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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 2018

The Board herewith presents the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018 together with the comparative figures for the six months ended 30 June 2017 and selected explanatory notes as follows:

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

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	12,622	13,001
Cost of sales and services rendered		<u>(4,324)</u>	<u>(1,911)</u>
Gross profit		8,298	11,090
Other income and gains		18	203
Selling and distribution expenses		(238)	(219)
Administrative expenses		<u>(19,914)</u>	<u>(18,421)</u>
Loss from operations		(11,836)	(7,347)
Finance costs	5	<u>(3,941)</u>	<u>(3,467)</u>
Loss before tax		(15,777)	(10,814)
Income tax expense	6	<u>(1,650)</u>	<u>(1,658)</u>

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

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	<i>Notes</i>	HK\$'000	HK\$'000
Loss for the period	7	(17,427)	(12,472)
Other comprehensive (loss)/income after tax:			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences			
on translating foreign operations		<u>(2,825)</u>	<u>4,273</u>
Total comprehensive loss for the period		<u>(20,252)</u>	<u>(8,199)</u>
Loss for the period attributable to:			
Owners of the Company		<u>(14,501)</u>	(12,014)
Non-controlling interests		<u>(2,926)</u>	(458)
		<u>(17,427)</u>	<u>(12,472)</u>
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		<u>(16,368)</u>	(8,360)
Non-controlling interests		<u>(3,884)</u>	161
		<u>(20,252)</u>	<u>(8,199)</u>
Loss per share (HK cents)			
Basic and diluted	8	<u>(0.08)</u>	<u>(0.07)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2018

	<i>Notes</i>	As at 30 June 2018 <i>HK\$'000</i>	As at 31 December 2017 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		70,952	72,246
Mining right	9	221,165	223,959
		<u>292,117</u>	<u>296,205</u>
Current assets			
Inventories		529	239
Trade and other receivables	10	48,550	58,265
Loan to a customer		18,836	18,245
Amount due from a related company		9,397	9,508
Amount due from directors		100	4,538
Bank and cash balances		4,903	3,213
		<u>82,315</u>	<u>94,008</u>
Current liabilities			
Trade and other payables	11	11,428	12,819
Contract liabilities		26,393	24,383
Derivative financial instruments		34	34
Borrowings		–	1,283
		<u>37,855</u>	<u>38,519</u>
Net current assets		<u>44,460</u>	<u>55,489</u>
Total assets less current liabilities		<u>336,577</u>	<u>351,694</u>
Non-current liabilities			
Convertible bonds	12	61,626	57,685
Deferred tax liabilities		39,376	38,182
		<u>101,002</u>	<u>95,867</u>
NET ASSETS		<u>235,575</u>	<u>255,827</u>
Capital and reserves			
Share capital	13	175,449	175,449
Reserves		94,000	110,368
Equity attributable to owners of the Company		269,449	285,817
Non-controlling interests		(33,874)	(29,990)
TOTAL EQUITY		<u>235,575</u>	<u>255,827</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

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 2105, 21/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company's shares are listed on the main board of the Stock Exchange.

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

2. BASIS OF PREPARATION

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

These condensed financial statements should be read in conjunction with the 2017 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2017 except as stated below.

(a) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified as financial assets at amortised cost.

Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

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

For the six months ended 30 June 2018

2. BASIS OF PREPARATION (Cont'd)

(b) Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“lifetime expected credit losses”) for trade receivables, contract assets and lease receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables, contract assets and lease receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

(c) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance;
- the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

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

For the six months ended 30 June 2018

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

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2018. HKFRSs comprise HKFRS, HKAS and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current period and prior periods.

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

4. REVENUE AND SEGMENT INFORMATION

The Group has three reportable segments as follows:

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

Cosmetics and skincare products segment – provision of beauty treatment services and trading of cosmetics and skincare products; and

Money lending segment – provision of money lending services.

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.

Segment liabilities do not include convertible bonds.

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

For the six months ended 30 June 2018

4. REVENUE AND SEGMENT INFORMATION (Cont'd)

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

	Mining products HK\$'000	Cosmetics and skincare products HK\$'000	Money lending HK\$'000	Total HK\$'000
<i>For the six months ended 30 June 2018</i>				
Revenue from external customers	2,594	9,314	714	12,622
Segment (loss)/profit	(3,231)	(1,513)	713	(4,031)
Depreciation	188	671	–	859
Income tax expense	1,650	–	–	1,650
Additions to segment non-current assets	–	–	–	–
<i>As at 30 June 2018</i>				
Segment assets	342,194	9,820	18,968	370,982
Segment liabilities	49,245	26,824	10	76,079
<i>For the six months ended 30 June 2017</i>				
Revenue from external customers	800	11,487	714	13,001
Segment (loss)/profit	(2,295)	(54)	713	(1,636)
Depreciation	362	819	–	1,181
Income tax expense	1,658	–	–	1,658
Additions to segment non-current assets	–	649	–	649
<i>As at 31 December 2017</i>				
Segment assets	354,273	10,657	18,444	383,374
Segment liabilities	48,404	26,155	10	74,569

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

For the six months ended 30 June 2018

4. REVENUE AND SEGMENT INFORMATION (Cont'd)

Reconciliations of reportable segment revenue, profit or loss:

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Revenue		
Total revenue of reportable segments and consolidated revenue	<u>12,622</u>	<u>13,001</u>
Profit or loss		
Total loss of reportable segments	(4,031)	(1,636)
Finance costs	(3,941)	(3,467)
Other profit or loss	<u>(9,455)</u>	<u>(7,369)</u>
Consolidated loss for the period	<u><u>(17,427)</u></u>	<u><u>(12,472)</u></u>

Breakdown of revenue:

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Cosmetics and skincare products and services	9,314	11,487
Mining products	<u>2,594</u>	<u>800</u>
Revenue from contract with customers	11,908	12,287
Interest income of money lending	<u>714</u>	<u>714</u>
Total revenue	<u><u>12,622</u></u>	<u><u>13,001</u></u>

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

For the six months ended 30 June 2018

4. REVENUE AND SEGMENT INFORMATION (Cont'd)

Disaggregation of revenue from contracts with customers:

	Mining products <i>HK\$'000</i>	Cosmetics and skincare products <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>For the six months ended 30 June 2018</i>			
<i>Geographical markets</i>			
Hong Kong	–	9,314	9,314
The PRC	2,594	–	2,594
Total	2,594	9,314	11,908
<i>Major products/services</i>			
Cosmetics and skincare products and services	–	9,314	9,314
Mining products	2,594	–	2,594
Total	2,594	9,314	11,908
<i>Timing of revenue recognition</i>			
At a point in time	2,594	–	2,594
Over time	–	9,314	9,314
Total	2,594	9,314	11,908

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

For the six months ended 30 June 2018

4. REVENUE AND SEGMENT INFORMATION (Cont'd)

Disaggregation of revenue from contracts with customers: (Cont'd)

	Mining products <i>HK\$'000</i>	Cosmetics and skincare products <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>For the six months ended 30 June 2017</i>			
<i>Geographical markets</i>			
Hong Kong	–	11,487	11,487
The PRC	800	–	800
Total	<u>800</u>	<u>11,487</u>	<u>12,287</u>
<i>Major products/services</i>			
Cosmetics and skincare products and services	–	11,487	11,487
Mining products	800	–	800
Total	<u>800</u>	<u>11,487</u>	<u>12,287</u>
<i>Timing of revenue recognition</i>			
At a point in time	800	–	800
Over time	–	11,487	11,487
Total	<u>800</u>	<u>11,487</u>	<u>12,287</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest of Settlement Convertible Bonds	3,941	3,450
Loan interest	–	17
	<u>3,941</u>	<u>3,467</u>

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

For the six months ended 30 June 2018

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Deferred tax	<u>1,650</u>	<u>1,658</u>

No provision for Hong Kong Profits Tax is required since the Company has no assessable profit for the period. (2017: Nil).

The applicable income tax rate for the subsidiaries of the Group in the PRC in the Reporting Period is 25% (2017: 25%).

7. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Directors' remuneration	2,501	1,866
Cost of sales and services rendered	4,324	1,911

8. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company for the Reporting Period is based on the loss for the period attributable to owners of the Company of approximately HK\$14,501,000 (2017: approximately HK\$12,014,000) and the weighted average number of ordinary shares of approximately 17,544,977,000 (2017: approximately 17,544,977,000) in issue during the Reporting Period.

Diluted loss per share

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

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

For the six months ended 30 June 2018

9. MINING RIGHT

	<i>HK\$'000</i>
Cost	
At 1 January 2017	1,406,314
Exchange differences	<u>104,087</u>
At 31 December 2017	1,510,401
Exchange differences	<u>(17,674)</u>
At 30 June 2018	<u>1,492,727</u>
Accumulated amortisation and impairment	
At 1 January 2017	1,188,442
Amortisation for the year	3,096
impairment loss for the year	6,598
Exchange differences	<u>88,306</u>
At 31 December 2017	1,286,442
Amortisation for the period	173
Exchange differences	<u>(15,053)</u>
At 30 June 2018	<u>1,271,562</u>
Carrying amount	
At 30 June 2018	<u><u>221,165</u></u>
At 31 December 2017	<u><u>223,959</u></u>

Mining right includes the cost of acquiring mining licenses, costs transferred from exploration right and exploration and evaluation assets upon determination that an exploration property is capable of commercial production and land compensation costs. Land compensation costs represent the compensation paid to inhabitants for relocating them from the areas nearby the mining sites so that the Group can use the land as leaching piles and dumping areas for waste ores. The mining permit will expire on 2 September 2020. Mining right is amortised over the estimated useful lives of the mines in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the units of production method.

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

For the six months ended 30 June 2018

10. TRADE AND OTHER RECEIVABLES

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Trade receivables	13,102	21,501
Prepayments	895	1,854
Prepayments of property, plant and equipment	29,769	30,121
Deposits	4,343	4,347
Other receivables	441	442
	<u>48,550</u>	<u>58,265</u>

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Current to 30 days	3,229	6,419
31 – 60 days	1,077	13,755
61 – 90 days	–	1,327
181 – 365 days	8,796	–
	<u>13,102</u>	<u>21,501</u>

11. TRADE AND OTHER PAYABLES

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Trade payables	419	1,747
Accrued liabilities and other payables	11,009	11,072
	<u>11,428</u>	<u>12,819</u>

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Current to 30 days	413	–
31 – 60 days	6	699
Over 90 days	–	1,048
	<u>419</u>	<u>1,747</u>

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

For the six months ended 30 June 2018

12. CONVERTIBLE BONDS

Settlement Convertible Bonds

On 24 May 2016, the Company issued unsecured 10% convertible bonds due 2019 in the principal amount of approximately HK\$53,417,000 with fair value of approximately HK\$53,360,000 for the settlement of the outstanding debts together with the accrued interests of the Company owing to the CB Settlement Creditors pursuant to the CB Settlement Agreements. The bonds are convertible into ordinary shares of the Company at the initial conversion price of HK\$0.1 per share at any time commencing on the seventh day next following the issue date up to and including the date which is seven days prior to the maturity date. Interest of 10% per annum will be paid on the maturity date. If the convertible bonds have not been converted or repurchased or redeemed in accordance with the terms and conditions of the convertible bonds, they will be redeemed at the principal amount plus the accrued but unpaid interests on 23 May 2019.

	<i>HK\$'000</i>
Liability component at 1 January 2017	50,487
Effective interest charged to profit or loss during the year 2017	<u>7,198</u>
Liability component at 31 December 2017	57,685
Effective interest charged to profit or loss during the period 2018	<u>3,941</u>
Liability component at 30 June 2018	<u><u>61,626</u></u>

The interest charged for the period/year is calculated by applying an effective interest rate of 13.33% to the liability component for the period since the bonds were issued.

13. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
At 1 January 2017, 31 December 2017 and 30 June 2018 (25,000,000,000 ordinary shares of HK\$0.01 each)	<u>25,000,000</u>	<u>250,000</u>
Issued and fully paid:		
At 1 January 2017, 31 December 2017 and 30 June 2018 (17,544,977,408 ordinary shares of HK\$0.01 each)	<u>17,544,977</u>	<u>175,449</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in three business segments: (i) gold mining, exploration and trading of gold products in the PRC; (ii) provision of beauty treatment services and trading of cosmetics and skincare products in Hong Kong; and (iii) provision of money lending services in Hong Kong.

BUSINESS REVIEW

For the mining products segment, Hunan Westralian continued to work on improvement construction works. After carrying out a number of safety technical rectifications in accordance with the requirements of the local government's mining authorities, Hunan Westralian is currently preparing for the mining technical reform project in the East Mine. The scale of the mining technical reform project will include: (i) integration of transportation, ventilation, drainage, gas supply, water supply and power supply systems; (ii) underground and tunnel construction works; (iii) upgrading of mining and lifting equipment; and (iv) industrial plant construction works. During the Reporting Period, the revenue of Hunan Westralian was mainly generated from the additional sales of sub-mining ore produced during the rectification improvement process.

For the cosmetics and skincare products segment, the revenue dropped slightly during the Reporting Period. Facing the keen competition in the industry, Management continues to adopt a relatively precautionary approach and has been considering different business strategies to make a breakthrough.

For the money lending segment, Management has adopted a prudent approach in identifying borrowers which could provide the Group with stable fixed income under an acceptable risk level. Management will continue to study the market situation to seize the advantages of this business segment and will strive to expand the business steadily.

FINANCIAL REVIEW

During the Reporting Period, the Group recorded a total revenue of approximately HK\$12.6 million, representing a decrease of approximately 2.9% as compared to approximately HK\$13.0 million for the Corresponding Period.

The revenue contributed by the mining products segment during the Reporting Period was approximately HK\$2.6 million, representing an increase of approximately 2.24 times as compared with approximately HK\$0.8 million for the Corresponding Period. The increase was mainly due to the additional sales of sub-mining ore produced during the rectification improvement process.

The revenue contributed by the cosmetics and skincare products segment for the Reporting Period was approximately HK\$9.3 million, representing a decrease of approximately 18.9% as compared with approximately HK\$11.5 million for the Corresponding Period. The decrease in revenue in this segment was mainly due to the keen competition in the industry.

During the Reporting Period, the revenue contributed by the money lending segment was approximately HK\$0.7 million which was same as those for Corresponding Period.

The gross profit for the Reporting Period was approximately HK\$8.3 million, representing a decrease of approximately 25.2% as compared with approximately HK\$11.1 million for the Corresponding Period.

The loss for the Reporting Period for the Group was approximately HK\$17.4 million and the Corresponding Period was approximately HK\$12.5 million. The increase in loss was mainly due to the decrease in gross profit of approximately HK\$2.8 million and the increase in administrative expenses of approximately HK\$1.5 million and finance costs of approximately HK\$0.5 million in the Reporting Period.

PROSPECTS

During the Reporting Period, the core direction of the Company will remain unchanged, which includes continuing its effort to improve its mining capability and facilities with the goal to maximise the output efficiency of the Gold Mine. The following areas will require further capital investment for improvement: (i) mine site facilities in the mine located in the eastern side of the site; (ii) plants for mining products processing; and (iii) ancillary facilities, including mine ventilation systems. The Group will also formulate mining projects to better utilise the mine facilities to enhance its output efficiency.

As mentioned previously in the 2017 Annual Report and the 2017 Interim Report the Company entered into the MOU and an extension side letter for the possible acquisition of a Chinese domestic company controlled by Mr. Long that engages in, among others, the development, sales and distribution of electric vehicles in China. Under the MOU, Mr. Long agreed to give approximately 3.5 months' exclusivity to the Group in negotiating the terms of collaboration in relation to the Chinese domestic company. Such collaboration may involve the acquisition of equity interest in that Chinese company by the Group or in any other appropriate form and manner of cooperation between the parties for mutual benefits. In view of the extended due diligence period, the Company and Mr. Long have agreed to remove the exclusivity clauses from the MOU and accordingly, Mr. Long and the Chinese domestic company are no longer restricted by any exclusivity in favour of the Company (for details of the information of this potential investment, please refer to the Company's announcements dated 18 July 2016 and 2 November 2016). As at the date of this announcement, Management is awaiting further concrete business performance of the Chinese domestic company before incurring further resources, therefore, the due diligence process on the Chinese domestic company has slowed down.

In view of the fierce competition in the cosmetic and facial beauty industry and the performance of the cosmetics and skincare products segment of the Group in recent years, Management is considering different possibilities to meet the future development needs of the Group, including further expanding the Group's business into China by introduction of potential investment partners, development of new platform and adoption of new business models to improve the Group's cosmetics and skincare products business operations, or by streamlining and retrenching the business in order to reallocate the resources into more profitable business.

The Group has been exploring other strategic investment opportunities to maximise the value for the Shareholders. In this regard, in 2017, the Group has made a number of small investments in the primary securities offerings and secondary stock market in China, Hong Kong or worldwide and will continue to do so. Other than the MOU in relation to the potential investment mentioned above, as at the date of this announcement, the Group has not yet concluded any investment project nor signed any investment memorandum or agreement.

As stated in the 2017 Interim Report, as the world is changing through internet and mobile applications, Management is considering, among other options, development and deployment of resources in the big data and e-commerce industries. After considering and studying the global economic environment and the trends in PRC's future economic and business development model, Management believes that emerging industries such as big data, blockchain technologies, e-commerce and e-platforms, are rapidly expanding and have become an irreversible new trend, Management has decided that the Group should focus on big data and e-commerce, especially in the blockchain technology in its future development. Blockchain technology will transform the commercial application of the financial services industry and community communications, particularly in clearing and settlement, cross-border payments, settlement and transactions. Therefore, Management will study this new business idea in-depth, if the conclusion is that this business will help the Group's future development and bring long-term benefits to the Shareholders, the Company will make every effort to push forward, otherwise Management will searching for other profitable business opportunities.

Looking forward, Management will continue modifying and finessing the Group's strategic plan, adjusting to the changes in the dynamic business environment in China and globally on one hand, and on the other hand will continue looking for other investment opportunities to broaden the sources of income for the Group in order to create greater value for the Shareholders. Management will strive to leverage our internal and external resources through fundraising or introducing strategic investors to achieve this goal.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group had unpledged cash and bank balances of approximately HK\$4.9 million (31 December 2017: approximately HK\$3.2 million). The gearing ratio was approximately 56.9% (31 December 2017: approximately 51.3%) and the borrowings and convertible bonds of the Group was approximately HK\$61.6 million (31 December 2017: approximately HK\$59.0 million). The Group reported net current assets of approximately HK\$44.5 million and HK\$55.5 million as at 30 June 2018 and 31 December 2017 respectively.

Details of the maturity profile and interest rate structure of the convertible bonds of the Group are set out in note 12 to the Interim Financial Statements of this announcement.

EMPLOYEES AND REMUNERATION

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

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

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

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

As at 30 June 2018, the Group employed 93 staff (2017: 110). The remuneration of employees was commensurate with the market trend, the level of pay in the industry and with the performance of individual employees that are regularly reviewed every year.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Reporting Period (2017: nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

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

UPDATE ON THE USE OF PROCEEDS FROM THE OPEN OFFER

On 24 May 2016, the Company raised gross proceeds of approximately HK\$157.1 million and net proceeds of approximately HK\$153.0 million from the Open Offer. As stated in the offering circular of the Company dated 29 April 2016 with respect to the Open Offer, the net proceeds will be applied by the Company as follows:

- (i) approximately HK\$35.0 million for the possible early redemption of the Settlement Convertible Bonds by the Company and settlement of current liabilities, and in the event that no early redemption of the Settlement Convertible Bonds occurs, such amount should be used as approximately HK\$20.0 million as future investments fund for possible potential merger and acquisition projects and HK\$15.0 million as working capital for the existing business of the Group;
- (ii) approximately HK\$45.0 million as capital investment in the mining products segment;
- (iii) approximately HK\$33.0 million as a future investments fund for possible potential merger and acquisition projects; and
- (iv) approximately HK\$37.0 million as working capital for the existing businesses of the Group.

As disclosed in the announcement dated 22 September 2017, in light of the fact that (1) the Company is improving the mining facilities to maximise the output efficiency in the mining products segment, as referred in the interim report of the Company for the six months ended 30 June 2017; and (2) the Group has utilised all the proceeds from the Open Offer allocated as working capital and needed to replenish the working capital, the Board has decided to change the use of (i) approximately HK\$17.0 million from the unutilised proceeds for possible early redemption of the Settlement Convertible Bonds by the Company as no early redemption of convertible bonds has occurred, and (ii) approximately HK\$15.0 million from the unutilised proceeds for the future investments to the working capital of the Group.

As at 30 June 2018, the actual use of proceeds from the Open Offer have been fully utilised as follows:

- (i) HK\$18.0 million of proceeds have been utilised for the settlement of current liabilities. There is no early redemption occurred during the Reporting Period, approximately HK\$17.0 million have been utilized as working capital for the existing business of the Group;
- (ii) a total of HK\$45.0 million of the proceeds have been fully utilised on capital investment in the mining products segment, which included approximately HK\$14.4 million on tunnel Construction, approximately HK\$13.4 million on purchase of machinery, approximately HK\$11.5 million on environmental construction work, and approximately HK\$5.7 million on road-building construction;
- (iii) the proceeds have been fully utilised HK\$18.0 million on money lending segment; and
- (iv) approximately HK\$52.0 million of the proceeds have been fully utilised as working capital for the existing business of the Group.

For details of Open Offer, please refer to (i) the Company's announcements dated 16 December 2015, 28 December 2015, 6 January 2016, 29 January 2016, 22 February 2016, 13 April 2016, 20 May 2016, and 24 May 2016; (ii) the circular of the Company dated 29 January 2016; and (iii) the offering circular of the Company dated 29 April 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

REVIEW OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

DEFINITIONS

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

“associate(s)”	having the meaning ascribed thereto under the Listing Rules
“Auditor” or “ZHONGHUI ANDA”	ZHONGHUI ANDA CPA Limited, an independent external auditor of the Company
“Board”	the board of Directors
“CB Settlement Agreements”	having the same meaning ascribed thereto under the Circular (i.e. a total 3 sets of convertible bonds settlement agreements entered into between the Company and the CB Settlement Creditors)
“CB Settlement Creditors”	having the same meaning ascribed thereto under the Circular (i.e. Mr. 李鐵鍵, Mr. 吳躍新 and Mr. 豆新虎)
“CG Code”	Corporate Governance Code as set out in Appendix 14 of the Listing Rules
“Chairman of the Board”	the chairman of the Board

“Chief Executive Officer”	the chief executive officer of the Company
“China” or “PRC”	the People’s Republic of China, but for the purposes of this announcement and for geographical reference only (unless otherwise indicated), excludes the Macao Special Administrative Region of the PRC, Hong Kong and Taiwan
“Circular”	a circular despatched by the Company to Shareholders on 29 January 2016
“Code Provisions”	code provisions as set out in the CG Code
“Company”	China Billion Resources Limited, a company incorporated in the Cayman Islands with limited liability, shares of which are listed on the Stock Exchange
“Corresponding Period”	the period for the six months ended 30 June 2017
“Director(s)”	the director(s) of the Company
“Excluded shareholders(s)”	overseas Shareholders to whom the Company considers it necessary or expedient not to offer the Offer Shares where, in the opinion of the Board (having made relevant and necessary enquiries), it would or might be unlawful or impracticable to offer the Offer Shares in such places on account of any legal or regulatory restrictions or special formalities in such places
“Executive Director(s)”	the executive Director(s)
“Gold Mine”	the Group’s Yuanling gold project in Hunan Province, the PRC
“Group”	the Company and its subsidiaries
“HKAS”	Hong Kong Accounting Standards
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hunan Westralian”	Hunan Westralian Mining Co., Limited, a foreign owned enterprise established in the PRC and is a subsidiary of the Company

“Interim Financial Statements”	The unaudited condensed consolidated financial statements for the six months ended 30 June 2018
“INED(s)”	the independent non-executive Director(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management”	the management of the Company
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“MOU”	the memorandum of understanding entered into between the company and Mr. Long on 18 July 2016
“Mr. Long”	Mr. Long Xiaobo
“NED(s)”	the non-executive Director(s)
“Offer Price”	HK\$0.03 for each of the Offer Shares
“Offer Shares”	Shares allotted and issued under the Open Offer, being 5,235,303,300 Shares
“Open Offer”	the issue of the Offer Shares on the basis of two (2) Offer Shares for every one (1) share of HK\$0.10 each held by the Qualifying Shareholders on the Open Offer record date at the Offer Price
“Qualifying Shareholders”	the Shareholders, other than the Excluded Shareholders (i.e. Shareholders whose address(es) as shown on the register of members is/are outside in a jurisdiction the laws of which may prohibit the making of the Open Offer to such Shareholders or otherwise require the Company to comply with additional requirements which are (in the opinion of the Directors) unduly onerous or burdensome), whose names appear on the register of members of the Company as at the close of business on the Open Offer record date
“Reporting Period”	the period for the six months ended 30 June 2018
“Settlement Convertible Bonds”	the unsecured 10% convertible bonds in the aggregate principal amount of HK\$53,417,356.17 with a term of three years issued by the Company to the CB Settlement Creditors pursuant to the terms of the CB Settlement Agreements
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)

“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Share Option Scheme”	the share option scheme approved by the Shareholders for adoption at the extraordinary general meeting of the Company held on 22 February 2016
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“2017 Annual Report”	the annual report of the Company for the year ended 31 December 2017
“2017 Interim Report”	the interim report of the Company for the six months ended 30 June 2017
“%”	per cent

By order of the Board
China Billion Resources Limited
Long Xiaobo
Chairman of the Board

Hong Kong, 31 August 2018

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

Executive Directors:

Mr. Long Xiaobo (*Chairman*)
Mr. Zuo Weiqi (*Chief executive officer*)
Mr. Chen Yi-chung
Mr. Xiao Jie
Mr. Zhang Li

NEDs:

Mr. Ng Kwok Kei Sammy
Mr. Wong Wa Tak Barry

INEDs:

Mr. Cai Jianhua
Mr. Ho Wing Chung
Ms. Liu Shuang
Mr. Xie Qiangming