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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 2014

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 2014 as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2014</b>	2013
		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
<b>Turnover</b>	6	<b>19,779</b>	15,890
Cost of sales and services rendered		<b>(4,093)</b>	(9,393)
<b>Gross profit</b>		<b>15,686</b>	6,497
Other income and gains		<b>5,549</b>	380
Selling and distribution expenses		<b>(742)</b>	(217)
Administrative expenses		<b>(29,966)</b>	(32,115)
Impairment loss on mining right		-	(473,687)
Impairment loss on property, plant and equipment		-	(48,727)
<b>Loss from operations</b>		<b>(9,473)</b>	(547,869)
Finance costs	7	<b>(15,976)</b>	(22,017)
<b>Loss before tax</b>		<b>(25,449)</b>	(569,886)
Income tax credit	8	<b>776</b>	117,286

\* For identification purpose only

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME (CONT'D)**

*For the six months ended 30 June 2014*

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b> <b>(unaudited)</b>	2013 <i>HK\$'000</i> (unaudited)
<b>Loss for the period</b>	9	<b>(24,673)</b>	(452,600)
<b>Other comprehensive income after tax:</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u><b>(8,579)</b></u>	<u>12,822</u>
<b>Total comprehensive income for the period</b>		<u><b>(33,252)</b></u>	<u>(439,778)</u>
<b>Loss for the period attributable to:</b>			
Owners of the Company		<u><b>(20,957)</b></u>	<u>(366,322)</u>
Non-controlling interests		<u><b>(3,716)</b></u>	<u>(86,278)</u>
		<u><b>(24,673)</b></u>	<u>(452,600)</u>
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		<u><b>(27,778)</b></u>	<u>(357,460)</u>
Non-controlling interests		<u><b>(5,474)</b></u>	<u>(82,318)</u>
		<u><b>(33,252)</b></u>	<u>(439,778)</u>
<b>Loss per share (HK cents)</b>			
Basic	10	<u><b>(0.40)</b></u>	<u>(7.00)</u>
Diluted	10	<u><b>N/A</b></u>	<u>N/A</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	As at 30 June 2014 HK\$'000 (unaudited)	As at 31 December 2013 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		42,192	37,211
Mining right	11	1,076,907	1,096,000
		<u>1,119,099</u>	<u>1,133,211</u>
<b>Current assets</b>			
Inventories		3,106	3,470
Trade and other receivables		14,435	10,336
Current tax assets		–	159
Bank and cash balances		4,095	3,908
		<u>21,636</u>	<u>17,873</u>
<b>Current liabilities</b>			
Trade and other payables		42,073	40,891
Borrowings		159,120	135,044
Convertible bonds	12	290,191	290,191
		<u>491,384</u>	<u>466,126</u>
<b>Net current liabilities</b>		<u>(469,748)</u>	<u>(448,253)</u>
<b>Total assets less current liabilities</b>		<u>649,351</u>	<u>684,958</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		236,994	239,349
<b>NET ASSETS</b>		<u>412,357</u>	<u>445,609</u>
<b>Capital and reserves</b>			
Share capital	13	523,530	523,530
Reserves		(204,830)	(177,052)
Equity attributable to owners of the Company		<u>318,700</u>	<u>346,478</u>
Non-controlling interests		93,657	99,131
<b>TOTAL EQUITY</b>		<u>412,357</u>	<u>445,609</u>

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

*For the six months ended 30 June 2014*

### **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 12 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. 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 Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting period beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("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 condensed consolidated financial statements and amounts reported for the current period and prior periods.

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

### **4. SIGNIFICANT ACCOUNTING POLICIES**

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 2013. 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 2013.

### **5. SEGMENT INFORMATION**

The Group has two reportable segments as follows:

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

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.

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

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

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

**5. 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</b> <i>HK\$'000</i> (unaudited)	<b>Total</b> <i>HK\$'000</i> (unaudited)
<b><i>For the six months ended 30 June 2014</i></b>			
<b>Revenue from external customers</b>	<b>9,144</b>	<b>10,635</b>	<b>19,779</b>
<b>Segment (loss)/profit</b>	<b>(18,587)</b>	<b>1,801</b>	<b>(16,786)</b>
<b>Depreciation</b>	<b>1,378</b>	<b>402</b>	<b>1,780</b>
<b>Income tax credit</b>	<b>776</b>	<b>-</b>	<b>776</b>
<b>Additions to segment non-current assets</b>	<b>6,669</b>	<b>363</b>	<b>7,032</b>
<b><i>As at 30 June 2014</i></b>			
<b>Segment assets</b>	<b>1,124,143</b>	<b>14,950</b>	<b>1,139,093</b>
<b>Segment liabilities</b>	<b>364,015</b>	<b>28,765</b>	<b>392,780</b>
<b><i>For the six months ended 30 June 2013</i></b>			
Revenue from external customers	3,415	12,475	15,890
Segment (loss)/profit	(431,362)	862	(430,500)
Depreciation	1,964	344	2,308
Income tax credit	117,286	-	117,286
Additions to segment non-current assets	10,308	65	10,373
<b><i>As at 31 December 2013</i></b>			
Segment assets (audited)	1,138,446	11,640	1,150,086
Segment liabilities (audited)	351,125	27,262	378,387

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

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

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<u>Revenue</u>		
Total revenue of reportable segments and consolidated revenue	<b>19,779</b>	15,890
<u>Profit or loss</u>		
Total loss of reportable segments	<b>(16,786)</b>	(430,500)
Other profit or loss	<b>(7,887)</b>	(22,100)
Consolidated loss for the period from continuing operations	<b>(24,673)</b>	(452,600)
	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
<u>Assets</u>		
Total assets of reportable segments	<b>1,139,093</b>	1,150,086
Other assets	<b>1,642</b>	998
Consolidated total assets	<b>1,140,735</b>	1,151,084
<u>Liabilities</u>		
Total liabilities of reportable segments	<b>392,780</b>	378,387
Convertible bonds	<b>290,191</b>	290,191
Other liabilities	<b>45,407</b>	36,897
Consolidated total liabilities	<b>728,378</b>	705,475

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)****5. SEGMENT INFORMATION (CONT'D)****Geographical information:***(a) Revenue from external customers*

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Hong Kong	<b>10,635</b>	12,475
PRC	<b>9,144</b>	3,415
	<hr/>	<hr/>
	<b>19,779</b>	15,890
	<hr/>	<hr/>

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

*(b) Non-current assets*

	<b>30 June 2014</b>	31 December 2013
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Hong Kong	<b>1,743</b>	1,802
PRC	<b>1,117,356</b>	1,131,409
	<hr/>	<hr/>
	<b>1,119,099</b>	1,133,211
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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

### 6. 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>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Revenue		
Sales of goods:		
– Cosmetics and skincare products	<b>10,635</b>	12,475
– Mining products	<b>9,144</b>	3,415
	<b>19,779</b>	15,890

### 7. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Other borrowings costs		
– Wholly repayable within five years	<b>16,480</b>	23,661
Less: interests capitalised	<b>(504)</b>	(1,644)
	<b>15,976</b>	22,017

### 8. INCOME TAX CREDIT

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Deferred tax	<b>776</b>	117,286

No provision for Hong Kong Profits Tax is required since the Company has no assessable profit for the period (2013: nil).

The applicable income tax rate for the subsidiaries of the Group in the PRC in the current period is 25% (2013: 25%).

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****9. LOSS FOR THE PERIOD**

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Amortisation of mining right	<b>11,907</b>	4,128
Cost of sales and services rendered	<b>4,093</b>	9,393
Depreciation	<b>1,805</b>	2,513
Operating lease charges	<b>2,843</b>	7,356
Staff costs including Directors' emoluments		
Salaries, bonus and allowances	<b>8,053</b>	8,206
Retirement benefits scheme contributions	<b>238</b>	253
	<hr/>	<hr/>
	<b>8,291</b>	8,459
	<hr/>	<hr/>

**10. LOSS PER SHARE****Basic loss per share**

The calculation of basic loss per share attributable to owners of the Company for the six months ended 30 June 2014 is based on the loss for the period attributable to owners of the Company of approximately HK\$20,957,000 (2013: approximately HK\$366,322,000) and the weighted average number of ordinary shares of approximately 5,235,303,000 (2013: approximately 5,235,303,000) 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 2014 and 2013.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****11. MINING RIGHT***HK\$'000***Cost**

At 1 January 2013	1,553,021
Exchange differences	<u>44,552</u>
At 31 December 2013 and 1 January 2014	1,597,573
Exchange differences	<u>(10,532)</u>
At 30 June 2014 (unaudited)	<u>1,587,041</u>

**Accumulated amortisation and impairment**

At 1 January 2013	10,231
Amortisation for the year	8,292
Impairment loss for the year	475,813
Exchange differences	<u>7,237</u>
At 31 December 2013 and 1 January 2014	501,573
Amortisation for the period	11,907
Exchange differences	<u>(3,346)</u>
At 30 June 2014 (unaudited)	<u>510,134</u>

**Carrying amount**

At 30 June 2014 (unaudited)	<u>1,076,907</u>
At 31 December 2013	<u>1,096,000</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 right will expire in 2015 and in the opinion of the Directors, the Group will be able to renew the mining right 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)**

**12. 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 Listing Rules) 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 31 December 2013 and 30 June 2014 (unaudited)	290,191

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 is reclassified as current liabilities since the year ended 31 December 2011.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****13. SHARE CAPITAL**

	<b>Number of shares '000</b>	<b>Amount HK'000</b>
Authorised: Ordinary shares of HK\$0.10 each At 1 January 2013, 31 December 2013 and 30 June 2014	<b>8,000,000</b>	800,000
Issued and fully paid: Ordinary shares of HK\$0.10 each At 1 January 2013, 31 December 2013 and 30 June 2014	<b>5,235,303</b>	523,530

**14. EVENTS AFTER THE REPORTING PERIOD**

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**

During the period under review, the turnover the Group for the six months ended 30 June 2014 was approximately HK\$19.8 million, which represents an approximately 24.5% increase compared to the last corresponding period of approximately HK\$15.9 million. The turnover of approximately HK\$10.6 million was contributed by the beauty salon outlets in Hong Kong under the cosmetic and skincare products business segment, which is a decrease of approximately 15.2% compare to the corresponding period of last year of approximately HK\$12.5 million. The reason for the decrease in turnover for cosmetic and skincare products business segment was mainly due to the increasing competition from different brands, especially the brands from Korea. As a results, the management continue to invest to modify the existing tunnel structure and exploration process of the gold mine in the first half year of 2014 which resulted in the increase of the revenue of the mining products business segment from an approximately HK\$3.4 million for the six months ended 30 June 2013 to an approximately HK\$9.1 million for the corresponding period of 2014 representing an increase of approximately 167.6% compared to the same period last year. The management expected that the mining products business segment would continue to contribute revenue for the Group in an efficient manner in future. The gross profit for the six months ended 30 June 2014 was approximately HK\$15.7 million, which represented an increase of approximately 141.5% compared to the gross profit of the corresponding period of last year of approximately HK\$6.5 million. The increase in gross profit was mainly due to the effective in business restructuring for the mining products business segment.

The loss for the six months ended 30 June 2014 for the Group was approximately HK\$24.7 million compared to the last year's corresponding figure of approximately HK\$452.6 million. The reason for the significant decrease in the loss for the six months ended 30 June 2014 was mainly due to no impairment loss on mining right (2013: approximately HK\$473.7 million) and property, plant and equipment incurred for the six months under review (2013: approximately HK\$48.7 million).

For the six months ended 30 June 2014, the Company was unable to locate sufficient evidence during the preparation of the condensed consolidated financial statement for the Group due to the frequent of changes in Directors and finance staff, the inability to obtain relevant documents from certain then executive Directors at the material time ("Relevant Directors"). 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 the 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 occurred 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 2014 was approximately HK\$10.6 million, representing an approximately 15.2% decrease compared to the revenue for the same period last year of approximately HK\$12.5 million. The decrease in revenue of this segment was mainly due to the increasing competition from brands, especially the brands from Korea. As a result, the management of the Company has restructured the segment by downsizing the number of non-profitable beauty salon outlets and cosmetic products consignment stores in Hong Kong and at the same time more time and resources has been allocated to gold mining under the mining products business segment.

Mining products business segment. The revenue contributed by this business segment for the six months ended 30 June 2014 was approximately HK\$9.1 million (2013: approximately HK\$3.4 million) which represent an increase of approximately 167.6%. In the first half year of 2014, the management of the Company continues to invest in the exploration process gold mine which resulted in the increase of the revenue of this segment. The management expected that the mining products business segment will continue to contribute significant amount of revenue for the Group in the future.

## **PROSPECTS**

Given the increasing competition pressure in the cosmetic and skincare industry, the management of the Company will continue to restructure the Group business segments by allocating more resources to the mining products business segment over the cosmetic and skincare products business segment. Since the mining products business segment began to generate significant amount of revenue to the Group, the management believed that the production of the gold mine would become more profitable and it will generate more revenue to the Group when we invest more time and resources into the mining products business segment.

Looking forward, we target to complete the Resumption in 2015. At the same time the management of the Company is 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 2014, the Group had unpledged cash and bank balances of approximately HK\$4.1 million (31 December 2013: approximately HK\$3.9 million). The gearing ratio for the Group was approximately 175.6% (31 December 2013: approximately 157.4%) and the borrowings and convertible bonds of the Group together was approximately HK\$449.3 million (31 December 2013: approximately HK\$425.2 million). The Group reported net current liabilities of approximately HK\$469.7 million as at 30 June 2014 (31 December 2013: approximately HK\$448.3 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 2014, the Group employed 188 staff (2013: 200). 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 2014 (2013: 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 ("CG Code") as set out in Appendix 14 of the Listing Rules 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 2014 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 2013 annual report published on 8 April 2015 ("2013 Annual Report").

For more information about the corporate governance practices of the Company, please refer to the "Corporate Governance Report" contained in the 2013 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 2014.

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

For the six months ended 30 June 2014, 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 2014.

## **MISCELLANEOUS**

The Board is of the opinion that there have been no material changes to the information published in 2013 Annual Report other than those disclosed in this announcement and the 2014 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