



M-Resources Group Limited

脈資資源集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 08186)

2021 INTERIM RESULTS

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This announcement, for which the board (the “Board”) of directors (the “Directors”) of M-Resources Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and beliefs, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement misleading.

The Board would like to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the three months and the six months ended 30 June 2021 (“Reporting Period”) together with the comparative unaudited figures for the corresponding periods in 2020, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	For the three months ended 30 June		For the six months ended 30 June	
		2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Re-presented)	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Re-presented)
Continuing operations					
Revenue	2	5,393	3,880	10,329	10,411
Cost of sales		<u>(4,851)</u>	<u>(3,334)</u>	<u>(9,252)</u>	<u>(8,806)</u>
Gross profit		542	546	1,077	1,605
Other income and gains	4	138	1,343	290	1,407
Administrative expenses		(1,434)	(5,242)	(3,420)	(10,219)
Net gain on equity investment at fair value through profit or loss		–	192	–	203
Impairment loss on other receivables		(834)	–	(834)	–
Finance costs	5	(482)	(179)	(941)	(367)
Share of results of associates		<u>–</u>	<u>(1,383)</u>	<u>–</u>	<u>(1,246)</u>
Loss before income tax expenses	5	(2,070)	(4,723)	(3,828)	(8,617)
Income tax	6	<u>(110)</u>	<u>–</u>	<u>(239)</u>	<u>–</u>
LOSS FROM CONTINUING OPERATIONS		<u>(2,180)</u>	<u>(4,723)</u>	<u>(4,067)</u>	<u>(8,617)</u>
Discontinued operation					
Gain from discontinued operation		<u>–</u>	<u>3,017</u>	<u>–</u>	<u>2,208</u>
LOSS FOR THE PERIOD		<u>(2,180)</u>	<u>(1,706)</u>	<u>(4,067)</u>	<u>(6,409)</u>

	For the three months ended 30 June		For the six months ended 30 June	
	2021	2020	2021	2020
	<i>Notes</i> HK\$'000	HK\$'000 (Re-presented)	HK\$'000	HK\$'000 (Re-presented)
Loss for the period attributable to:				
Owners of the Company				
Loss for the period from continuing operations	(1,878)	(4,851)	(3,684)	(8,617)
Gain for the period from discontinued operation	–	2,322	–	2,708
	<u>(1,878)</u>	<u>(2,529)</u>	<u>(3,684)</u>	<u>(5,909)</u>
Non-controlling interests				
(Loss)/Gain for the period from continuing operations	(302)	128	(383)	–
Gain/(Loss) for the period from discontinued operation	–	695	–	(500)
	<u>(302)</u>	<u>823</u>	<u>(383)</u>	<u>(500)</u>
Loss per Share from continuing operations and discontinued operation attributable to the owners of the Company (<i>HK cents</i>)				
Basic and diluted	7 <u>(12.1)</u>	<u>(16.2)</u>	<u>(23.6)</u>	<u>37.9</u>
Loss per Share from continuing operations attributable to the owners of the Company (<i>HK cents</i>)				
Basic and diluted	<u>–</u>	<u>(31.1)</u>	<u>–</u>	<u>55.3</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

	For the three months		For the six months	
	ended 30 June		ended 30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Re-presented)		(Re-presented)	
LOSS FOR THE PERIOD	(2,180)	(1,706)	(4,067)	(6,409)
OTHER COMPREHENSIVE (EXPENSE)/ INCOME				
Items that may be subsequently reclassified to profit or loss:				
Currency translation balances	–	(11)	–	15
Less: Income tax effect	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
OTHER COMPREHENSIVE (EXPENSE)/ INCOME FOR THE PERIOD, NET OF TAX	–	(11)	–	15
	<u>–</u>	<u>(11)</u>	<u>–</u>	<u>15</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	<u>(2,180)</u>	<u>(1,717)</u>	<u>(4,067)</u>	<u>(6,394)</u>
Total comprehensive expense for the period attributable to:				
Owners of the Company				
Loss from continuing operations	(1,878)	(929)	(3,684)	(4,695)
Gain from discontinued operation	–	2,311	–	2,723
	<u>–</u>	<u>2,311</u>	<u>–</u>	<u>2,723</u>
	<u>(1,878)</u>	<u>1,382</u>	<u>(3,684)</u>	<u>(1,972)</u>
Non-controlling interests				
Loss from continuing operations	(302)	(3,794)	(383)	(3,922)
Loss from discontinued operation	–	695	–	(500)
	<u>–</u>	<u>695</u>	<u>–</u>	<u>(500)</u>
	<u>(302)</u>	<u>(3,099)</u>	<u>(383)</u>	<u>(4,422)</u>
	<u>(2,180)</u>	<u>(1,717)</u>	<u>(4,067)</u>	<u>(6,394)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	2,684	2,525
Right-of-use assets		504	87
Equity investment at fair value through other comprehensive income		903	903
Debt investment at fair value through profit or loss		650	650
Prepayment		2,500	2,500
Total non-current assets		7,241	6,665
Current assets			
Inventories		2,111	1,002
Trade receivables	10	8,122	9,779
Prepayments, other receivables and other assets		896	533
Cash and bank balances		829	1,555
Total current assets		11,958	12,869
Current liabilities			
Trade payables	11	5,261	8,936
Other payables and accruals		10,316	7,648
Other loans	12	22,568	8,106
Bond payable	13	25,617	25,343
Lease liabilities		323	88
Tax payables		936	697
Total current liabilities		65,021	50,818
Net current liabilities		(53,063)	(37,949)
Total assets less current liabilities		(45,822)	(31,284)
Non-current liabilities			
Other loan	12	–	10,757
Lease liabilities		(286)	–
Total non-current liabilities		(286)	10,757
Net liabilities		(46,108)	(42,041)
EQUITY			
Share capital	14	1,247	1,455
Reserves		(46,763)	(43,496)
Total equity attributable to:			
Owners of the Company		(45,516)	(42,041)
Non-controlling interests		(592)	–
Total Deficit		(46,108)	(42,041)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim results have been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules and Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The unaudited condensed consolidated interim results have been prepared on the historical cost convention except for equity investment at fair value through other comprehensive income and debt investment at fair value through profit or loss, which have been measured at fair value.

The unaudited condensed consolidated interim results have been prepared in accordance with the same accounting policies adopted in the annual consolidated financial statements for the year ended 31 December 2020, except for the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2021:

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

The adoption of the new and revised HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated interim results.

2. REVENUE

	For the three months ended 30 June		For the six months ended 30 June	
	2021 HK\$’000	2020 HK\$’000 (Re-presented)	2021 HK\$’000	2020 HK\$’000 (Re-presented)
Continuing operations				
Revenue from contracts with customers				
Sale of household products	2,899	3,880	6,349	10,203
Sale of plantation products	2,494	–	3,980	–
	<u>5,393</u>	<u>3,880</u>	<u>10,329</u>	<u>10,203</u>
Revenue from other source				
Loan interest income	–	–	–	208

Disaggregated revenue information

	For the three months ended 30 June		For the six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000 (Re-presented)	2021 HK\$'000	2020 HK\$'000 (Re-presented)
Continuing operations				
Sales of plantation and household products				
<i>Timing of revenue recognition</i>				
Goods transferred at a point of time	<u>5,393</u>	<u>3,880</u>	<u>10,329</u>	<u>10,203</u>
Total revenue from contracts with customers	<u>5,393</u>	<u>3,880</u>	<u>10,329</u>	<u>10,203</u>

3. OPERATING SEGMENT INFORMATION

During the period, the Group is principally engaged in (i) the plantation and household Business; and (ii) the Financial Services Business.

As disclosed in the annual report of the Company for the year ended 31 December 2020, the Group discontinued the forestry and agricultural business in the Kingdom of Cambodia in 2020 and the financial results of this business for the corresponding period in 2020 were re-presented and classified as discontinued operations.

The management of the Company monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that interest income, unallocated finance costs, share of loss of associates as well as corporate expenses are excluded from such measurement.

Segment assets exclude interests in associates, unallocated head office and corporate assets as these assets are managed on a group basis. Segment liabilities exclude other borrowing, unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Operating Segment Information

Segment revenue and results

For the six months ended 30 June 2021 (Unaudited)

	Plantation and Household Business <i>HK\$'000</i>	Financial Services Business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue	10,329	–	10,329
Reportable segment results from continuing operations	(809)	–	(809)
Unallocated corporate expenses			(2,080)
Unallocated finance costs			(939)
Loss before tax from continuing operations			(3,828)
Income tax expenses			(239)
Loss from continuing operations			(4,067)
Reportable segment results from discontinued operation			–
Loss for the period			(4,067)

For the six months ended 30 June 2020 (Unaudited)

	Plantation and Household Business <i>HK\$'000</i>	Financial Services Business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue	10,203	208	10,411
Reportable segment results from continuing operations	1,178	(372)	806
Unallocated corporate expenses			(7,831)
Unallocated finance costs			(346)
Share of results of associates			(1,246)
Loss before tax from continuing operations			(8,617)
Income tax expenses			–
Loss from continuing operations			(8,617)
Reportable segment results from discontinued operation			2,208
Loss for the period			(6,409)

Segment assets and liabilities*As at 30 June 2021 (Unaudited)*

	Plantation and Household Business HK\$'000	Financial Services Business HK\$'000	Total HK\$'000
Segment assets from continuing operations	16,339	–	16,339
Unallocated assets			<u>2,860</u>
Total assets			<u>19,199</u>
Segment liabilities from continuing operations	(9,910)	–	(9,910)
Unallocated liabilities			<u>(55,266)</u>
Total liabilities			<u>(65,176)</u>

As at 31 December 2020 (Audited)

	Plantation and Household Business HK\$'000	Financial Services Business HK\$'000	Total HK\$'000
Segment assets			
– from continuing operations	17,378	4	17,382
– from discontinued operation	–	–	–
Unallocated assets			<u>2,152</u>
Total assets			<u>19,534</u>
Segment liabilities			
– from continuing operations	(10,237)	(34)	(10,271)
– from discontinued operation	–	–	–
Unallocated liabilities			<u>(51,304)</u>
Total liabilities			<u>(61,575)</u>

Geographical Information

Revenue from external customers

	For the six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000 (Re-presented)
Continuing operations		
Hong Kong	3,979	208
United States	6,350	10,203
	<u>10,329</u>	<u>10,411</u>

The classification of the revenue arising from the Plantation and Household Business is based on the location of the customers' operations. The classification of the revenue arising from Financial Services Business is based on the location of the borrowed funds first available to their borrowers.

4. OTHER INCOME AND GAINS

	For the three months ended 30 June		For the six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000 (Re-presented)	2021 HK\$'000	2020 HK\$'000 (Re-presented)
Continuing operations				
Reversal of impairment provision of other receivables	66	–	218	–
Reversal of impairment provision of trade receivables	–	(78)	–	(78)
Written off of other payables and accruals	–	1,360	–	1,360
Others	72	61	72	125
	<u>138</u>	<u>1,343</u>	<u>290</u>	<u>1,407</u>
Discontinued operation				
Reversal of impairment provision of trade receivables	–	809	–	809
Written off of other payables and accruals	–	1,550	–	1,550
Others	–	1,110	–	1,110
	<u>–</u>	<u>3,469</u>	<u>–</u>	<u>3,469</u>

5. LOSS BEFORE INCOME TAX EXPENSES

Loss before income tax expenses is arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000 (Re-presented)	2021 HK\$'000	2020 HK\$'000 (Re-presented)
Continuing operations				
Finance costs:				
Interest on other loans	336	170	654	339
Interest on bond	138	–	274	–
Interest on lease liabilities	8	9	13	28
	<u>482</u>	<u>179</u>	<u>941</u>	<u>367</u>
Staff costs (excluding Directors' emoluments):				
Wages and salaries	419	1,363	1,001	3,169
Retirement scheme contributions	12	55	24	137
	<u>431</u>	<u>1,418</u>	<u>1,025</u>	<u>3,306</u>
Other items:				
Auditor's remuneration	250	273	500	545
Depreciation of property, plant and equipment	19	544	25	796
Depreciation of right-of-use assets	84	111	144	213
	<u>353</u>	<u>928</u>	<u>669</u>	<u>1,554</u>
Discontinued operation				
Finance cost:				
Interest from other loan	–	185	–	370
	<u>–</u>	<u>185</u>	<u>–</u>	<u>370</u>
Staff costs (excluding Directors' emoluments):				
Wages and salaries	–	167	–	344
	<u>–</u>	<u>167</u>	<u>–</u>	<u>344</u>

6. INCOME TAX EXPENSES

(a) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at the rate of 16.5% on the estimated assessable profits arising in Hong Kong.

(b) PRC Enterprise Income Tax

Under the Enterprise Income Tax Law of the People's Republic of China (the "PRC"), the Enterprise income tax is calculated at a rate of 25%.

(c) Deferred Taxation

No provision for deferred taxation is deemed necessary as the Group does not have any material deductible or taxable temporary differences for the three months and the six months ended 30 June 2020.

7. LOSS PER SHARE

	Number of ordinary Shares			
	For the three months ended 30 June		For the six months ended 30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Re-presented)		(Re-presented)
Loss for the period				
Loss for the period attributable to owners of the Company from continuing operations and discontinued operation for the purpose of basic loss per Share	<u>(1,878)</u>	<u>(2,529)</u>	<u>(3,684)</u>	<u>(5,909)</u>
Continuing operations				
Loss for the period attributable to owners of the Company from continuing operations for the purpose of basic loss per Share	<u>(1,878)</u>	<u>(4,851)</u>	<u>(3,684)</u>	<u>(8,617)</u>
	For the three months ended 30 June		For the six months ended 30 June	
	2021	2020	2021	2020
	'000	'000	'000	'000
Weighted average number of ordinary Shares in issue during the period, used in the basic loss per share calculations*	<u>15,586</u>	<u>15,586</u>	<u>15,586</u>	<u>15,586</u>

* The weighted average number of the ordinary shares of the Company (the "Shares") for the three months and six months ended 30 June 2020 and 30 June 2021 has been adjusted by the redemption of 20.8 million Shares or 2.6 million Shares after the share consolidation in February 2020 under the share award scheme of the Company in January 2021 and the share consolidation of 8 existing Shares to 1 consolidated Share in February 2021 as if it has become effective since 1 January 2020.

8. DIVIDEND

The Board does not recommend payment of interim dividend for the six months ended 30 June 2021 (2020: Nil).

9. MOVEMENTS OF PROPERTY, PLANT AND EQUIPMENT

The addition to the property, plant and equipment of the Group during the six months ended 30 June 2021 was HK\$185,000 (2020: HK\$18,433,000).

10. TRADE RECEIVABLES

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Trade receivables	8,122	9,779
Less: Impairment	—	—
	<u>8,122</u>	<u>9,779</u>

The movements in impairment allowances during the period under review are as follows:

	HK\$'000
As at 1 January 2021 (audited)	—
Reversal of impairment	—
Amount written off as uncollectible	—
	<u>—</u>
As at 30 June 2021 (unaudited)	<u>—</u>

Impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

An ageing analysis of the trade receivables based on the invoice date and net of impairment allowances is as follows:

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Current to 30 days	2,174	2,981
31 to 60 days	670	2,277
61 to 90 days	867	986
91 to 180 days	2,778	2,188
Over 180 days	1,633	1,346
	<u>8,122</u>	<u>9,778</u>

The trade receivables are non-interest bearing and generally settled in 90 days.

11. TRADE PAYABLES

The ageing analysis of the trade payables based on invoice date is as follows:

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Current to 30 days	4,426	3,719
31 to 60 days	314	2,847
61 to 90 days	20	2,240
91 to 180 days	501	130
Over 180 days	–	–
	<u>5,261</u>	<u>8,936</u>

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

12. OTHER LOANS

Other loans of HK\$14.5 million as at 30 June 2021 comprised loans and the related interest accrued for (i) a loan in the principal amount of HK\$12.7 million which bears an interest rate of 5% per annum; (ii) a loan in the principal amount of HK\$0.9 million which bears an interest rate of 5% per annum; and (iii) a loan in the principal amount of HK\$0.5 million which bears an interest rate of 8% per annum.

Other loans as at 30 June 2020 represented a loan in the principal amount of HK\$28.4 million from a shareholder in the discontinued business which had a present value of HK\$22.5 million which was unsecured, interest free and had a term of 10 years (extendable for another 10 years).

13. BOND PAYABLE

The bond payable is a United States Dollars denominated perpetual bond in the principal amount of US\$3.23 million (or HK\$25 million) which bears an interest rate of 1% over the yield of U.S. 30 year treasury bond. Due to the winding-up petition filed by a creditor of the Company to the High Court of Hong Kong in May 2021, an event of default of the bond had been triggered and the bond had become immediately due and payable.

14. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of Shares	Amount HK\$'000	Number of Shares	Amount HK\$'000
Ordinary Share of HK\$0.08 each at 1 January 2021 (audited) and 30 June 2021 (unaudited)	2,500,000,000	200,000	15,585,331	1,247

15. FAIR VALUE AND FAIR VALUE HIERARCHY

The management has assessed that the fair value of the cash and bank balances, trade receivables, equity investment at fair value through profit or loss and financial assets included in prepayments, other receivables and other assets, cash held on behalf of customers, trade payables, other borrowing and financial liabilities included in other loan, other payables and accruals, approximate to their carrying amounts largely due to the short term maturity of these instruments.

The fair values of the financial assets are stated at the amount at which the instruments could be exchanged in current transactions between willing parties (other than in a forced or liquidation sale).

Fair value hierarchy

The following table provides an analysis of the financial instrument which was measured at fair value at the end of each reporting period for recurring measurement and grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policies.

Asset measured at fair value:

	Fair value		Fair value hierarchy	Valuation technique and key input
	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)		
Equity investment at fair value through other comprehensive income	903	903	Level 3	Market Approach
Debt investment at fair value through profit or loss	650	650	Level 3	Discounted Cash Flow and Binomial Pricing Model

There was no transfer among the different levels of the fair value hierarchy for the six months ended 30 June 2021 and the year ended 31 December 2020.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in this unaudited condensed consolidated interim results approximate their fair value.

16. LITIGATION

In May 2021, a petition was filed by a creditor of the Company, to the High Court of Hong Kong under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) to wind up the Company on the grounds that the Company is insolvent and unable to pay its debt in the principal amount of HK\$8 million and the unpaid interest and cost thereon. As described in the section headed “Prospects”, the Company and its legal advisers are contemplating to undergo a debt restructuring.

17. EVENTS AFTER REPORTING PERIOD

Save as disclosed, as at the date of this announcement, the Group does not have any material event subsequent to the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS OVERVIEW

The Group is principally engaged in the Plantation and Household Business and the Financial Services Business. The Group's revenue for the Reporting Period was maintained at HK\$10.3 million (2020: HK\$10.4 million). However, the gross profit and gross profit margin of the Group decreased to HK\$1.1 million (2020: HK\$1.6 million) and 10.4% (2020: 15.4%) respectively due to increase in the sales of plantation products in the Group's product offerings which commanded lower gross profit margin. The Group would continue to make efforts to broaden its product offerings and customer base amid the uncertainty imposed by the COVID-19 pandemic and the Sino-United States conflicts.

As a result of the Group's efforts in streamlining its corporate and business structures and cost-savings in 2020, the Group managed to reduce its consolidated loss and consolidated loss attributable to owners of the Company for the Reporting Period by 36% and 38% to HK\$4.1 million and HK\$3.7 million from HK\$6.4 million and HK\$6.0 million in the corresponding period in 2020 respectively. Basic and diluted loss per share of the Company attributable to the owners of the Company was HK23.6 cents (2020: HK37.9 cents).

Since almost all of the transactions of the Group and its recognised financial assets and liabilities are denominated either in Hong Kong dollars, United States dollars or Renminbi and the exchange rates of these currencies have been quite stable, the Group's foreign currency risk is not material and does not have a foreign currency hedging policy. However, the Group will continuously monitor its foreign exchange exposure and apply appropriate measures if necessary. The Group's businesses are also subject to certain risks including price fluctuations and competition of its product offerings.

FINANCIAL RESOURCES, BORROWINGS AND LIQUIDITY

During the Reporting Period, the Group's net cash outflow from operating activities amounted to HK\$3.5 million (2020: inflow of HK\$20.1 million) and its net cash outflow from investing activities amounted to HK\$0.2 million (2020: outflow of HK\$20.8 million) and its net cash inflow from financing activities was HK\$3.0 million (2020: outflow of HK\$0.8 million). As a result of the above cumulative effect, the Group recorded a net cash outflow of HK\$0.7 million during the period (2020: HK\$1.5 million).

The Group's total liabilities exceeded its total assets both as at 30 June 2021 and 31 December 2020. As at 30 June 2021, the Group had total assets of HK\$19.2 million (31 December 2020: HK\$19.5 million) and total liabilities of HK\$65.3 million (31 December 2020: HK\$61.6 million), resulting in the net liabilities of the Group of HK\$46.1 million as at 30 June 2021 and HK\$42.0 million as at 31 December 2020 and net liabilities per Share of HK\$3.0 as at 30 June 2021 and HK\$2.7 as at 31 December 2020. The total borrowings of the Group amounted to HK\$48.2 million as at 30 June 2021 (31 December 2020: HK\$44.2 million), comprising borrowing of HK\$22.6 million (31 December 2020: HK\$18.9 million) and bond payable of HK\$25.6 million (31 December 2020: HK\$25.3 million). The Group's current assets as at 30 June 2021 amounted to HK\$12.0 million (31 December 2020: HK\$12.9 million), of which HK\$0.8 million (31 December 2020: HK\$1.6 million) was cash and bank balances, and its current liabilities amounted to HK\$64.9 million (31 December 2020: HK\$25.3 million).

CAPITAL COMMITMENT

Save as disclosed, no significant capital commitment of the Group was outstanding as at 30 June 2021.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

Save for the completion of the disposal of the Group's 30% interest in a subsidiary engaged in the sale of plantation products in January 2021, the Group did not make any significant investment and any material acquisition/disposal during the Reporting Period.

CHARGE ON ASSETS OF THE GROUP

As at 30 June 2021, no asset of the Group was pledged.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any material outstanding contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

Details are disclosed in note 17 to this interim results announcement.

PROSPECTS

As at 30 June 2021, the Group had consolidated net liabilities of HK\$46.1 million. As disclosed in the Company's announcement dated 2 June 2021, a creditor of the Company had filed a winding up petition against the Company. The Company and its legal advisers, as disclosed in its announcement dated 15 June 2021, have since then contemplated solutions to settle the winding up petition. The Directors considered that it would be in the interest of the Company, its creditors and shareholders to conduct a debt restructuring by way of scheme of arrangement (the "Scheme") which would substantially reduce the outstanding liabilities of the Company and restore its financial position to normality. The Company had been making strenuous efforts to pursue the Scheme. As at the date of this results announcement, the Company had solicited letters of support from creditors (the "Participating Creditors") of not less than 75% in value and not less than 50% in number to participate in the Scheme. Pursuant to an arrangement with the High Court of Hong Kong, the scheme document will be submitted to the court in February 2022 for application for leave to convene a creditors meeting. Upon the creditors' approval at the creditors meeting, the Scheme will become effective after sanctioning by the court. Under the Scheme, the creditors of the Company are entitled to elect settlement in cash or by allotment and issue of new shares of the Company for settlement of all of their claims against the Company. Depending on the final level of acceptance by the creditors in electing settlement by new shares of the Company, the Company may issue new shares under general mandate or specific mandate, which, in the latter case, would require shareholders' approval. The Company make further announcements in this regard to keep the shareholders updated of the development.

The support from the Participating Creditors strongly indicated that majority of the creditors of Company intend to rescue the Company and are confident in the prospects of the Company as evidenced by their agreement to participate in the Scheme to become shareholders of the Company. The Directors believe that the Scheme would benefit all of the stakeholders of the Company including the shareholders (particularly the public shareholders), the creditors and the employees.

Looking ahead, the challenges arising from the combined effect of the continuing Sino-United States conflict, the drastic changes in the business environment and disruption of global and regional supply chains in the midst of the pandemic, particularly the global spread of the COVID-19 variants, the worldwide potential interest and inflation hikes, will continue to cast uncertainty on the global and local economy and may inevitably and adversely impact on the Group's business operations. Admittedly, this is a very difficult period for all but the Company is confident that it will be able to survive all these challenges. The Company, after trading in the shares of the Company resumes and the Scheme is successfully implemented, is confident that its financial position will return to normality and its businesses will progress steadily with good prospects.

EMPLOYEES' INFORMATION AND BENEFIT SCHEMES FOR THE EMPLOYEES

As at 30 June 2021, the Group had 8 (31 December 2020: 9) employees. The Group remunerates its employees based on their performance, working experience and the prevailing market condition.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, none of the Directors or the chief executive of the Company had any interest and short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

As at 30 June 2021, no Director or the chief executive of the Company or their associates had any interest or right to subscribe for any securities of the Company or any of its associated corporations as defined in the SFO.

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or any of their respective associates (including spouses or children under eighteen years of age) to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company may grant share options to eligible participants to subscribe for the Shares under its share option scheme approved by the shareholders of the Company on 10 June 2011 (the principal terms of which are set out in the Company's circular dated 27 April 2011). No share option was granted during the Reporting Period and the Company had no share options outstanding as at 30 June 2021.

DIRECTORS' INTEREST IN CONTRACTS

No contract, commitment or agreement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, either directly or indirectly, subsisted as at 30 June 2021 or during the six months ended 30 June 2021.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, so far as is known to any of the Directors or the chief executive of the Company, the following persons (other than a director and the chief executive of the Company as disclosed above) had interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, who is interested in 5% or more of any class of share capital carrying right to vote at the general meetings of the Company.

Long positions in the Shares

Name of shareholders	Capacity of interests	Number of Shares held	Number of underlying Shares held	Percentage of shareholding in the Company (Note)
Mega Trillion International Corporation	Corporate owner	2,596,875	–	16.7%
Landmass Investments Limited	Corporate owner	1,517,212	–	9.7%
Jade Metro Limited	Corporate owner	1,031,250	–	6.6%

Note: Based on 15,585,331 Shares in issue as of 30 June 2021.

INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (2020: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2021, save for the redemption of the Shares under its share award scheme, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms not less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has made enquiry to all Directors and each of them has confirmed his/her compliance with the required standard of dealings and code of conduct concerning securities transactions by directors during the Reporting Period.

COMPETING INTERESTS

None of the Directors, or substantial shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules), engaged in any business that competes or may compete with the businesses of the Group or have any other conflict of interests with the Group for the six months ended 30 June 2021.

CORPORATE GOVERNANCE

During the six months ended 30 June 2021, the Company has complied with the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules, except for the office of the chief executive officer of the Company is vacated. The Board will continue to review the current structure of the Board from time to time and should a candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee"), as at the date of this interim results announcement, comprises three members, all being independent non-executive Directors. The chairperson of the Audit Committee is Ms. Pang King Sze, Rufina and the other members are Mr. Hong Bingxian and Mr. Huang Zhe. The Audit Committee's primary duties include ensuring that the Group's financial statements, annual and interim reports/results announcements, and the independent auditor's report present a true and balanced assessment of the Group's financial position; reviewing the Group's financial control, internal control and risk management systems; and reviewing the Group's financial and accounting policies and practices. The Audit Committee is provided with sufficient resources to enable it to discharge its duties.

The Audit Committee has reviewed this unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2021 and was of the opinion that the preparation of the unaudited condensed consolidated interim results is complied with applicable accounting standards, the GEM Listing Rules and that adequate disclosures had been made.

By order of the Board
M-Resources Group Limited
He Xuemei
Chairperson

Hong Kong, 31 January 2022

As at the date of this announcement, the Board comprises Ms. He Xuemei (Chairperson) as executive Director and Ms. Pang King Sze, Rufina, Mr. Hong Bingxian and Mr. Huang Zhe as independent non-executive Directors.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for seven days from the date of its publication and on the website of the Company at <http://www.m-resources.com.hk>.