



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 2014

* 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

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

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

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

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

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

PROSPECTS

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

Looking forward, we target to complete the Resumption in 2015. At the same time the management of the Company is looking for other investment opportunities to broaden the sources of income of the Group in order to create greater value for the Shareholders. Up to the date of this 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 2014, the Group had unpledged cash and bank balances of approximately HK\$4.1 million (31 December 2013: approximately HK\$3.9 million). The gearing ratio for the Group was approximately 175.6% (31 December 2013: approximately 157.4%) and the borrowings and convertible bonds of the Group together was approximately HK\$449.3 million (31 December 2013: approximately HK\$425.2 million). The Group reported net current liabilities of approximately HK\$469.7 million as at 30 June 2014 (31 December 2013: approximately HK\$448.3 million).

COMMITMENTS

Particulars of commitments of the Group as at 30 June 2014 and 31 December 2013 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 2014, the Group did not have any significant contingent liability (2013: nil).

BANK BORROWINGS

As at 30 June 2014, the Group did not have any outstanding bank loan (2013: 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.

The emoluments payable to directors of the Company ("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 2014, the Group employed 188 staff (2013: 200). The remuneration of employees was in line with the market trend and commensurate with the level of pay in the industry and to the performance of individual employees that are regularly reviewed every year.

FOREIGN EXCHANGE EXPOSURE

During the six months ended 30 June 2014, 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 2014 (2013: nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

The Company acknowledges the need and importance of corporate governance as one of the key elements in enhancing Shareholders' value. The Company is committed to improving its corporate governance practices in compliance with regulatory requirements and in accordance with recommended practices. As at the date of this interim report, the Company has adopted the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Listing Rules to regulate the corporate governance issues of the Group. The existing Board has reviewed the Company's corporate governance practices for the financial period under review, and has formed the opinion that the existing Board was unable to comment on or to ensure compliance of certain of the then provisions of the CG Code for the six months ended 30 June 2014 due to the loss of the most important records of the Company. The existing Board is of the view that aside from achieving the Resumption, one of its main priorities in 2015 is to improve the corporate governance of the Group.

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

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

DIRECTORS

The Directors during the six months ended 30 June 2014 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

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

Save as disclosed in the 2013 Annual Report, 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 2013 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules ("Model Code") as the code of conduct governing Director's securities transactions. Trading in the shares of the Company on the Stock Exchange 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 2014.

SHARE OPTION SCHEME

As at 30 June 2014, no share option scheme has been adopted by the Company.

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

As at 30 June 2014, 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 <i>(note 1)</i>	Approximate percentage of shareholding
Mr. Long Xiaobo ("Mr. Long")	The Company	Interest of controlled corporations <i>(note 2)</i>	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.

Save as disclosed above, as at 30 June 2014, 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 2014, 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 <i>(note 1)</i>	Approximate percentage of shareholding
Star Sino International Limited <i>(note 2)</i>	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.

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 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Company has reviewed with the management of the Group the accounting principles and policies as adopted by the Company, the practices of the Group and the condensed consolidated financial statements for the six months ended 30 June 2014.

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 2014 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 2014

	Notes	Six months ended 30 June 2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Turnover	6	19,779	15,890
Cost of sales and services rendered		(4,093)	(9,393)
Gross profit		15,686	6,497
Other income and gains		5,549	380
Selling and distribution expenses		(742)	(217)
Administrative expenses		(29,966)	(32,115)
Impairment loss on mining right		-	(473,687)
Impairment loss on property, plant and equipment		-	(48,727)
Loss from operations		(9,473)	(547,869)
Finance costs	7	(15,976)	(22,017)
Loss before tax		(25,449)	(569,886)
Income tax credit	8	776	117,286
Loss for the period	9	(24,673)	(452,600)
Other comprehensive income after tax:			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(8,579)	12,822
Total comprehensive income for the period		(33,252)	(439,778)
Loss for the period attributable to:			
Owners of the Company		(20,957)	(366,322)
Non-controlling interests		(3,716)	(86,278)
		(24,673)	(452,600)
Total comprehensive income for the period attributable to:			
Owners of the Company		(27,778)	(357,460)
Non-controlling interests		(5,474)	(82,318)
		(33,252)	(439,778)
Loss per share (HK cents)			
Basic	10	(0.40)	(7.00)
Diluted	10	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	<i>Notes</i>	As at 30 June 2014 HK\$'000 (unaudited)	As at 31 December 2013 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	42,192	37,211
Mining right	12	1,076,907	1,096,000
		1,119,099	1,133,211
Current assets			
Inventories		3,106	3,470
Trade and other receivables	13	14,435	10,336
Current tax assets		–	159
Bank and cash balances		4,095	3,908
		21,636	17,873
Current liabilities			
Trade and other payables	14	42,073	40,891
Borrowings	15	159,120	135,044
Convertible bonds	16	290,191	290,191
		491,384	466,126
Net current liabilities		(469,748)	(448,253)
Total assets less current liabilities		649,351	684,958
Non-current liabilities			
Deferred tax liabilities	17	236,994	239,349
NET ASSETS		412,357	445,609
Capital and reserves			
Share capital	18	523,530	523,530
Reserves		(204,830)	(177,052)
Equity attributable to owners of the Company		318,700	346,478
Non-controlling interests		93,657	99,131
TOTAL EQUITY		412,357	445,609

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	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
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013 (audited)	523,530	2,101,765	300	25,101	48,275	99,389	(2,082,167)	716,193	180,033	896,226
Total comprehensive income for the period	-	-	-	-	8,862	-	(366,322)	(357,460)	(82,318)	(439,778)
At 30 June 2013 (unaudited)	523,530	2,101,765	300	25,101	57,137	99,389	(2,448,489)	358,733	97,715	456,448
At 1 January 2014 (audited)	523,530	2,101,765	300	25,101	65,295	99,389	(2,468,902)	346,478	99,131	445,609
Transfer to accumulated losses	-	-	-	(25,101)	-	-	25,101	-	-	-
Total comprehensive income for the period	-	-	-	-	(6,821)	-	(20,957)	(27,778)	(5,474)	(33,252)
Changes in equity for the period	-	-	-	(25,101)	(6,821)	-	4,144	(27,778)	(5,474)	(33,252)
At 30 June 2014 (unaudited)	523,530	2,101,765	300	-	58,474	99,389	(2,464,758)	318,700	93,657	412,357

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash generated from/(used in) operating activities	1,685	(3,475)
Net cash used in investing activities	(7,036)	(10,372)
Net cash generated from financing activities	8,100	20,463
Net increase in cash and cash equivalents	2,749	6,616
Effect of foreign exchange rate changes	(2,562)	(7,573)
Cash and cash equivalents at beginning of period	3,908	5,767
Cash and cash equivalents at end of period	4,095	4,810
Analysis of cash and cash equivalents		
Bank and cash balances	4,095	4,810

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. GENERAL INFORMATION

China Billion Resources Limited was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Room 2811, 28th Floor, China Merchants Tower, No. 168-200 Connaught Road Central, Hong Kong. The Company's shares are listed on the Main Board of the Stock Exchange 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 retailing of cosmetics 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 Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting period beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's condensed consolidated financial statements and amounts reported for the current period and prior periods.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2013. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2013.

5. SEGMENT INFORMATION

The Group has two reportable segments as follows:

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

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

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

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

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

5. SEGMENT INFORMATION (CONT'D)

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

	Mining products <i>HK\$'000</i> (unaudited)	Cosmetics and skincare products <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<i>For the six months ended 30 June 2014</i>			
Revenue from external customers	9,144	10,635	19,779
Segment (loss)/profit	(18,587)	1,801	(16,786)
Depreciation	1,378	402	1,780
Income tax credit	776	-	776
Additions to segment non-current assets	6,669	363	7,032
<i>As at 30 June 2014</i>			
Segment assets	1,124,143	14,950	1,139,093
Segment liabilities	364,015	28,765	392,780
<i>For the six months ended 30 June 2013</i>			
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
<i>As at 31 December 2013</i>			
Segment assets (audited)	1,138,446	11,640	1,150,086
Segment liabilities (audited)	351,125	27,262	378,387

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

5. SEGMENT INFORMATION (CONT'D)

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

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

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

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

5. SEGMENT INFORMATION (CONT'D)

Geographical information:

(a) *Revenue from external customers*

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

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

(b) *Non-current assets*

	30 June 2014	31 December 2013
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Hong Kong	1,743	1,802
PRC	1,117,356	1,131,409
	1,119,099	1,133,211

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:

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Sales of goods:		
– Cosmetics and skincare products	10,635	12,475
– Mining products	9,144	3,415
	19,779	15,890

7. FINANCE COSTS

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

8. INCOME TAX CREDIT

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Deferred tax (<i>note 17</i>)	776	117,286

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

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

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

9. LOSS FOR THE PERIOD

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

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

10. LOSS PER SHARE

Basic loss per share

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

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2014 and 2013.

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

11. PROPERTY, PLANT AND EQUIPMENT

	<i>HK\$'000</i>
Cost	
At 1 January 2013	618,082
Additions	22,739
Disposals	(516,582)
Exchange differences	2,673
	<hr/>
At 31 December 2013 and 1 January 2014	126,912
Additions	7,037
Exchange differences	(725)
	<hr/>
At 30 June 2014 (unaudited)	133,224
	<hr/>
Accumulated depreciation and impairment	
At 1 January 2013	508,133
Charge for the year	4,746
Disposals	(473,374)
Impairment loss for the year	48,945
Exchange differences	1,251
	<hr/>
At 31 December 2013 and 1 January 2014	89,701
Charge for the period	1,805
Exchange differences	(474)
	<hr/>
At 30 June 2014 (unaudited)	91,032
	<hr/>
Carrying amount	
At 30 June 2014 (unaudited)	42,192
	<hr/>
At 31 December 2013	37,211
	<hr/>

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

12. MINING RIGHT

	<i>HK\$'000</i>
Cost	
At 1 January 2013	1,553,021
Exchange differences	44,552
	<hr/>
At 31 December 2013 and 1 January 2014	1,597,573
Exchange differences	(10,532)
	<hr/>
At 30 June 2014 (unaudited)	1,587,041
	<hr/>
Accumulated amortisation and impairment	
At 1 January 2013	10,231
Amortisation for the year	8,292
Impairment loss for the year	475,813
Exchange differences	7,237
	<hr/>
At 31 December 2013 and 1 January 2014	501,573
Amortisation for the period	11,907
Exchange differences	(3,346)
	<hr/>
At 30 June 2014 (unaudited)	510,134
	<hr/>
Carrying amount	
At 30 June 2014 (unaudited)	1,076,907
	<hr/>
At 31 December 2013	1,096,000
	<hr/>

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

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Trade receivables	2,457	2,129
Prepayments, deposits and other receivables	11,978	8,207
	14,435	10,336

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 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Current to 30 days	–	783
31 – 60 days	–	1,346
61 – 90 days	2,457	–
	2,457	2,129

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

14. TRADE AND OTHER PAYABLES

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Trade payables	4,785	806
Accrued liabilities and other payables	37,288	40,085
	42,073	40,891

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

14. TRADE AND OTHER PAYABLES (CONT'D)

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

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Current to 30 days	40	806
31 – 60 days	172	–
61 – 90 days	4,172	–
Over 90 days	401	–
	4,785	806

15. BORROWINGS

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Other loans		
– unsecured, interest-free and due within one year	4,213	4,045
Loan from a related party		
– unsecured, bear interest at 18% (2013: 30%) per annum and due within one year	114,633	99,474
Loan from a director		
– unsecured, bear interest at 12% per annum and due within one year	40,274	31,525
	159,120	135,044

Notes: The Directors consider that the fair values of borrowings at 30 June 2014 and 31 December 2013 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 2013 and 30 June 2014 (unaudited)	290,191

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

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

17. DEFERRED TAX LIABILITIES

	Revaluation of intangible assets <i>HK\$'000</i>
At 1 January 2013 (audited)	347,725
Credit to profit or loss for the year	(116,678)
Exchange differences	8,302
At 31 December 2013 and 1 January 2014 (audited)	239,349
Credit to profit or loss for the period	(776)
Exchange differences	(1,579)
At 30 June 2014 (unaudited)	236,994

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

18. SHARE CAPITAL

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

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

19. LEASE COMMITMENTS

At 30 June 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Within one year	4,820	5,579
In the second to fifth years, inclusive	1,625	3,656
	6,445	9,235

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 2014 and 31 December 2013.

21. CONTINGENT LIABILITIES

The Group had no material contingent liability as at 30 June 2014 and 31 December 2013.

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:

	Six months ended 30 June 2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Loan interest expense paid to a related company	12,707	15,074
Loan interest expense paid to a director	3,616	2,787

A Director has control over the related company.

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

23. EVENTS AFTER THE REPORTING PERIOD

On 17 October 2014, the Company entered into a loan agreement ("Loan Agreement") with a third party ("Lender"), pursuant to which the Lender agreed to lend the Company a loan in the principal amount of HK\$10 million with a simple interest rate of 11% per annum ("Loan") with a term of one year. The principal amount of the Loan together with the relevant accrued interest under the Loan Agreement is repayable on the maturity date, i.e. 16 October 2015. The Loan is not secured by any of the assets of the Group.

On behalf of the Board

Long Xiaobo

Chairman

Hong Kong, 8 May 2015