



**CHINA BILLION RESOURCES LIMITED**

中富資源有限公司 \*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 274)

**2013** INTERIM REPORT

\* For identification only

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Long Xiaobo (*Chairman*)  
Mr. Zuo Weiqi (*Chief Executive Officer*)  
Mr. Chen Yi Chung

#### Independent Non-executive Directors

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

#### AUDIT COMMITTEE

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

#### REMUNERATION COMMITTEE

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

#### NOMINATION COMMITTEE

Mr. Long Xiaobo  
(*Chairman of Nomination Committee*)  
Mr. Chiang Tsung-Nien  
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  
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](http://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

During the financial period under review, the turnover of the China Billion Resources Limited (“Company”) and its subsidiaries (collectively as “Group”) for the six months ended 30 June 2013 was approximately HK\$15.9 million, which represents an approximately 26.7% decrease compared to the last corresponding period of approximately HK\$21.7 million. The turnover of approximately HK\$12.5 million was contributed by the beauty salon outlets in Hong Kong under the cosmetic and skincare products business segment. The reason for the decrease in turnover for cosmetic and skincare products business segment was mainly due to the downsizing in the number of non-profitable beauty salon outlets and the number of cosmetic products consignment stores in Hong Kong. During the first half of 2013, further funds have been invested to modify the existing tunnel structure and exploration process of the gold mine, and the mining products business segment generated an approximately HK\$3.4 million turnover for the six months ended 30 June 2013. The management expected that the mining products business segment would continue to contribute revenue for the Group. The gross profit for the six months ended 30 June 2013 was approximately HK\$6.5 million, which represented a decrease of approximately 46.7% compared to the last corresponding period’s gross profit of approximately HK\$12.2 million. The decrease in gross profit was mainly due to the corresponding higher cost of sales at the initial stage of the mining production which dragged down the overall gross profit for the Group. The management believes that as the production of the gold mine become more mature, the overall gross profit for the Group will bounce back to its normal position.

The loss for the six months ended 30 June 2013 for the Group was approximately HK\$452.6 million compared to the last year’s corresponding figure of approximately HK\$36.3 million. The reason for the significant increase in the loss for the six months ended 30 June 2013 was mainly due to the impairment loss on mining right which accounted for a total of approximately HK\$473.7 million (2012: nil). The reason for the impairment loss on the mining right was mainly due to the continuous depreciation of gold price and the production volume of gold mine was less than our expectation. On the other hand, due to the high rental and staff costs for the beauty salon outlets and cosmetic products consignment stores in Hong Kong, the management strategically reduced the number of beauty salon outlets and cosmetic products consignment stores in Hong Kong in the hope of improving the efficiency of the cosmetic and skincare products business segment in future.

For the six months ended 30 June 2013, the Company was unable to locate sufficient evidence during the preparation of the condensed consolidated financial statement for the Group due to the frequent of changes in directors of the Company (“Directors”) and finance staff, the inability to obtain relevant documents from certain then executive Directors at the material time (“Relevant Directors”). The internal control system of the Company has apparent weaknesses, in particular those relating to financial and accounting system.

As a result, the current board of Directors (“Board”) is taking or has taken the following actions to address the abovementioned weaknesses:

- I. provide training on the 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 occurred in 2011; and
- V. review the structure of the Board in order to diversify its expertise into different areas in particular into the areas of accounting, finance and risk management.

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

The Group is currently focusing on seeking the resumption of trading of the shares of the Company (“Resumption”) and significant amount of resources have been applied to preparing for the Resumption. During the financial period under review, the Group is conducting the operations under the cosmetic and skincare products business in Hong Kong and the mining products business located in the 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 2013 was approximately HK\$12.5 million, representing an approximately 42.4% decrease compared to the revenue for the same period last year of approximately HK\$21.7 million. The turnover of approximately HK\$12.5 million was contributed by the beauty salon outlets in Hong Kong under the cosmetic and skincare products business segment. During the six months ended 30 June 2013, the beauty salon outlets and cosmetic products consignment stores were facing high inflationary pressure from increasing rental and staff costs in Hong Kong. Increasing competition from different brands, especially the brands from Korea, was another major problem in keeping the business segment profitability. As a result, the management of the Company has restructured the segment by downsizing the number of non-profitable beauty salon outlets and cosmetic products consignment stores in Hong Kong and at the same time more time and resources has been allocated to gold mining under the mining products business segment.

Mining products business segment. The revenue contributed by this business segment during the six months ended 30 June 2013 under review was approximately HK\$3.4 million (2012: nil). During the six months period, the management of the Company has further re-assessed the mining 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 certain modification to the existing tunnel structure and exploration process, the segment began to generate revenue for the six months ended 30 June 2013. The management expected that the mining products business segment will continue to contribute to the revenue of the Group in the future.

## **PROSPECTS**

Given the continual increase in rental and staff costs for our beauty salon outlet and cosmetic products consignment stores in Hong Kong due to the high inflation, increasing competition in the cosmetic and skincare industry is another major issue faced by the Group, such that, the management of the Company will continue to restructure the Group business segments by allocating more resources to the mining products business segment over the cosmetic and skincare products business segment. During the six months ended 30 June 2013, the mining products business segment began to generate revenue production, the management believed that the production of the gold mine would become more profitable when we invest more time and resources into the mining products business segment.

Looking forward, we target to complete the Resumption in 2015. At the same time the management of the Company is looking for other investment opportunities to broaden the sources of income of the Group in order to create greater value for the Shareholders. Up to the date of this 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 2013, the Group had unpledged cash and bank balances of approximately HK\$4.8 million (31 December 2012: approximately HK\$5.8 million). The gearing ratio for the Group was approximately 157.1% (31 December 2012: approximately 86.4%) and the borrowings and convertible bonds of the Group together was approximately HK\$418.4 million (31 December 2012: approximately HK\$375.9 million). The Group reported net current liabilities of approximately HK\$467.6 million as at 30 June 2013 (31 December 2012: approximately HK\$408.8 million).

## **COMMITMENTS**

Particulars of commitments of the Group as at 30 June 2013 and 31 December 2012 are set out in the notes 19 and 20 to the condensed consolidated financial statements of this interim report.

## **CONTINGENT LIABILITY**

As at 30 June 2013, the Group did not have any significant contingent liability (2012: nil).

## **BANK BORROWINGS**

As at 30 June 2013, the Group did not have any outstanding bank loan (2012: 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 pages 9 to 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 2013, the Group employed 200 staff (2012: 210). 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 2013, 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 2013 (2012: 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 2013 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 2012 annual report published on 8 April 2015 ("2012 Annual Report").

For more information about the corporate governance practices of the Company, please refer to the "Corporate Governance Report" contained in the 2012 Annual Report.

### DIRECTORS

The Directors during the six months ended 30 June 2013 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

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. Yip Chung Wai, David (*resigned on 1 October 2013*)

## **Independent Non-executive Directors**

Mr. Jin Shunxing

Mr. Chiang Tsung-Nien

Ms. Liu Shuang (*appointed on 28 April 2014*)

Dr. Zhu Jing (*resigned on 1 April 2014*)

## **CHANGES IN DIRECTORS' INFORMATION**

On 1 March 2013, the monthly director fee of Mr. Long Xiaobo, Mr. Zuo Weiqi, Mr. Chen Yi Chung and Mr. Yip Chung Wai, David were readjusted to HK\$20,000 per month.

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 2012 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 2013.

## **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 2012 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 2013, there were no outstanding share option which were granted under the Old Scheme and the New Scheme has expired and all share options which was granted under the New Scheme has lapsed. Details of the share options outstanding as at 30 June 2013 which have been granted under the New Scheme are as follows:

Participant	Date of grant	Original exercise price HK\$	Number of share options		30 June 2013	Company's share price		
			1 January 2013	Granted during the period		Lapsed during the period	At date of grant HK\$	At date of exercise HK\$
<b>Suppliers of goods or services,</b>								
customers and others	25 February 2010 <sup>(1)</sup>	0.349	262,078,130	-	262,078,130	-	0.349	N/A
<b>Share options granted under the New Scheme</b>								
			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 2013, 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 have been reclassified as current liabilities.

Save as disclosed above, as at 30 June 2013, 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 2013, 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:

<b>Name of shareholder</b>	<b>Number of ordinary shares (note 1)</b>	<b>Approximate percentage of shareholding</b>
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 have 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 2013, 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 2013.

## **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 2013 and as at the date of this interim report.

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

For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
<b>Turnover</b>	6	<b>15,890</b>	21,747
Cost of sales and services rendered		<b>(9,393)</b>	(9,518)
<b>Gross profit</b>		<b>6,497</b>	12,229
Other income and gains		<b>380</b>	802
Selling and distribution expenses		<b>(217)</b>	(529)
Administrative expenses		<b>(32,115)</b>	(31,686)
Impairment loss on mining right		<b>(473,687)</b>	–
Impairment loss on property, plant and equipment		<b>(48,727)</b>	–
<b>Loss from operations</b>		<b>(547,869)</b>	(19,184)
Finance costs	7	<b>(22,017)</b>	(16,162)
<b>Loss before tax</b>		<b>(569,886)</b>	(35,346)
Income tax credit/(expense)	8	<b>117,286</b>	(969)
<b>Loss for the period</b>	9	<b>(452,600)</b>	(36,315)
<b>Other comprehensive income after tax:</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<b>12,822</b>	7,612
<b>Total comprehensive income for the period</b>		<b>(439,778)</b>	(28,703)
<b>Loss for the period attributable to:</b>			
Owners of the Company		<b>(366,322)</b>	(32,688)
Non-controlling interests		<b>(86,278)</b>	(3,627)
		<b>(452,600)</b>	(36,315)
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>(357,460)</b>	(24,639)
Non-controlling interests		<b>(82,318)</b>	(4,064)
		<b>(439,778)</b>	(28,703)
<b>Loss per share (HK cents)</b>			
Basic	10	<b>(7.00)</b>	(0.62)
Diluted	10	<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	As at 30 June 2013 HK\$'000 (unaudited)	As at 31 December 2012 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	69,913	109,949
Mining right	12	1,090,112	1,542,790
		<b>1,160,025</b>	1,652,739
<b>Current assets</b>			
Inventories		5,155	9,651
Trade and other receivables	13	8,507	8,615
Bank and cash balances		4,810	5,767
		<b>18,472</b>	24,033
<b>Current liabilities</b>			
Trade and other payables	14	67,675	56,939
Borrowings	15	128,171	85,691
Convertible bonds	16	290,191	290,191
		<b>486,037</b>	432,821
<b>Net current liabilities</b>		<b>(467,565)</b>	(408,788)
<b>Total assets less current liabilities</b>		<b>692,460</b>	1,243,951
<b>Non-current liabilities</b>			
Deferred tax liabilities	17	236,012	347,725
<b>NET ASSETS</b>		<b>456,448</b>	896,226
<b>Capital and reserves</b>			
Share capital	18	523,530	523,530
Reserves		(164,797)	192,663
Equity attributable to owners of the Company		<b>358,733</b>	716,193
Non-controlling interests		97,715	180,033
<b>TOTAL EQUITY</b>		<b>456,448</b>	896,226

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

Attributable to owners of the Company										
	Share capital	Share premium	Capital redemption reserve	Share-based payment reserve	Foreign currency translation reserve	Convertible bond reserve	Accumulated losses	Total	Non-Controlling interests	Total
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
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
At 1 January 2013 (audited)	<b>523,530</b>	<b>2,101,765</b>	<b>300</b>	<b>25,101</b>	<b>48,275</b>	<b>99,389</b>	<b>(2,082,167)</b>	<b>716,193</b>	<b>180,033</b>	<b>896,226</b>
Total comprehensive income for the period	-	-	-	-	<b>8,862</b>	-	<b>(366,322)</b>	<b>(357,460)</b>	<b>(82,318)</b>	<b>(439,778)</b>
At 30 June 2013 (unaudited)	<b>523,530</b>	<b>2,101,765</b>	<b>300</b>	<b>25,101</b>	<b>57,137</b>	<b>99,389</b>	<b>(2,448,489)</b>	<b>358,733</b>	<b>97,715</b>	<b>456,448</b>



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Net cash used in operating activities</b>	<b>(3,475)</b>	(20,400)
<b>Net cash used in investing activities</b>	<b>(10,372)</b>	(8,480)
<b>Net cash generated from financing activities</b>	<b>20,463</b>	8,531
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>6,616</b>	(20,349)
<b>Effect of foreign exchange rate changes</b>	<b>(7,573)</b>	7,437
<b>Cash and cash equivalents at beginning of period</b>	<b>5,767</b>	18,946
<b>Cash and cash equivalents at end of period</b>	<b>4,810</b>	6,034
<b>Analysis of cash and cash equivalents</b>		
<b>Bank and cash balances</b>	<b>4,810</b>	6,034

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2013*

## **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 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 16 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.

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

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's condensed consolidated financial statements and amounts reported for the current period and prior periods except as stated below.

#### (a) Amendments to HKAS 1 "Presentation of Financial Statements"

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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.

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

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

The condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2012. 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 2012.

### **5. SEGMENT INFORMATION**

The Group has two reportable segments as follows:

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

Cosmetics and skincare products segment – provision of beauty treatment services and trading of cosmetics and skincare products to authorised distributors and retailers in the general consumer market.

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

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

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

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

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

	Mining products HK\$'000 (unaudited)	Cosmetics and skincare products HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b><i>For the six months ended 30 June 2013</i></b>			
Revenue from external customers	3,415	12,475	15,890
Segment (loss)/profit	(431,362)	862	(430,500)
Depreciation	1,964	344	2,308
Income tax credit	117,286	-	117,286
Additions to segment non-current assets	10,308	65	10,373
<b><i>As at 30 June 2013</i></b>			
Segment assets	1,123,625	11,602	1,135,227
Segment liabilities	367,736	21,425	389,161
<b><i>For the six months ended 30 June 2012</i></b>			
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
<b><i>As at 31 December 2012</i></b>			
Segment assets (audited)	1,618,865	13,303	1,632,168
Segment liabilities (audited)	416,893	25,686	442,579

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

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

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

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<u>Revenue</u>		
Total revenue of reportable segments and consolidated revenue	<b>15,890</b>	21,747
<u>Profit or loss</u>		
Total loss of reportable segments	<b>(430,500)</b>	(19,995)
Other profit or loss	<b>(22,100)</b>	(16,320)
Consolidated loss for the period	<b>(452,600)</b>	(36,315)
	<b>30 June 2013</b>	31 December 2012
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
<u>Assets</u>		
Total assets of reportable segments	<b>1,135,227</b>	1,632,168
Other assets	<b>43,270</b>	44,604
Consolidated total assets	<b>1,178,497</b>	1,676,772
<u>Liabilities</u>		
Total liabilities of reportable segments	<b>389,161</b>	442,579
Convertible bonds	<b>290,191</b>	290,191
Other liabilities	<b>42,697</b>	47,776
Consolidated total liabilities	<b>722,049</b>	780,546

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

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

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

#### Geographical information:

(a) *Revenue from external customers*

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Hong Kong	<b>12,475</b>	21,747
PRC	<b>3,415</b>	–
	<b>15,890</b>	21,747

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

(b) *Non-current assets*

	<b>30 June 2013</b>	31 December 2012
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Hong Kong	<b>1,371</b>	1,710
PRC	<b>1,158,654</b>	1,651,029
	<b>1,160,025</b>	1,652,739

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

### 6. TURNOVER

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

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Revenue		
Sales of goods:		
– Cosmetics and skincare products	<b>12,475</b>	21,747
– Mining products	<b>3,415</b>	–
	<b>15,890</b>	21,747

### 7. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Other borrowings costs		
– Wholly repayable within five years	<b>23,661</b>	17,154
Less: interests capitalised	<b>(1,644)</b>	(992)
	<b>22,017</b>	16,162



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

### 8. INCOME TAX CREDIT/(EXPENSE)

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Deferred tax ( <i>note 17</i> )	<b>117,286</b>	(969)

Hong Kong profits tax is calculated at 16.5% (2012: 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 (2012: nil).

The applicable income tax rate for the subsidiaries of the Group in the PRC in the current period is 25% (2012: 25%).

### 9. LOSS FOR THE PERIOD

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

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Amortisation of mining right	<b>4,128</b>	2,192
Cost of sales and services rendered	<b>9,393</b>	9,518
Depreciation	<b>2,513</b>	2,380
Operating lease charges	<b>7,356</b>	8,723
Staff costs including Directors' emoluments		
Salaries, bonus and allowances	<b>8,206</b>	7,839
Retirement benefits scheme contributions	<b>253</b>	396
	<b>8,459</b>	8,235

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

### 10. LOSS PER SHARE

#### Basic loss per share

The calculation of basic loss per share attributable to owners of the Company for the six months ended 30 June 2013 is based on the loss for the period attributable to owners of the Company of approximately HK\$366,322,000 (2012: approximately HK\$32,688,000) and the weighted average number of ordinary shares of approximately 5,235,303,000 (2012: approximately 5,235,303,000) in issue during the period.

#### Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2013 and 2012.

### 11. PROPERTY, PLANT AND EQUIPMENT

	<i>HK\$'000</i>
<b>Cost</b>	
At 1 January 2012	599,827
Additions	18,604
Disposals	(618)
Exchange differences	269
	<hr/>
At 31 December 2012 and 1 January 2013	618,082
Additions	10,373
Exchange differences	1,638
	<hr/>
At 30 June 2013 (unaudited)	630,093
	<hr/>
<b>Accumulated depreciation and impairment</b>	
At 1 January 2012	503,534
Charge for the year	5,106
Disposals	(603)
Exchange differences	96
	<hr/>
At 31 December 2012 and 1 January 2013	508,133
Charge for the period	2,513
Impairment loss for the period	48,727
Exchange differences	807
	<hr/>
At 30 June 2013 (unaudited)	560,180
	<hr/>
<b>Carrying amount</b>	
At 30 June 2013 (unaudited)	69,913
	<hr/>
At 31 December 2012	109,949
	<hr/>

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

### 12. MINING RIGHT

	<i>HK\$'000</i>
<b>Cost</b>	
At 1 January 2012 and 31 December 2012	1,553,021
Exchange differences	29,897
	1,582,918
<b>Accumulated amortisation and impairment</b>	
At 1 January 2012	5,744
Amortisation for the year	4,380
Exchange differences	107
	10,231
At 31 December 2012 and 1 January 2013	10,231
Amortisation for the period	4,128
Impairment loss for the period	473,687
Exchange differences	4,760
	492,806
At 30 June 2013 (unaudited)	492,806
<b>Carrying amount</b>	
At 30 June 2013 (unaudited)	1,090,112
At 31 December 2012	1,542,790

Mining right includes the cost of acquiring mining licenses, costs transferred from exploration right and exploration and evaluation assets upon determination that an exploration property is capable of commercial production and land compensation costs. Land compensation costs represent the compensation paid to inhabitants for relocating them from the areas nearby the mining sites so that the Group can use the land as leaching piles and dumping areas for waste ores. The mining right will expire in 2015 and in the opinion of the Directors, the Group will be able to renew the mining right with the relevant government authority continuously at insignificant cost. Mining right is amortised over the estimated useful lives of the mines in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the units of production method.

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

### 13. TRADE AND OTHER RECEIVABLES

	<b>30 June 2013</b> <i>HK\$'000</i> <b>(unaudited)</b>	31 December 2012 <i>HK\$'000</i> (audited)
Trade receivables	<b>1,305</b>	2,052
Prepayments, deposits and other receivables	<b>7,202</b>	6,563
	<b>8,507</b>	8,615

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:

	<b>30 June 2013</b> <i>HK\$'000</i> <b>(unaudited)</b>	31 December 2012 <i>HK\$'000</i> (audited)
Current to 30 days	–	1,690
31 – 60 days	<b>133</b>	244
61 – 90 days	<b>1,172</b>	57
Over 90 days	–	61
	<b>1,305</b>	2,052

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

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

### 14. TRADE AND OTHER PAYABLES

	<b>30 June 2013</b> <i>HK\$'000</i> <b>(unaudited)</b>	31 December 2012 <i>HK\$'000</i> (audited)
Trade payables	<b>6,047</b>	6,409
Accrued liabilities and other payables	<b>61,628</b>	50,530
	<b>67,675</b>	56,939

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

	<b>30 June 2013</b> <i>HK\$'000</i> <b>(unaudited)</b>	31 December 2012 <i>HK\$'000</i> (audited)
Current to 30 days	<b>125</b>	109
31 – 60 days	<b>2,833</b>	4
61 – 90 days	<b>1,435</b>	4
Over 90 days	<b>1,654</b>	6,292
	<b>6,047</b>	6,409

### 15. BORROWINGS

	<b>30 June 2013</b> <i>HK\$'000</i> <b>(unaudited)</b>	31 December 2012 <i>HK\$'000</i> (audited)
Other loans		
– unsecured, interest-free and due within one year	<b>16,651</b>	9,948
Loan from a related party		
– unsecured, bear interest at 30% per annum and due within one year	<b>83,004</b>	55,312
Loan from a director		
– unsecured, bear interest at 12% per annum and due within one year	<b>28,516</b>	20,431
	<b>128,171</b>	85,691

*Notes:* The Directors consider that the fair values of borrowings at 30 June 2013 and 31 December 2012 approximate to their carrying amounts.

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

### 16. CONVERTIBLE BONDS

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

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

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

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

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

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

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

	<i>HK\$'000</i>
At 31 December 2012 and 30 June 2013 (unaudited)	290,191

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

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

### 17. DEFERRED TAX LIABILITIES

	<b>Revaluation of intangible assets</b> <i>HK\$'000</i>
At 1 January 2012 (audited)	344,543
Debit to profit or loss for the year	3,105
Exchange differences	77
At 31 December 2012 and 1 January 2013 (audited)	347,725
(Credit) to profit or loss for the period	(117,286)
Exchange differences	5,573
At 30 June 2013 (unaudited)	236,012

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

### 18. SHARE CAPITAL

	<b>Number of shares</b> <i>'000</i>	<b>Amount</b> <i>HK'000</i>
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1 January 2012, 31 December 2012 and 30 June 2013	<b>8,000,000</b>	800,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1 January 2012, 31 December 2012 and 30 June 2013	<b>5,235,303</b>	523,530

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

### 19. LEASE COMMITMENTS

At 30 June 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>30 June 2013</b> <i>HK\$'000</i> <b>(unaudited)</b>	31 December 2012 <i>HK\$'000</i> (audited)
Within one year	<b>3,332</b>	4,594
In the second to fifth years, inclusive	<b>2,035</b>	1,972
After five years	—	—
	<b>5,367</b>	6,566

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

### 20. CAPITAL COMMITMENTS

The Group had no material capital commitment as at 30 June 2013 and 31 December 2012.

### 21. CONTINGENT LIABILITIES

The Group had no material contingent liability as at 30 June 2013 and 31 December 2012.

### 22. 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:

	<b>Six months ended 30 June</b> <b>2013</b> <i>HK\$'000</i> <b>(unaudited)</b>	2012 <i>HK\$'000</i> (unaudited)
Loan interest expense paid to a related company	<b>15,074</b>	11,700
Loan interest expense paid to a director	<b>2,787</b>	1,323

A Director has control over the related company.



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

### 23. 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