

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## 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 2012

The board of directors ("Board") of China Billion Resources Limited ("Company") herewith present the condensed consolidated financial statements of the Company and its subsidiaries (collectively as "Group") for the six months ended 30 June 2012 as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 HK\$'000 (unaudited)	As restated 2011 HK\$'000 (unaudited)
<b>Continuing operations</b>			
<b>Turnover</b>	7	<b>21,747</b>	34,717
Cost of sales and services rendered		<b>(9,518)</b>	(33,799)
<b>Gross profit</b>		<b>12,229</b>	918
Other income and gains		<b>802</b>	1,150
Selling and distribution expenses		<b>(529)</b>	(12,102)
Administrative expenses		<b>(31,686)</b>	(27,273)
Impairment loss on goodwill		–	(322,458)
Impairment loss on property, plant and equipment		–	(455,341)
Impairment loss on trade and other receivables		–	(254,147)

\* For identification purpose only

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

*For the six months ended 30 June 2012*

		<b>Six months ended 30 June</b>	
		<b>2012</b>	As restated
		<b>HK\$'000</b>	2011
<i>Notes</i>		<b>(unaudited)</b>	<i>HK\$'000</i> (unaudited)
	<b>Loss from operations</b>	<b>(19,184)</b>	(1,069,253)
	Finance costs	<b>(16,162)</b>	(17,440)
	<b>Loss before tax</b>	<b>(35,346)</b>	(1,086,693)
	Income tax expense	<b>(969)</b>	(24,674)
	<b>Loss for the period from continuing operations</b>	<b>(36,315)</b>	(1,111,367)
	<b>Discontinued operations</b>		
	Profit for the period from discontinued operations	-	256,446
	<b>Loss for the period</b>	<b>(36,315)</b>	(854,921)
	<b>Other comprehensive income after tax:</b>		
	Exchange differences on translating foreign operations	<b>7,612</b>	47,236
	Exchange reserve released upon disposal of subsidiaries	-	(208,602)
	<b>Other comprehensive income for the period, net of tax</b>	<b>7,612</b>	(161,366)
	<b>Total comprehensive income for the period</b>	<b>(28,703)</b>	(1,016,287)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

For the six months ended 30 June 2012

		<b>Six months ended 30 June</b>	
		<b>2012</b>	As restated
		<b>HK\$'000</b>	2011
<i>Notes</i>		<b>(unaudited)</b>	<i>HK\$'000</i> (unaudited)
<b>(Loss)/Profit for the period attributable to:</b>			
Owners of the Company			
		<b>(32,688)</b>	(1,073,719)
	– Continuing operations		
	– Discontinued operations	<u>–</u>	<u>244,728</u>
	Loss attributable to owners of the Company	<b>(32,688)</b>	(828,991)
Non-controlling interests			
		<b>(3,627)</b>	(37,648)
	– Continuing operations		
	– Discontinued operations	<u>–</u>	<u>11,718</u>
	Loss attributable to non-controlling interests	<b>(3,627)</b>	(25,930)
		<b>(36,315)</b>	(854,921)
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company			
		<b>(24,639)</b>	(990,354)
Non-controlling interests			
		<b>(4,064)</b>	(25,933)
		<b>(28,703)</b>	(1,016,287)
<b>Loss per share (HK cents)</b>			
From continuing and discontinued operations			
	Basic	<b>(0.62)</b>	(16.26)
	Diluted	<b>N/A</b>	N/A
From continuing operations			
	Basic	<b>(0.62)</b>	(21.06)
	Diluted	<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	<i>Notes</i>	<b>As at 30 June 2012 HK\$'000 (unaudited)</b>	As at 31 December 2011 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		<b>102,646</b>	96,293
Intangible assets	13	<b>1,545,032</b>	1,547,277
		<b>1,647,678</b>	1,643,570
<b>Current assets</b>			
Inventories		<b>9,673</b>	7,008
Trade and other receivables		<b>9,789</b>	15,362
Bank and cash balances		<b>6,034</b>	18,946
		<b>25,496</b>	41,316
<b>Current liabilities</b>			
Trade and other payables		<b>52,358</b>	61,053
Borrowings		<b>62,137</b>	37,444
Convertible bonds	14	<b>290,191</b>	290,191
		<b>404,686</b>	388,688
<b>Net current liabilities</b>		<b>(379,190)</b>	(347,372)
<b>Total assets less current liabilities</b>		<b>1,268,488</b>	1,296,198
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>345,536</b>	344,543
<b>NET ASSETS</b>		<b>922,952</b>	951,655
<b>Capital and reserves</b>			
Share capital	15	<b>523,530</b>	523,530
Reserves		<b>217,175</b>	241,814
Equity attributable to owners of the Company		<b>740,705</b>	765,344
Non-controlling interests		<b>182,247</b>	186,311
<b>TOTAL EQUITY</b>		<b>922,952</b>	951,655

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 30 June 2012*

### **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 2811, 28th Floor, China Merchants Tower, No. 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 ("Stock Exchange") and have been suspended for trading since 29 June 2011.

The Company is an investment holding company. The principal activities of its subsidiaries are (i) gold exploration, development and mining in the People's Republic of China ("PRC"); and (ii) trading of cosmetics and skincare products and provision of beauty treatment services in Hong Kong.

### **2. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

As disclosed in note 14 to the condensed consolidated financial statements, the Group has breached certain covenants of the convertible bonds. It is the belief of the directors of the Company ("Directors") at the time that the Company is not liable to repay the convertible bonds because such convertible bonds will be converted into shares and the Directors have also been advised that a major shareholder of the Company has indicated his intention to provide financial support to the Group. The condensed consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on (i) the successful outcome that the convertible bonds will be converted into shares of the Company and (ii) the availability of funding from the major shareholder of the Company to the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. The Directors are therefore of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the condensed consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

### **3. RETROSPECTIVE RESTATEMENTS**

There were retrospective restatements in the condensed consolidated financial statements for the six months ended 30 June 2011 as follows:

- (a) Understatement of turnover of approximately HK\$98,919,000;
- (b) Understatement of cost of sales and services rendered of approximately HK\$93,250,000;
- (c) Overstatement of other income and gains of approximately HK\$130,051,000;
- (d) Understatement of selling and distribution expenses of approximately HK\$17,789,000;
- (e) Understatement of impairment loss on goodwill of approximately HK\$322,458,000, impairment loss on property, plant and equipment of approximately HK\$455,341,000 and impairment loss on trade and other receivables of approximately HK\$254,147,000 due to incorrect assessment for impairment;
- (f) Understatement of administrative expenses of approximately HK\$63,033,000;
- (g) Overstatement of finance costs of approximately HK\$2,229,000; and
- (h) Omission in calculating the deferred tax of approximately HK\$24,674,000 on the fair value adjustment of the mining right acquired on a business combination.

Accordingly, retrospective restatements have been made by restating the comparative information.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

### 3. RETROSPECTIVE RESTATEMENTS (CONT'D)

The financial effects of the restatements on the condensed consolidated statement of comprehensive income for the six months ended 30 June 2011:

	For the six months ended 30.6.2011 <i>HK\$'000</i> (originally stated)	Prior year adjustments <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Restatement of discontinued operations <i>HK\$'000</i>	For the six months ended 30.6.2011 <i>HK\$'000</i> (restated)
<u>For continuing operation:</u>					
Turnover ( <i>note a</i> )	37,596	98,919	136,515	(101,798)	34,717
Cost of sales and services rendered ( <i>note b</i> )	(32,565)	(93,250)	(125,815)	92,016	(33,799)
Other income and gains ( <i>note c</i> )	148,627	(131,051)	17,576	(16,426)	1,150
Selling and distribution expenses ( <i>note d</i> )	(2)	(17,789)	(17,791)	5,689	(12,102)
Administrative expenses ( <i>note f</i> )	(21,161)	(63,033)	(84,194)	56,921	(27,273)
Impairment loss on goodwill ( <i>note e</i> )	-	(322,458)	(322,458)	-	(322,458)
Impairment loss on property, plant and equipment ( <i>note e</i> )	-	(455,341)	(455,341)	-	(455,341)
Impairment loss on trade and other receivables ( <i>note e</i> )	-	(254,147)	(254,147)	-	(254,147)
Finance costs ( <i>note g</i> )	(28,313)	2,229	(26,084)	8,644	(17,440)
Income tax expense ( <i>note h</i> )	-	(24,674)	(24,674)	-	(24,674)
Profit/(loss) for the period from discontinued operations	(36,416)	337,908	301,492	(45,046)	256,446
(Loss)/profit for the period	67,766	(922,687)	(854,921)	-	(854,921)
<u>Condensed consolidated statement of comprehensive income for the six months ended 30 June 2011</u>					
Total comprehensive income for the period	(7,971)	(1,008,316)	(1,016,287)	-	(1,016,287)

The financial effects of the restatements on the Group's basic loss for the continuing and discontinued operations per share for the six months ended 30 June 2011:

Impact on basic earnings/(loss) per share

Reported figure before adjustments	<i>HK cents</i> 0.01
Prior year adjustments	(16.27)
Restated	(16.26)

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

### **4. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

In the current period, the Group has adopted all the 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 2012. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); 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 condensed consolidated financial statements and amounts reported for the current period and prior years.

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.

### **5. SIGNIFICANT ACCOUNTING POLICIES**

The condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2011. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2011.

### **6. SEGMENT INFORMATION**

The Group has two (2011: three) reportable segments as follows:

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

Cosmetics and skincare products segment – provision of beauty treatment services and trading of cosmetics and skincare products to authorised distributors and retailers in the general consumer market (including discontinued operations), and

Household and industrial products segment – manufacture of household and industrial products for sale to manufacturers, traders, wholesalers and retailers in the general consumer market (discontinued operations since 2011).

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 5 to the condensed consolidated financial statements. Segment liabilities do not include convertible bonds.



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**6. SEGMENT INFORMATION (CONT'D)**

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

	<b>Mining products</b> <i>HK\$'000</i> (unaudited)	<b>Cosmetics and skincare products (Including discontinued operations of 2011)</b> <i>HK\$'000</i> (unaudited)	<b>Household and industrial products (Discontinued operations)</b> <i>HK\$'000</i> (unaudited)	<b>Total</b> <i>HK\$'000</i> (unaudited)
<b><i>For the six months ended 30 June 2012</i></b>				
<b>Revenue from external customers</b>	-	<b>21,747</b>	-	<b>21,747</b>
<b>Segment loss</b>	<b>(17,880)</b>	<b>(2,115)</b>	-	<b>(19,995)</b>
<b>Depreciation</b>	<b>1,990</b>	<b>390</b>	-	<b>2,380</b>
<b>Income tax expense</b>	<b>(969)</b>	-	-	<b>(969)</b>
<b>Additions to segment non-current assets</b>	<b>7,941</b>	<b>540</b>	-	<b>8,481</b>
<b><i>As at 30 June 2012</i></b>				
<b>Segment assets</b>	<b>1,611,914</b>	<b>13,839</b>	-	<b>1,625,753</b>
<b>Segment liabilities</b>	<b>396,836</b>	<b>28,022</b>	-	<b>424,858</b>
<b><i>For the six months ended 30 June 2011</i></b>				
Revenue from external customers	2,496	38,262	95,757	136,515
Segment loss	(49,763)	(25,366)	(28,176)	(103,305)
Depreciation	1,769	391	473	2,633
Income tax (expense)/credit	(24,954)	280	-	(24,674)
Additions to segment non-current assets	1,433	446	-	1,879
<b><i>As at 31 December 2011</i></b>				
Segment assets (audited)	1,605,499	35,227	-	1,640,726
Segment liabilities (audited)	380,616	47,169	-	427,785

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**6. SEGMENT INFORMATION (CONT'D)**

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

	<b>Six months ended 30 June 2012 HK\$'000 (unaudited)</b>	2011 HK\$'000 (unaudited)
<u>Revenue</u>		
Total revenue of reportable segments	<b>21,747</b>	136,515
Elimination of discontinued operations	-	(101,798)
	<hr/>	<hr/>
Consolidated revenue from continuing operations	<b>21,747</b>	34,717
	<hr/>	<hr/>
<u>Profit or loss</u>		
Total profit or loss of reportable segments	<b>(19,995)</b>	(103,305)
Impairment of goodwill	-	(322,458)
Impairment loss on property, plant and equipment	-	(453,655)
Impairment loss on trade and other receivables	-	(254,147)
Other profit or loss	<b>(16,320)</b>	(22,848)
Elimination of discontinued operations	-	45,046
	<hr/>	<hr/>
Consolidated loss for the period from continuing operations	<b>(36,315)</b>	(1,111,367)
	<hr/>	<hr/>
	<b>30 June 2012 HK\$'000 (unaudited)</b>	31 December 2011 HK\$'000 (audited)
<u>Assets</u>		
Total assets of reportable segments	<b>1,625,753</b>	1,640,726
Other assets	<b>47,421</b>	44,160
	<hr/>	<hr/>
Consolidated total assets	<b>1,673,174</b>	1,684,886
	<hr/>	<hr/>
<u>Liabilities</u>		
Total liabilities of reportable segments	<b>424,858</b>	427,785
Convertible bonds	<b>290,191</b>	290,191
Other liabilities	<b>35,173</b>	15,255
	<hr/>	<hr/>
Consolidated total liabilities	<b>750,222</b>	733,231
	<hr/>	<hr/>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**6. SEGMENT INFORMATION (CONT'D)**

**Geographical information:**

(a) *Revenue from external customers from continuing operations*

	<b>Six months ended 30 June 2012 HK\$'000 (unaudited)</b>	2011 HK\$'000 (unaudited)
Hong Kong	<b>21,747</b>	32,221
PRC	<b>–</b>	2,496
	<b>21,747</b>	34,717

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

(b) *Non-current assets*

	<b>30 June 2012 HK\$'000 (unaudited)</b>	31 December 2011 HK\$'000 (audited)
Hong Kong	<b>45,429</b>	2,008
PRC	<b>1,602,249</b>	1,641,562
	<b>1,647,678</b>	1,643,570

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

### 7. TURNOVER

The Group's turnover which represents sales of goods and provision of beauty services to customers are as follows:

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Revenue		
Sales of goods:		
– Household and industrial products	–	95,757
– Cosmetics and skincare products	<b>21,747</b>	38,262
– Mining products	–	2,496
	<b>21,747</b>	136,515
Representing:		
Continuing operations	<b>21,747</b>	34,717
Discontinued operations	–	101,798
	<b>21,747</b>	136,515

### 8. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Convertible bond interest	–	17,440
Other borrowings costs		
– Wholly repayable within five years	<b>17,154</b>	8,644
Less: interests capitalised	<b>(992)</b>	–
	<b>16,162</b>	26,084
Representing:		
Continuing operations	<b>16,162</b>	17,440
Discontinued operations	–	8,644
	<b>16,162</b>	26,084

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

### 9. INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Deferred tax	<b>(969)</b>	(24,674)
	<b>(969)</b>	(24,674)
<b>Representing:</b>		
Continuing operations	<b>(969)</b>	(24,674)
Discontinued operations	-	-
	<b>(969)</b>	(24,674)

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the period.

No provision for Hong Kong Profits Tax is required since the Company has no assessable profit for the period (2011: nil).

The applicable income tax rate for the subsidiaries of the Group in the PRC in the current period is 25% (2011: 15% – 25%).

### 10. DISCONTINUED OPERATIONS

In 2011, the Group entered into a debt restructuring agreement with third party lenders ("Lenders") to dispose of the Group's PRC household and industrial products manufacturing business ("Household and Industrial Products Business"). The disposal was completed on 26 May 2011 and the Group discontinued its Household and Industrial Products Business.

On 18 April, 2011, the Group entered into a sales and purchase agreement with a third party to dispose of the Group's PRC cosmetic products manufacturing business ("Cosmetic Products Business").

The profit for the six months ended 30 June 2011 from the discontinued operations is analysed as follows:

	2011
	HK\$'000
	(unaudited)
Loss from discontinued operations	(45,046)
Gain on disposal of subsidiaries	301,492
	<u>256,446</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

### 10. DISCONTINUED OPERATIONS (CONT'D)

The results of the discontinued operations for the period from 1 January 2011 to the completion date, which have been included in consolidated profit or loss, are as follows:

	<b>Household and Industrial Products Business</b>	<b>Cosmetic Products Business</b>	<b>Total</b>
	2011	2011	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Turnover	95,757	6,041	101,798
Cost of sales and services rendered	(88,589)	(3,427)	(92,016)
Gross profit	7,168	2,614	9,782
Other income and gains	16,426	–	16,426
Selling and distribution expenses	(5,107)	(582)	(5,689)
Impairment loss on prepaid lease payments for land use rights	(14,422)	–	(14,422)
Administrative expenses	(24,176)	(18,323)	(42,499)
Loss from operations	(20,111)	(16,291)	(36,402)
Finance costs	(8,065)	(579)	(8,644)
Loss for the period	(28,176)	(16,870)	(45,046)

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

### 11. LOSS FOR THE PERIOD

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

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Amortisation of intangible assets	<b>2,192</b>	605
Cost of sales and services rendered	<b>9,518</b>	33,799
Depreciation	<b>2,380</b>	2,901
Operating lease charges	<b>8,723</b>	5,855
Staff costs including Directors' emoluments		
Salaries, bonus and allowances	<b>7,839</b>	12,694
Retirement benefits scheme contributions	<b>396</b>	583
	<b>8,235</b>	13,277

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

### 12. LOSS 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 six months ended 30 June 2012 is based on the loss for the period attributable to owners of the Company of approximately HK\$32,688,000 (2011: approximately HK\$828,991,000) and the weighted average number of ordinary shares of approximately 5,235,303,000 (2011: approximately 5,098,065,000) in issue during the period.

##### *Diluted loss per share*

The effects of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2012 and 2011.

#### (b) From continuing operations

##### *Basic loss per share*

The calculation of basic loss per share from continuing operations attributable to owners of the Company for the six months ended 30 June 2012 is the same as that detailed above for basic loss per share from continuing and discontinued operations.

The calculation of basic loss per share from continuing operations attributable to owners of the Company for the six months ended 30 June 2011 is based on the loss for the period from continuing operations attributable to owners of the Company of approximately HK\$1,073,719,000 and the denominator used is the same as that detailed above for basic loss per share from continuing and discontinued operations.

##### *Diluted earning per share*

The effects of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2012 and 2011.

#### (c) From discontinued operations

##### *Basic earnings per share*

Basic earnings per share from the discontinued operations for the six months ended 30 June 2011 is HK4.8 cents per share, based on the profit for the period from discontinued operations attributable to the owners of the Company of approximately HK\$244,728,000 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 six months ended 30 June 2011.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**13. INTANGIBLE ASSETS**

	<b>Mining right</b> <i>HK\$'000</i>	<b>Licenses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Cost</b>			
At 1 January 2011	1,435,000	112,686	1,547,686
Written-off	–	(112,686)	(112,686)
Exchange differences	118,021	–	118,021
	<u>1,553,021</u>	<u>–</u>	<u>1,553,021</u>
At 31 December 2011 and 30 June 2012 (unaudited)	<u>1,553,021</u>	<u>–</u>	<u>1,553,021</u>
<b>Accumulated amortisation and impairment</b>			
At 1 January 2011	4,161	112,686	116,847
Amortisation for the year	1,209	–	1,209
Written back on write-off	–	(112,686)	(112,686)
Exchange differences	374	–	374
	<u>5,744</u>	<u>–</u>	<u>5,744</u>
At 31 December 2011	5,744	–	5,744
Amortisation for the period	2,192	–	2,192
Exchange differences	53	–	53
	<u>7,989</u>	<u>–</u>	<u>7,989</u>
At 30 June 2012 (unaudited)	<u>7,989</u>	<u>–</u>	<u>7,989</u>
<b>Carrying amount</b>			
At 30 June 2012 (unaudited)	<u>1,545,032</u>	<u>–</u>	<u>1,545,032</u>
At 31 December 2011	<u>1,547,277</u>	<u>–</u>	<u>1,547,277</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 rights will expire in 2015 and in the opinion of the Directors, the Group will be able to renew the mining rights with the relevant government authority continuously at insignificant cost. 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.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

### 14. CONVERTIBLE BONDS

On 31 March 2010, the Company issued HK\$895,191,200 zero coupon convertible bonds as part of the consideration for the acquisition 100% equity interest of Westralian Resources Pty. Ltd. and its subsidiary (collectively referred to as "Westralian Resources Group") with a maturity date of 30 March 2013.

The principal terms of the convertible bonds ("Bonds") are as follows:

Each Bond will, at the option of the holders ("Bondholders"), be convertible (unless previously redeemed, converted, purchased or cancelled) after 31 March 2010 up to and including 30 March 2013 into fully paid ordinary shares of the Company with a par value of HK\$0.1 each at an initial conversion price ("Conversion Price") of HK\$0.4 per share, subject to adjustments in accordance with the terms and conditions of the Bonds agreement as a result of dilutive events.

Pursuant to the Bonds agreement, the Bondholders has the rights to give notice to the Company that the Bonds are immediately due and repayable in the event that the shares of the Company are suspended for trading for a period of 30 consecutive trading days (other than any suspension of trading pending the release of any announcement as required under Chapter 14 or Chapter 14A of the Rules Listings) or listing of the shares on the Stock Exchange are being revoked or withdrawn.

Upon any such notice being given to the Company, the Bonds will become due and are repayable on the business day falling seven business days of the date of such notice at their principal amount.

Unless previously redeemed, converted, purchased or cancelled, the Bonds will be automatically converted into new shares of the Company upon maturity date at the then prevailing Conversion Price.

The movement of the liability component of the Bonds for the year/period is set out below:

	<i>HK\$'000</i>
At 1 January 2011	328,820
Converted during the year	(112,439)
Interest charged	73,810
	<hr/>
At 31 December 2011 and 30 June 2012 (unaudited)	<hr/> <b>290,191</b>

Trading in the Company's shares on the Stock Exchange has been suspended at the request of the Company since 29 June 2011 and therefore has triggered the Company's early redemption obligation. The Company is liable to repay the Bonds to the Bondholders and therefore the liability component of the Bonds as at 31 December 2011 is reclassified as current liabilities.

The interest charged for the year ended 31 December 2011 is calculated by applying an effective interest rate of 13.17% to the liability component for the 12-month period since the Bonds were issued.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****15. SHARE CAPITAL**

	<b>Number of shares '000</b>	<b>Amount HK'000</b>
Authorised: Ordinary shares of HK\$0.10 each At 1 January 2011, 31 December 2011 and 30 June 2012	<b>8,000,000</b>	800,000
Issued and fully paid: Ordinary shares of HK\$0.10 each At 1 January 2011	<b>4,875,303</b>	487,530
Issue of shares upon conversion of convertible bonds	<b>360,000</b>	36,000
At 31 December 2011 and 30 June 2012	<b>5,235,303</b>	523,530

**16. EVENTS AFTER THE REPORTING PERIOD**

- (i) On 31 December 2013, the Company and a third party entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to dispose of the machinery of Dongguan Polygene Biotech R&D Co., Limited, an indirectly held subsidiary of the Group, at the consideration of RMB35,000,000 (approximately HK\$44,765,000).
- (ii) On 17 October 2014, the Company entered into a loan agreement ("Loan Agreement") with a third party ("Lender"), pursuant to which the Lender agreed to lend the Company a loan in the principal amount of HK\$10 million with a simple interest rate of 11% per annum ("Loan") with a term of one year. The principal amount of the Loan together with the relevant accrued interest under the Loan Agreement is repayable on the maturity date, i.e. 16 October 2015. The Loan is not secured by any of the assets of the Group.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The turnover of the Group for the six months ended 30 June 2012 was approximately HK\$21.7 million, a significant decrease compared to the last year's figure for the same period of approximately HK\$34.7 million, which represent an approximate 37.5% decrease. The turnover of approximately HK\$21.7 million was mainly contributed by the beauty salon outlets in Hong Kong under the cosmetic and skincare products business segment. The reason for the significant decrease in turnover for the Group was mainly due to a large part of the production facilities and/or assets in China under the cosmetic and skincare products business segment was transferred to the lenders, namely Sino Measure Limited, according to the contract for concurrent transfer of assets and debt and contract for assets replacement, in order to settle the indebtedness owed by the Company during the debt restructuring event in 2011 ("Debt Restructuring") (referring to the announcements dated 27 June 2011, 5 March 2012 and 14 March 2012). After the transfer, the remaining part of the production facilities was unable to produce as much product for sale such that the management of the Company decided to exit the production of cosmetic and skincare products business segment in China and only focus on the beauty salon outlets in Hong Kong. The loss for the six months period for the Group reduced to approximately HK\$36.3 million from approximately HK\$854.9 million for the same period last year. The reason for the significant reduction in loss for the period was mainly due to the fact that no further impairment loss was incurred on goodwill, property, plant and equipment and trade and other receivables in the period which accounted for a total of approximately HK\$1,031.9 million for the six months ended 30 June 2011. The gross margin from continuing operations for the six months ended 30 June 2012 was approximately 56.2% which is higher than the gross margin of approximately 2.6% for the corresponding period last year due to the disposal of the household and industrial products business segment, where the segment had low gross margin during 2011. The administrative expenses of the Group for the six months ended 30 June 2012 remain at a high level of approximately HK\$31.7 million due to high rental and staff costs for the beauty salon outlets in Hong Kong under the cosmetic and skincare products business segment. The finance costs reduced from approximately HK\$17.4 million to approximately HK\$16.2 million for the six months ended 30 June 2012.

For the six months ended 30 June 2012, the Company was unable to locate sufficient evidence during the preparation of the condensed consolidated financial statement for the Group due to the frequent changes in the Directors and finance staff, the inability to obtain relevant documents from certain then executive Directors at the material time ("Relevant Directors"), and the loss of control of the subsidiaries after the Debt Restructuring such that the then management cannot access the relevant documents. The internal control system of the Company has apparent weaknesses, in particular those relating to financial and accounting system.

As a result, the current Board is taking or has taken the following actions to address the abovementioned weaknesses:

- I. provide training on compliance with the Listing Rules, corporate governance and accounting and finance issues to the Directors and staff of the Group in order to strengthen the reporting and internal control system of the Group;
- II. engage an independent professional firm to conduct regular internal control review in order to identify any potential weakness for future improvement;
- III. discuss with the Company's legal adviser on the follow up action regarding the misconduct of the Relevant Directors;
- IV. discuss with the Company's legal adviser on whether any legal action should be taken in relation to the unfavorable terms arising from the Debt Restructuring in 2011; and
- V. review the structure of the Board in order to diversify its expertise into different areas in particular into the areas of accounting, finance and risk management.

The Company will continue to review and monitor the above measures in order to further improve the internal control system of the Group.

The Group is currently focusing on seeking the resumption of trading of the shares of the Company ("Resumption") and significant amount of resources have been applied to preparing for the Resumption. During the financial period under review, the Group is conducting the operations under the cosmetic and skincare products business in Hong Kong and the mining products business located in the PRC.

## **OPERATIONAL REVIEW**

Cosmetic and skincare products business segment. The revenue contributed by this business segment for the six months ended 30 June 2012 was approximately HK\$21.7 million, representing an approximate 37.5% decrease compared to the revenue for the same period last year of approximately HK\$34.7 million from continuing operations under cosmetics and skincare products business segments. The turnover of approximately HK\$21.7 million was mainly contributed by the beauty salon outlets in Hong Kong under the cosmetic and skincare products business segment. A significant part of the production facilities in China was transferred to the lender in order to settle the indebtedness owed by the Group such that the cosmetic and skincare business segment was no longer be able to produce as much product thereby causing the shrinkage of the entire business segment resulting in the significant decrease in turnover. The remaining operation under this business segment is the beauty salon outlets and cosmetic products consignment in shopping malls in Hong Kong. However, both the beauty salon outlets and cosmetic products consignment in shopping malls are facing high inflationary pressure from increasing rental and staff costs in Hong Kong. Increasing competition from different brands, especially the brands from Korea, is another major problem in maintaining the profitability of the business segment. The management of the Company is considering restructuring the Group's business portfolio by allocating more resources to the mining products business segment over the cosmetic and skincare products business segment.

Mining products business segment. There was no revenue contributed by this business segment during the six months ended 30 June 2012 mainly due to business process consolidation in order to improve the efficiency of the mining products business segment. During that period, the management of the Company has further re-assessed the exploration process by identifying the high potential gold bearing area of the existing gold mine. The management studied the relevant geological data and the existing tunnel structure of the gold mine. After the re-assessment and study, the management believed that if certain modification to the existing exploration process and further investment into the gold mine can be conducted, the production of the gold mine would become more profitable. The management expects that the mining products business segment would generate more turnover from year 2013 onwards.

## **PROSPECTS**

Given the continual increase in rental and staff costs for our beauty salon outlets in Hong Kong due to significant increase in inflation, the keen competition in the cosmetic and skincare industry, the management of the Company is considering restructuring the Group's business portfolio by allocating more resources to the mining products business segment over the cosmetic and skincare products business segment. Although the mining business of the Group is still at the exploration stage, the management believes that the production from the gold mine will become more profitable when we invest more time and resources into the gold mine.

Looking forward, we target to complete the Resumption in 2015. At the same time the management of the Company is actively looking for other investment opportunities to broaden the sources of income of the Group in order to create greater value for the Shareholders. Up to the date of this announcement, the Group has not yet concluded any investment project nor signed any investment memorandum or agreement.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2012, the Group had unpledged cash and bank balances of approximately HK\$6.0 million (31 December 2011: approximately HK\$18.9 million). The gearing ratio for the Group was approximately 80.6% (31 December 2011: approximately 75.1%) and the borrowings and convertible bonds of the Group together was approximately HK\$352.3 million (31 December 2011: approximately HK\$327.6 million). The Group reported net current liabilities of approximately HK\$379.2 million as at 30 June 2012 (31 December 2011: approximately HK\$347.4 million).

## **EMPLOYEES' INFORMATION**

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.

Directors and/or employees' remuneration packages are mainly 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.

As at 30 June 2012, the Group employed 210 staff (2011: 228). The remuneration of employees was in line with the market trend and commensurate with the level of pay in the industry and to 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 six months ended 30 June 2012 (2011: nil).

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **CORPORATE GOVERNANCE**

The Company acknowledges the need and 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 announcement, the Company has adopted the Corporate Governance Code as set out in Appendix 14 of the Listing Rules ("CG Code") to regulate the corporate governance issues of the Group. The existing Board has reviewed the Company's corporate governance practices for the financial period under review, and has formed the opinion that the existing Board was unable to comment on or to ensure compliance of certain of the then provisions of the CG Code for the six months ended 30 June 2012 due to the loss of the most important records of the Company. The existing Board is of the view that aside from achieving the Resumption, one of its main priorities in 2015 is to improve the corporate governance of the Group.

This Corporate Governance Report was produced pursuant to the latest requirements prescribed in Appendix 14 of the Listing Rules. However, due to the loss of the most important records of the Company on 21 June 2013, and which was announced by the Company on 1 November 2013, the Board was unable to conduct and form a complete opinion in relation to the compliance of each of the then code provisions in the CG Code except for those deviations have been disclosed in "Corporate Governance Report" contained in the Company's 2011 annual report published on 8 April 2015 ("2011 Annual Report").

Except for the period between 1 July 2011 to 18 January 2012, during which the Board did not comply with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors ("INEDs") with at least one INED possessing appropriate professional qualifications or accounting or related financial management expertise, during the period, the Board has complied with the requirements of the Listing Rules in relation to the Board composition.

For more information about the corporate governance practices of the Company, please refer to the "Corporate Governance Report" contained in the 2011 Annual Report.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules ("Model Code") as the code of conduct governing Director's securities transactions. Trading in the shares of the Company on the Stock Exchange has been suspended at the request of the Company since 29 June 2011. All the then Directors who are still on the Board currently have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2012.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

For the six months ended 30 June 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **REVIEW OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The audit committee of the Company has reviewed with the management of the Group the accounting principles and policies as adopted by the Company, the practices of the Group and the condensed consolidated financial statements for the six months ended 30 June 2012.

## **MISCELLANEOUS**

The Board is of the opinion that there have been no material changes for the information published in 2011 Annual Report other than those disclosed in this announcement and the 2012 interim report of the Company.

On behalf of the Board

**Long Xiaobo**

*Chairman*

Hong Kong, 8 May 2015

As at the date of this announcement, the Board comprises 6 Directors, namely,

*Executive Directors:*

Mr. Long Xiaobo (*Chairman*)

Mr. Zuo Weiqi (*Chief executive officer*)

Mr. Chen Yi Chung

*Independent non-executive Directors:*

Mr. Jin Shunxing

Ms. Liu Shuang

Mr. Chiang Tsung-Nien