CHINA BILLION RESOURCES LIMITED
中富資源有限公司*

(Incorporated in the Cayman Islands with limited liability)
Stock code: 274

INTERIM REPORT 2012

* For identification only

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Long Xiaobo *(Chairman)*
Mr. Zuo Weiqi *(Chief Executive Officer)*
Mr. Chen Yi Chung
(appointed on 27 July 2012)

Independent Non-executive Directors

Mr. Jin Shunxing
Mr. Chiang Tsung-Nien
(appointed on 19 January 2012)
Ms. Liu Shuang
(appointed on 28 April 2014)

AUDIT COMMITTEE

Mr. Jin Shunxing
(Chairman of Audit Committee)
Mr. Chiang Tsung-Nien
(appointed on 19 January 2012)
Ms. Liu Shuang
(appointed on 28 April 2014)

REMUNERATION COMMITTEE

Mr. Jin Shunxing *(Chairman of Remuneration Committee)*
Mr. Chiang Tsung-Nien
(appointed on 19 January 2012)
Ms. Liu Shuang
(appointed on 28 April 2014)
Mr. Long Xiaobo

NOMINATION COMMITTEE

Mr. Long Xiaobo
(Chairman of Nomination Committee)
Mr. Chiang Tsung-Nien
(appointed on 19 January 2012)
Mr. Jin Shunxing
Ms. Liu Shuang
(appointed on 28 April 2014)
Mr. Zuo Weiqi

COMPANY SECRETARY

Mr. Cheung Yuk Chuen
(appointed on 14 August 2013)

AUTHORISED REPRESENTATIVES

Mr. Chen Yi Chung
(appointed on 27 July 2012)
Mr. Zuo Weiqi

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2811, 28/F.,
China Merchants Tower
No.168-200 Connaught Road Central
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS

ZHONGHUI ANDA CPA Limited
Unit 701, 7/F., Citicorp Centre
18 Whitfield Road,
Causeway Bay
Hong Kong

COMPANY'S WEBSITE

www.chinabillion.net

STOCK CODE

274

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Agricultural Bank of China (Hong Kong) Ltd
25th Floor, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The turnover of China Billion Resources Limited ("Company") and its subsidiaries (collectively as "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 of the Company ("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 of Directors ("Board") is taking or has taken the following actions to address the abovementioned weaknesses:

I. provide training on compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("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 People's Republic of China ("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 interim report, 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 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).

COMMITMENTS

Particulars of commitments of the Group as at 30 June 2012 and 31 December 2011 are set out in the notes 21 and 22 to the condensed consolidated financial statements of this interim report.

CONTINGENT LIABILITY

As at 30 June 2012, the Group did not have any significant contingent liability (2011: nil).

BANK BORROWINGS

As at 30 June 2012, the Group did not have any outstanding bank loan (2011: nil).

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 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. Details of the share option scheme of the Company are set out on page 10 of this interim report.

The emoluments payable to Directors are determined with reference to the responsibilities, qualifications, experience, duties, performance of the Directors, prevailing market conditions and remuneration benchmark with Directors of listed companies of similar size and industry nature. They include incentive bonus 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 executive, is involved in deciding his own emoluments.

Employees' remuneration packages are 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.

The Group will spend resources in training, retention and recruitment programs, and encouraging staff for self-development and improvements. The Group keeps monitoring and evaluating the performance of managerial staff, aiming to achieve continuous improvements and correction of deficiencies

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.

FOREIGN EXCHANGE EXPOSURE

During the six months ended 30 June 2012, the Group mainly generated sales revenue and incurred costs in both Hong Kong dollar and Renminbi. In view of the fluctuation in Renminbi, the Directors considered that the Group's exposure to fluctuation in foreign exchange rate was minimal, and accordingly, the Group did not employ any financial instruments for hedging purpose.

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 interim report, 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.

DIRECTORS

The Directors during the six months ended 30 June 2012 and up to the date of this interim report were:

Executive Directors

Mr. Long Xiaobo *(Chairman)*
Mr. Zuo Weiqi *(Chief Executive Officer)*
Mr. Chen Yi Chung *(appointed on 27 July 2012)*
Mr. Jia Xuelei *(resigned on 1 October 2013)*
Mr. Lam Chi Man *(appointed on 28 March 2013 and was disqualified on 17 October 2013)*
Mr. Ng Ka Hong *(resigned on 25 December 2012)*
Mr. Wu Jun *(resigned on 27 July 2012)*
Mr. Yip Chung Wai, David *(resigned on 1 October 2013)*

INEDs

Mr. Jin Shunxing
Mr. Chiang Tsung-Nien *(appointed on 19 January 2012)*
Ms. Liu Shuang *(appointed on 28 April 2014)*
Dr. Zhu Jing *(resigned on 1 April 2014)*

CHANGES IN DIRECTORS' INFORMATION

Mr. Yip Chung Wai, David stepped down as the chief executive officer of the Company ("Chief Executive Officer") with effect from 19 January 2012 and his director fee was readjusted to HK$50,000 per month following his resignation as Chief Executive Officer. At the same date, Mr. Zuo Weiqi was re-designated as Chief Executive Officer and his director fee was readjusted to HK$78,000 per month following his re-designation.

Save as disclosed above, pursuant to Rule 13.51B(1) of the Listing Rules, there is no change to the Directorship and no updated information during the course of the current Directors' term of office since the publication of 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 of Hong Kong Limited ("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.

SHARE OPTION SCHEME

Due to the loss of the most important records of the Company which occurred on 21 June 2013, and which was announced by the Company on 1 November 2013, the Board was unable to ascertain the information in relation to the share option scheme. However, based on the published 2010 annual report and 2011 interim report of the Company, limited information could be obtained. For more information about the share option scheme of the Company, please refer to the section of "Share Options Scheme" under the "Report of the Directors" contained in the 2011 Annual Report.

Pursuant to an ordinary resolution passed at an EGM held on 20 December 2001, the share option scheme adopted by the Company on 28 November 2000 ("Old Scheme") was terminated and another share option scheme ("New Scheme") was adopted. Upon termination of the Old Scheme, no further option can be granted thereunder but in all other respects, the provisions of the Old Scheme remain in force and all share options granted prior to such termination continue to be valid and exercisable in accordance therewith.

As at 30 June 2012, there were no outstanding share option which were granted under the Old Scheme and the New Scheme has expired. Details of the share options outstanding as at 30 June 2012 which have been granted under the New Scheme are as follows:

			Number of share options				Company's share price	
Participant	Date of grant	Original exercise price	1 January 2012	Granted during the period	Lapsed during the period	30 June 2012	At date of grant	At date of exercise
		HK$					*HK$*	*HK$*
Suppliers of goods or services, customers and others								
In aggregate	7 July 2009[1]	0.440	10,000,985	–	–	10,000,985	0.440	N/A
	25 February 2010[1]	0.349	262,078,130	–	–	262,078,130	0.349	N/A
Share options granted under the New Scheme			272,079,115	–	–	272,079,115		

Note:

(1) The exercisable period of the above share options is 3 years from the date of grant as determined by the Directors. The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange's closing price on the trading day immediately prior to the date of grant of the share options.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES OF THE COMPANY

As at 30 June 2012, the interests and short positions of the Directors and chief executive of the Company and their respective associates in the shares or underlying shares or, as the case may be, the equity interest and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, were as follows:

Name of Director	Name of Group member/ associated corporation	Capacity	Number of ordinary shares *(note 1)*	Approximate percentage of shareholding
Mr. Long Xiaobo ("Mr. Long")	The Company	Interest of controlled corporations *(note 2)*	762,022,000 (L)	14.56%

Notes:

1. The letter "L" denotes long position in the shares of the Company or the relevant associated corporation.

2. These 762,022,000 shares were held through Star Sino International Limited which is wholly owned by Mr. Long, the Company's chairman and an executive Director. Pursuant to the convertible bonds instrument dated 31 March 2010, the suspension of trading in the Company's shares on the Stock Exchange at the request of the Company since 29 June 2011 has triggered the Company's obligation to make an early redemption for all the then outstanding convertible bonds. No such redemption has been implemented and the convertible bonds have expired on 11 August 2011, representing debts due and payable to the bondholders on the aforementioned date in accordance with the terms of the convertible bonds instrument. As a result, in 2011, the convertible bonds held by the bondholders has been reclassified as current liabilities.

Save as disclosed above, as at 30 June 2012, none of the Directors, chief executives of the Company, nor their associates, had any interest or short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2012, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company, as recorded in the register maintained by the Company pursuant to section 336 of the SFO:

Name of shareholder	**Number of ordinary shares** *(note 1)*	**Approximate percentage of shareholding**
Star Sino International Limited *(note 2)*	762,022,000 (L)	14.56%

Notes:

1. The letter "L" denotes long position in the shares or the Company or the relevant associated corporation.

2. These 762,022,000 shares were held through Star Sino International Limited which is wholly owned by Mr. Long, the Company's chairman and an executive Director. Pursuant to the convertible bonds instrument date 31 March 2010 the suspension of trading in the Company's shares on the Stock Exchange at the request of the Company since 29 June 2011 has triggered the Company's obligation to make an early redemption for all the then outstanding convertible bonds. No such redemption has been implemented and the convertible bonds have expired on 11 August 2011, representing debts due and payable to the bondholders on the aforementioned date in accordance with the terms of the convertible bonds instrument. As a result, in year 2011, the convertible bonds held by the bondholders has been reclassified as current liabilities.

3. Saved as disclosed above, due to the reclassification, Double Chance Investments Limited, the substantial shareholders previously stated in 2011 interim report is no longer the substantial shareholder of the Company and is not obliged to make disclosure.

Save as disclosed and in the section of "Directors' and Chief Executives Interests in Shares of the Company" above, the Company has not been notified of any other relevant interest or short positions held by any other person in the shares or underlying shares of the Company as recorded in the register to be kept pursuant to section 336 of the SFO.

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued share capital throughout the six months ended 30 June 2012 and as at the date of this interim report.

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)
Continuing operations			
Turnover	7	**21,747**	34,717
Cost of sales and services rendered		**(9,518)**	(33,799)
Gross profit		**12,229**	918
Other income and gains		**802**	1,150
Selling and distribution expenses		**(529)**	(12,102)
Administrative expenses		**(31,686)**	(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)
Loss from operations		**(19,184)**	(1,069,253)
Finance costs	8	**(16,162)**	(17,440)
Loss before tax		**(35,346)**	(1,086,693)
Income tax expense	9	**(969)**	(24,674)
Loss for the period from continuing operations		**(36,315)**	(1,111,367)
Discontinued operations			
Profit for the period from discontinued operations	10	**–**	256,446
Loss for the period	11	**(36,315)**	(854,921)
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		**7,612**	47,236
Exchange reserve released upon disposal of subsidiaries		**–**	(208,602)
Other comprehensive income for the period, net of tax		**7,612**	(161,366)
Total comprehensive income for the period		**(28,703)**	(1,016,287)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

For the six months ended 30 June 2012

	Notes	Six months ended 30 June **2012** ***HK$'000*** **(unaudited)**	As restated 2011 *HK$'000* (unaudited)
(Loss)/Profit for the period attributable to:			
Owners of the Company			
– Continuing operations		**(32,688)**	(1,073,719)
– Discontinued operations		**–**	244,728
Loss attributable to owners of the Company		**(32,688)**	(828,991)
Non-controlling interests			
– Continuing operations		**(3,627)**	(37,648)
– Discontinued operations		**–**	11,718
Loss attributable to non-controlling interests		**(3,627)**	(25,930)
		(36,315)	(854,921)
Total comprehensive income for the period attributable to:			
Owners of the Company		**(24,639)**	(990,354)
Non-controlling interests		**(4,064)**	(25,933)
		(28,703)	(1,016,287)
Loss per share *(HK cents)*			
From continuing and discontinued operations			
Basic	*12a*	**(0.62)**	(16.26)
Diluted	*12a*	**N/A**	N/A
From continuing operations			
Basic	*12b*	**(0.62)**	(21.06)
Diluted	*12b*	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	**As at 30 June 2012 HK$'000 (unaudited)**	As at 31 December 2011 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*13*	**102,646**	96,293
Intangible assets	*14*	**1,545,032**	1,547,277
		1,647,678	1,643,570
Current assets			
Inventories		**9,673**	7,008
Trade and other receivables	*15*	**9,789**	15,362
Bank and cash balances		**6,034**	18,946
		25,496	41,316
Current liabilities			
Trade and other payables	*16*	**52,358**	61,053
Borrowings	*17*	**62,137**	37,444
Convertible bonds	*18*	**290,191**	290,191
		404,686	388,688
Net current liabilities		**(379,190)**	(347,372)
Total assets less current liabilities		**1,268,488**	1,296,198
Non-current liabilities			
Deferred tax liabilities	*19*	**345,536**	344,543
NET ASSETS		**922,952**	951,655
Capital and reserves			
Share capital	*20*	**523,530**	523,530
Reserves		**217,175**	241,814
Equity attributable to owners of the Company		**740,705**	765,344
Non-controlling interests		**182,247**	186,311
TOTAL EQUITY		**922,952**	951,655

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Share-based payment reserve HK$'000	Statutory reserve HK$'000	Foreign currency translation reserve HK$'000	Convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011 (audited)	487,530	1,976,007	166,159	300	25,101	91,428	192,221	148,708	(1,352,088)	1,735,366	215,054	1,950,420
Transfer to retained profits	–	–	(166,159)	–	–	(91,428)	–	–	257,587	–	–	–
Total comprehensive income for the period, as restated	–	–	–	–	–	–	(161,363)	–	(828,991)	(990,354)	(25,933)	(1,016,287)
Exercise of convertible bonds	36,000	125,758	–	–	–	–	–	(49,319)	–	112,439	–	112,439
Changes in equity for the period, as restated	36,000	125,758	(166,159)	–	–	(91,428)	(161,363)	(49,319)	(571,404)	(877,915)	(25,933)	(903,848)
At 30 June 2011 (unaudited, as restated)	523,530	2,101,765	–	300	25,101	–	30,858	99,389	(1,923,492)	857,451	189,121	1,046,572
At 1 January 2012 (audited)	**523,530**	**2,101,765**	**-**	**300**	**25,101**	**-**	**41,078**	**99,389**	**(2,025,819)**	**765,344**	**186,311**	**951,655**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**8,049**	**-**	**(32,688)**	**(24,639)**	**(4,064)**	**(28,703)**
At 30 June 2012 (unaudited)	**523,530**	**2,101,765**	**-**	**300**	**25,101**	**-**	**49,127**	**99,389**	**(2,058,507)**	**740,705**	**182,247**	**922,952**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
		As restated
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	**(20,400)**	111,614
Net cash (used in)/generated from investing activities	**(8,480)**	18,910
Net cash generated from/(used in) financing activities	**8,531**	(172,500)
Net decrease in cash and cash equivalents	**(20,349)**	(41,976)
Effect of foreign exchange rate changes	**7,437**	(30,769)
Cash and cash equivalents at beginning of period	**18,946**	84,218
Cash and cash equivalents at end of period	**6,034**	11,473
Analysis of cash and cash equivalents		
Bank and cash balances	**6,034**	11,473

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 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 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 Listing Rules.

As disclosed in note 18 to the condensed consolidated financial statements, the Group has breached certain covenants of the convertible bonds. It is the belief of the 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.

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$131,051,000;

(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 equipments 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.

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 HK$'000 (originally stated)	Prior year adjustments HK$'000	Subtotal HK$'000	Restatement of discontinued operations HK$'000	For the six months ended 30.6.2011 HK$'000 (restated)
For continuing operation:					
Turnover *(note a)*	37,596	98,919	136,515	(101,798)	34,717
Cost of sales and services rendered *(note b)*	(32,565)	(93,250)	(125,815)	92,016	(33,799)
Other income and gains *(note c)*	148,627	(131,051)	17,576	(16,426)	1,150
Selling and distribution expenses *(note d)*	(2)	(17,789)	(17,791)	5,689	(12,102)
Administrative expenses *(note f)*	(21,161)	(63,033)	(84,194)	56,921	(27,273)
Impairment loss on goodwill *(note e)*	–	(322,458)	(322,458)	–	(322,458)
Impairment loss on property, plant and equipment *(note e)*	–	(455,341)	(455,341)	–	(455,341)
Impairment loss on trade and other receivables *(note e)*	–	(254,147)	(254,147)	–	(254,147)
Finance costs *(note g)*	(28,313)	2,229	(26,084)	8,644	(17,440)
Income tax expense *(note h)*	–	(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)
Condensed consolidated statement of comprehensive income for the six months ended 30 June 2011					
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

	HK cents
Reported figure before adjustments	0.01
Prior year adjustments	(16.27)
Restated	(16.26)

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.

6. SEGMENT INFORMATION (CONT'D)

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

	Mining products HK$'000 (unaudited)	Cosmetics and skincare products (Including discontinued operations of 2011) HK$'000 (unaudited)	Household and industrial products (Discontinued operations) HK$'000 (unaudited)	Total HK$'000 (unaudited)
For the six months ended 30 June 2012				
Revenue from external customers	**–**	**21,747**	**–**	**21,747**
Segment loss	**(17,880)**	**(2,115)**	**–**	**(19,995)**
Depreciation	**1,990**	**390**	**–**	**2,380**
Income tax expense	**(969)**	**–**	**–**	**(969)**
Additions to segment non-current assets	**7,941**	**540**	**–**	**8,481**
As at 30 June 2012				
Segment assets	**1,611,914**	**13,839**	**–**	**1,625,753**
Segment liabilities	**396,836**	**28,022**	**–**	**424,858**
For the six months ended 30 June 2011				
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
As at 31 December 2011				
Segment assets (audited)	1,605,499	35,227	–	1,640,726
Segment liabilities (audited)	380,616	47,169	–	427,785

6. SEGMENT INFORMATION (CONT'D)

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue		
Total revenue of reportable segments	**21,747**	136,515
Elimination of discontinued operations	**–**	(101,798)
Consolidated revenue from continuing operations	**21,747**	34,717
Profit or loss		
Total profit or loss of reportable segments	**(19,995)**	(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	**(16,320)**	(22,848)
Elimination of discontinued operations	**–**	45,046
Consolidated loss for the period from continuing operations	**(36,315)**	(1,111,367)

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Assets		
Total assets of reportable segments	**1,625,753**	1,640,726
Other assets	**47,421**	44,160
Consolidated total assets	**1,673,174**	1,684,886
Liabilities		
Total liabilities of reportable segments	**424,858**	427,785
Convertible bonds	**290,191**	290,191
Other liabilities	**35,173**	15,255
Consolidated total liabilities	**750,222**	733,231

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

6. SEGMENT INFORMATION (CONT'D)

Geographical information:

(a) Revenue from external customers from continuing operations

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

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

(b) Non-current assets

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

7. TURNOVER

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

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

8. FINANCE COSTS

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

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Deferred tax *(note 19)*	**(969)**	(24,674)
Representing:		
Continuing operations	**(969)**	(24,674)
Discontinued operations	**–**	–
	(969)	(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
	256,446

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:

	Household and Industrial Products Business 2011 *HK$'000* (unaudited)	**Cosmetic Products Business** 2011 *HK$'000* (unaudited)	**Total** 2011 *HK$'000* (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:

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

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.

13. PROPERTY, PLANT AND EQUIPMENT

	HK$'000
Cost	
At 1 January 2011	1,256,042
Additions	6,371
Disposal of subsidiaries, disposals and write-off	(665,866)
Exchange differences	3,280
At 31 December 2011 and 1 January 2012	599,827
Additions	8,481
Exchange differences	302
At 30 June 2012 (unaudited)	608,610
Accumulated depreciation and impairment	
At 1 January 2011	542,199
Charge for the year	5,452
Impairment loss	455,341
Disposal of subsidiaries, disposals and write-off	(500,219)
Exchange differences	761
At 31 December 2011 and 1 January 2012	503,534
Charge for the period	2,380
Exchange differences	50
At 30 June 2012 (unaudited)	505,964
Carrying amount	
At 30 June 2012 (unaudited)	102,646
At 31 December 2011	96,293

14. INTANGIBLE ASSETS

	Mining right *HK$'000*	Licenses *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2011	1,435,000	112,686	1,547,686
Written-off	–	(112,686)	(112,686)
Exchange differences	118,021	–	118,021
At 31 December 2011 and 30 June 2012 (unaudited)	1,553,021	–	1,553,021
Accumulated amortisation and impairment			
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
At 31 December 2011	5,744	–	5,744
Amortisation for the period	2,192	–	2,192
Exchange differences	53	–	53
At 30 June 2012 (unaudited)	7,989	–	7,989
Carrying amount			
At 30 June 2012 (unaudited)	1,545,032	–	1,545,032
At 31 December 2011	1,547,277	–	1,547,277

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.

15. TRADE AND OTHER RECEIVABLES

	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)
Trade receivables	**4,776**	4,703
Prepayments, deposits and other receivables	**5,013**	10,659
	9,789	15,362

The Group normally allows credit terms to customers except for retail customers ranging from 30 to 180 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)
Current to 30 days	**920**	1,721
31 – 60 days	**2,224**	372
61 – 90 days	**1,632**	1
Over 90 days	**–**	2,609
	4,776	4,703

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

16. TRADE AND OTHER PAYABLES

	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)
Trade payables	6,565	2,536
Accrued liabilities and other payables	45,793	58,517
	52,358	61,053

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

	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)
Current to 30 days	92	170
31 – 60 days	2,206	727
61 – 90 days	2,658	250
Over 90 days	1,609	1,389
	6,565	2,536

17. BORROWINGS

	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)
Other loans		
– unsecured, interest-free and due within one year	**5,301**	16,641
Other loans		
– unsecured, bear interest at 30% per annum and due within one year	**–**	15,973
Loan from a related party		
– unsecured, bear interest at 30% per annum and due within one year	**42,471**	–
Loan from a director		
– unsecured, bear interest at 12% per annum and due within one year	**14,365**	4,830
	62,137	37,444

Notes: The Directors consider that the fair values of borrowings at 30 June 2012 and 31 December 2011 approximate to their carrying amounts.

18. 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.

18. CONVERTIBLE BONDS (CONT'D)

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:

	HK$'000
At 1 January 2011	328,820
Converted during the year	(112,439)
Interest charged	73,810
At 31 December 2011 and 30 June 2012 (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 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.

19. DEFERRED TAX LIABILITIES

	Revaluation of intangible assets *HK$'000*	**Impairment loss** *HK$'000*	**Total** *HK$'000*
At 1 January 2011 (audited)	301,365	826	302,191
Debit/(credit) to profit or loss for the year	27,699	(826)	26,873
Exchange differences	15,479	–	15,479
At 31 December 2011 and 1 January 2012 (audited)	344,543	–	344,543
Debit to profit or loss for the period	969	–	969
Exchange differences	24	–	24
At 30 June 2012 (unaudited)	345,536	–	345,536

No deferred tax asset have been recognised in respect of unused tax losses due to the unpredictability of future profit streams.

20. SHARE CAPITAL

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

21. LEASE COMMITMENTS

At 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2012 ***HK$'000*** **(unaudited)**	31 December 2011 *HK$'000* (audited)
Within one year	**4,493**	6,645
In the second to fifth years, inclusive	**2,004**	4,099
After five years	**–**	–
	6,497	10,744

Operating lease payments represent rentals payable by the Group for certain of its office premises and warehouses.

22. CAPITAL COMMITMENTS

The Group had no material capital commitment as at 30 June 2012 and 31 December 2011.

23. CONTINGENT LIABILITIES

The Group had no material contingent liability as at 30 June 2012 and 31 December 2011.

24. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with its related parties during the period:

During the periods, the Group had the following material transactions with related parties:

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loan interest expense paid to a related company	**11,700**	–
Loan interest expense paid to a director	**1,323**	–

A Director has control over the related company.

25. 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.

On behalf of the Board
Long Xiaobo
Chairman

Hong Kong, 8 May 2015