRC, Hong Kong and Taiwan
“Circular”	a circular despatched by the Company to the Shareholders on 29 January 2016
“Company”	China Billion Resources Limited, a company incorporated in the Cayman Islands with limited liability, shares of which are listed on the Stock Exchange
“Creditor B”	Mr. 吳躍新, one of the CB Settlement Creditors
“Consolidated Share”	the ordinary share(s) of HK\$0.20 each in the share capital of the Company after Share Consolidation but prior to the Capital Reduction
“Corresponding Period”	the period for the six months ended 30 June 2019
“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
“Executive Director(s)”	the executive Director(s)

“Gold Mine”	the Group’s Yuanling gold project in Hunan Province of 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, is an indirect subsidiary of the Company
“Interim Financial Statements”	the unaudited condensed consolidated financial statements for the six months ended 30 June 2020
“INED(s)”	the independent non-executive Director(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement dated 6 August 2019 entered into between the Company as borrower, Westralian Resources as co-borrower and Mr. Cai as lender, pursuant to which Mr. Cai has agreed to advance a facility of up to RMB80,000,000 to the Company
“Management”	the management of the Company
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“Mr. Cai” or “Lender”	Mr. Cai Shuo, a former director of Hunan Westralian (appointed as director on 15 August 2019 and resigned on 20 August 2020)
“NED(s)”	the non-executive Director(s)
“Reduction of Issued Capital”	the reduction of the par value of each issued Consolidated Share from HK\$0.20 to HK\$0.01 by cancelling HK\$0.19 of the paid-up capital on each issued Consolidated Share
“RMB”	Renminbi, the lawful currency of the PRC
“Reporting Period”	the period for the six months ended 30 June 2020
“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
“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 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
“Westralian Resources”	Westralian Resources Pty Ltd., a wholly-owned subsidiary of the Company incorporated in Australia
“2019 Annual Report”	the annual report of the Company for the year ended 31 December 2019
“2019 Interim Report”	the interim report of the Company for the six months ended 30 June 2019
“%”	per cent

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

Hong Kong, 28 August 2020

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

Executive Directors:	NED:	INEDs:
Mr. Qiao Bingya <i>(Chairman and CEO)</i>	Mr. Sun Aimin	Mr. Cai Jianhua
Mr. Xie Qiangming		Mr. Ho Wing Chung
Mr. Zhang Yiwen		Mr. Yan Xiaotian