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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 274)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

ANNUAL RESULTS

The board ("**Board**") of directors ("**Directors**") of China Billion Resources Limited ("**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as "**Group**") for the financial year ended 31 December 2013, together with the comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	*4 & 5*	**30,166**	37,322
Cost of sales and services rendered		**(15,928)**	(10,680)
Gross profit		**14,238**	26,642
Other income and gains		**15,500**	1,048
Selling and distribution expenses		**(1,204)**	(1,003)
Administrative expenses		**(61,841)**	(66,510)
Impairment loss on mining right		**(475,813)**	–
Impairment loss on property, plant and equipment		**(48,945)**	–

* *For identification only*

	Notes	**2013** *HK$'000*	2012 *HK$'000*
Loss from operations		**(558,065)**	(39,823)
Finance costs	*6*	**(28,675)**	(19,551)
Loss on disposal of a subsidiary	*7*	**(3,739)**	–
Loss before tax		**(590,479)**	(59,374)
Income tax credit/(expense)	*8*	**116,678**	(3,105)
Loss for the year	*9*	**(473,801)**	(62,479)
Other comprehensive income after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**17,478**	7,050
Exchange reserve released upon disposal of a subsidiary		**5,706**	–
Other comprehensive income for the year, net of tax		**23,184**	7,050
Total comprehensive income for the year		**(450,617)**	(55,429)
Loss for the year attributable to:			
Owners of the Company		**(386,735)**	(56,348)
Non-controlling interests		**(87,066)**	(6,131)
		(473,801)	(62,479)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(369,715)**	(49,151)
Non-controlling interests		**(80,902)**	(6,278)
		(450,617)	(55,429)
Loss per share *(HK cents)*			
Basic	*10*	**(7.39)**	(1.08)
Diluted	*10*	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**37,211**	109,949
Mining right	*11*	**1,096,000**	1,542,790
		1,133,211	1,652,739
Current assets			
Inventories		**3,470**	9,651
Trade and other receivables	*12*	**10,336**	8,615
Current tax assets		**159**	–
Bank and cash balances		**3,908**	5,767
		17,873	24,033
Current liabilities			
Trade and other payables	*13*	**40,891**	56,939
Borrowings		**135,044**	85,691
Convertible bonds	*14*	**290,191**	290,191
		466,126	432,821
Net current liabilities		**(448,253)**	(408,788)
Total assets less current liabilities		**684,958**	1,243,951
Non-current liabilities			
Deferred tax liabilities		**239,349**	347,725
NET ASSETS		**445,609**	896,226
Capital and reserves			
Share capital	*15*	**523,530**	523,530
Reserves		**(177,052)**	192,663
Equity attributable to owners of the Company		**346,478**	716,193
Non-controlling interests		**99,131**	180,033
TOTAL EQUITY		**445,609**	896,226

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Room 2811, 28th Floor, China Merchants Tower, No. 168-200 Connaught Road, Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and have been suspended for trading since 29 June 2011.

The Company is an investment holding company. The Company, through its major subsidiaries, is principally engaged in:

(i) gold exploration, development and mining; and

(ii) provision of beauty treatment services and trading of cosmetic and skincare products.

2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK$386,735,000 for the year ended 31 December 2013 and as at 31 December 2013 the Group had net current liabilities of approximately HK$448,253,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Group has breached certain covenants of the convertible bonds. It is the Directors' belief 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 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 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 consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

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

In the current year, 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 year 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 consolidated financial statements and amounts reported for the current year and prior years 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.

(b) HKFRS 12 "Disclosure of Interests in Other Entities"

HKFRS 12 "Disclosure of Interests in Other Entities" specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of HKFRS 12 only affects the disclosures relating to the Group's subsidiaries in the consolidated financial statements. HKFRS 12 has been applied retrospectively.

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. 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 used in the preparation of the consolidated financial statements. Segment liabilities do not include convertible bonds.

Information about reportable segment profits or losses, assets and liabilities:

	Mining products *HK$'000*	**Cosmetics and skincare products** *HK$'000*	**Total** *HK$'000*
For the year ended 31 December 2013			
Revenue from external customers	**8,266**	**21,900**	**30,166**
Segment loss	**(435,296)**	**(4,396)**	**(439,692)**
Depreciation	**3,759**	**874**	**4,633**
Income tax credit	**116,678**	**–**	**116,678**
Additions to segment non-current assets	**21,602**	**1,137**	**22,739**
As at 31 December 2013			
Segment assets	**1,138,446**	**11,640**	**1,150,086**
Segment liabilities	**351,125**	**27,262**	**378,387**
For the year ended 31 December 2012			
Revenue from external customers	–	37,322	37,322
Segment loss	(30,101)	(438)	(30,539)
Depreciation	4,027	1,029	5,056
Income tax expense	(3,105)	–	(3,105)
Additions to segment non-current assets	17,946	658	18,604
As at 31 December 2012			
Segment assets	1,618,865	13,303	1,632,168
Segment liabilities	416,893	25,686	442,579

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

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments and consolidated revenue	**30,166**	37,322
Profit or loss		
Total loss of reportable segments	**(439,692)**	(30,539)
Other profit or loss	**(34,109)**	(31,940)
Consolidated loss for the year	**(473,801)**	(62,479)
Assets		
Total assets of reportable segments	**1,150,086**	1,632,168
Other assets	**998**	44,604
Consolidated total assets	**1,151,084**	1,676,772
Liabilities		
Total liabilities of reportable segments	**378,387**	442,579
Convertible bonds	**290,191**	290,191
Other liabilities	**36,897**	47,776
Consolidated total liabilities	**705,475**	780,546

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

Geographical information:

(a) *Revenue from external customers*

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**21,900**	37,322
PRC	**8,266**	–
	30,166	37,322

(b) *Non-current assets*

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**1,802**	1,710
PRC	**1,131,409**	1,651,029
	1,133,211	1,652,739

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

5. TURNOVER

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

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Sales of goods:		
– Cosmetics and skincare products	**21,900**	37,322
– Mining products	**8,266**	–
	30,166	37,322

6. FINANCE COSTS

	2013	2012
	HK$'000	HK$'000
Other borrowings costs		
– Wholly repayable within five years	**28,675**	19,551

7. DISPOSAL OF A SUBSIDIARY

On 31 December 2013, the Group's management agreed with an independent third party to cease its control on Dongguan Polygene Biotech R&D Co., Limited. The disposal was completed on 31 December 2013.

Net liabilities at the date of disposal were as follows:

	HK$'000
Bank and cash balances	80
Trade and other payables	(2,047)
Net liabilities disposed of	(1,967)
Release of foreign currency translation reserve	5,706
Loss on disposal of a subsidiary	(3,739)
Consideration	–
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	(80)

8. INCOME TAX CREDIT/(EXPENSE)

	2013	2012
	HK$'000	*HK$'000*
Deferred tax	**116,678**	(3,105)

Hong Kong profits tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year.

The applicable income tax rate for the subsidiaries of the Group in the People's Republic of China ("**PRC**") in the current year is 25% (2012: 25%).

The reconciliation between income tax expense and the product of loss before tax multiplied by the applicable tax rate is as follows:

	2013	2012
	HK$'000	*HK$'000*
Loss before tax	**(590,479)**	(59,374)
Tax at the domestic income tax rate	**(97,429)**	(9,797)
Tax effect of income that is not taxable	**(214)**	(136)
Tax effect of expenses that are not deductible	**128**	178
Tax effect of tax losses not recognised	**97,515**	9,755
Income tax expense	**–**	–

9. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the followings:

	2013	2012
	HK$'000	HK$'000
Auditor's remuneration	**800**	600
Amortisation of mining right	**8,292**	4,380
Cost of sales and services rendered*	**15,928**	10,680
Gain on disposal of property, plant and equipment	**–**	(97)
Depreciation	**4,746**	5,106
Loss on disposal of a subsidiary	**3,739**	–
Operating lease charges	**14,521**	16,052
Staff costs including directors' emoluments		
Salaries, bonus and allowances	**21,917**	27,475
Retirement benefits scheme contributions	**1,331**	850
	23,248	28,325

* Cost of sales and services rendered includes staff costs, depreciation and operating lease charges of approximately HK$9,700,000 (2012: HK$3,747,000) which are included in the amounts disclosed separately above.

10. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company for the year ended 31 December 2013 is based on the loss for the year attributable to owners of the Company of approximately HK$386,735,000 (2012: approximately HK$56,348,000) and the weighted average number of ordinary shares of 5,235,303,000 (2012: 5,235,303,000) in issue during the year.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2013 and 2012.

11. MINING RIGHT

	HK$'000
Cost	
At 1 January 2012 and 31 December 2012	1,553,021
Exchange differences	44,552
At 31 December 2013	1,597,573
Accumulated amortisation and impairment	
At 1 January 2012	5,744
Amortisation for the year	4,380
Exchange differences	107
At 31 December 2012	10,231
Amortisation for the year	8,292
Impairment loss for the year	475,813
Exchange differences	7,237
At 31 December 2013	501,573
Carrying amount	
At 31 December 2013	1,096,000
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 of the Company, 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.

12. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**2,129**	2,052
Prepayments, deposits and other receivables	**8,207**	6,563
	10,336	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:

	2013	2012
	HK$'000	*HK$'000*
Current to 30 days	**783**	1,690
31 – 60 days	**1,346**	244
61 – 90 days	**–**	57
Over 90 days	**–**	61
	2,129	2,052

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

13. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**806**	6,409
Accrued liabilities and other payables	**40,085**	50,530
	40,891	56,939

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

	2013	2012
	HK$'000	*HK$'000*
Current to 30 days	**806**	109
31 – 60 days	**–**	4
61 – 90 days	**–**	4
Over 90 days	**–**	6,292
	806	6,409

14. 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 called the "**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 Bondholder 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**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 is set out below:

	2013	2012
	HK$'000	*HK$'000*
At 1 January and 31 December	**290,191**	290,191

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

15. SHARE CAPITAL

	Number of shares	**Amount**
	'000	*HK$'000*
Authorised:		
Ordinary shares of HK$0.10 each		
At 1 January 2012, 31 December 2012 and 31 December 2013	8,000,000	800,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
At 1 January 2012, 31 December 2012 and 31 December 2013	5,235,303	523,530

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total liabilities (including current and non-current liabilities as shown in the consolidated statement of financial position) less bank and cash balances. Total equity represents the equity as shown in the consolidated statement of financial position.

The gearing ratios at 31 December 2013 and 2012 are as follows:

	2013	2012
	HK$'000	*HK$'000*
Total debt	**705,475**	780,546
Less: bank and cash balances	**(3,908)**	(5,767)
Net debt	**701,567**	774,779
Total equity	**445,609**	896,226
Gearing ratio	**157.44%**	86.45%

The increase in gearing ratio during the year ended 31 December 2013 resulted primarily from the decrease of equity by loss for the year.

The Group is not subject to any externally imposed capital requirements.

16. 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.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

ZHONGHUI ANDA CPA Limited has expressed a disclaimer of opinion on the consolidated financial statements of our Group for the financial year ended 31 December 2013, an extract of which is as follows:

Basis for disclaimer of opinion

1) Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2012 ("**2012 Financial Statements**"), which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty in relation to going concern. Accordingly, we were then unable to form an opinion as to whether the 2012 Financial Statements gave a true and fair view of the state of affairs of the Group as at 31 December 2012 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

2) Transactions, income and expense items for the year

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the transactions of the Group for the year ended 31 December 2013 as follows:

	HK$'000
Cost of sales	15,928
Other income and gains	12,904
Administrative expenses	17,279
Finance costs	11,567
Exchange differences on translating foreign operations	17,478
Exchange reserve released upon disposal of a subsidiary	5,706

There are no other satisfactory audit procedures that we could adopt to satisfy ourselves that the income and expense items are properly accounted for in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013 and that these items are properly disclosed in the consolidated financial statements.

3) Impairment loss on mining right

No sufficient evidence has been received by us up to the date of this report in respect of whether the impairment loss on mining right of approximately HK$475,813,000 were properly accounted for in the consolidated financial statements for the year ended 31 December 2013.

4) Impairment loss on property, plant and equipment

No sufficient evidence has been received by us up to the date of this report in respect of whether the impairment loss on property, plant and equipment of approximately HK$48,945,000 were properly accounted for in the consolidated financial statements for the year ended 31 December 2013.

5) Loss on disposal of a subsidiary

A subsidiary of the Company was disposed of by the Group during the year. No sufficient evidence has been provided to satisfy ourselves as to the loss on disposal of a subsidiary of approximately HK$3,739,000 for the year ended 31 December 2013 as disclosed in the consolidated financial statements.

6) Mining right

No sufficient evidence has been provided to satisfy ourselves as to the carrying amount of the mining right of approximately HK$1,096,000,000 in the consolidated statement of financial position as at 31 December 2013.

7) Deferred tax liabilities

No sufficient evidence has been provided to satisfy ourselves as to the deferred tax credit of approximately HK$116,678,000 for the year ended 31 December 2013 and the deferred tax liabilities of approximately HK$239,349,000 in the consolidated statement of financial position as at 31 December 2013.

8) Commitments and contingent liabilities

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 31 December 2013.

9) Related party transactions and balances

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of the related party transactions for the year ended 31 December 2013 and the balances as at that date as required by Hong Kong Accounting Standard 24 (Revised) "Related Party Disclosures".

10) Other disclosures in the consolidated financial statements

No sufficient evidence has been provided to satisfy ourselves as to the accuracy and completeness of the disclosures in relation to the other income and gains, finance costs, income tax credit/expense, loss for the year, Directors' and the five highest paid individual remuneration, the movement of property, plant and equipment, the movement of mining right, information of subsidiaries that have non-controlling interests, share-based payments and major non-cash transaction as disclosed in notes to the consolidated financial statements respectively.

Any adjustments to the figures as described from points 1 to 10 above might have a significant consequential effect on the Group's results and cash flows for the two years ended 31 December 2013 and 2012 and the financial positions of the Group as at 31 December 2013 and 2012, and the related disclosures thereof in the consolidated financial statements.

Material uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements that the Directors believe 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 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 consolidated financial statements do not include any adjustments that would be necessary if the Company fails to convert the convertible bonds and the Group fails to obtain financial support from the major shareholder of the Company. We consider that adequate disclosures have been made. However, the uncertainties surrounding the successful conversion of the Company's convertible bonds and the availability of funding from the major shareholder of the Company raise significant doubt about the Company's ability to continue as a going concern. We therefore disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

Disclaimer of opinion

Because of the significance of the matters described in the sections headed "Basis for disclaimer of opinion" and "Material uncertainty relating to the going concern basis" as described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the financial year under review, the turnover of the Group for the financial year ended 31 December 2013 was approximately HK$30.2 million, which represents an approximately 19.0% decrease compared to the last corresponding year of approximately HK$37.3 million. The turnover of approximately HK$21.9 million was mainly 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 2013, further funds have been invested to modify the existing tunnel structure and exploration process of the gold mine, and the mining business segment generated an approximately HK$8.3 million turnover for the financial year ended 31 December 2013. The management expected that the mining business segment would continue to contribute revenue for the Group. The gross profit for the financial year ended 31 December 2013 was approximately HK$14.2 million, which represented a decrease of approximately 46.6% compared to the last year's gross profit of approximately HK$26.6 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 be back to normal.

The loss for the financial year ended 31 December 2013 for the Group was approximately HK$473.8 million compared to the last year's corresponding figure of approximately HK$62.5 million. The reason for the significant increase in the loss for the financial year ended 31 December 2013 was mainly due to the impairment losses on mining right which accounted for a total of approximately HK$475.8 million (2012: Nil). The reason for the impairment of 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. 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 with the hope of improving the efficiency of the cosmetic and skincare business segment in the coming financial years.

For the financial year ended 31 December 2013, the auditor of the Company was unable to obtain sufficient evidence during their audit for the financial year ended 31 December 2013 due to the frequency of changes in Directors and finance staff, the inability to obtain the relevant documents from the then Directors (referring to auditor's opinion set out in the section headed "Basis for disclaimer of opinion" above). The internal control system of the Company has apparent weaknesses, in particular those relating to financial and accounting system.

As a result, the current Board is taking or has taken the following actions to address the abovementioned weaknesses:

I. provide training on the compliance with the Listing Rules, corporate governance and accounting and finance issues to the executive 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 certain then executive 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; 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.

OPERATIONAL REVIEW

Cosmetic and skincare products business segment. The revenue contributed by this business segment for the financial year ended 31 December 2013 was approximately HK$21.9 million, representing an approximately 41.3% decrease compared to the same period last year of approximately HK$37.3 million. The turnover of approximately HK$21.9 million was contributed by the beauty salon outlets in Hong Kong under the cosmetic and skincare products business segment. During the financial year ended 31 December 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, is 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 mining business segment.

Mining business segment. The revenue contributed by this business segment during the financial year under review was approximately HK$8.3 million (2012 : Nil). During 2013, the management of the Company has further re-assessed the exploration process by identifying the high potential gold bearing area of the existing gold mine. The management studied the relevant geological data and the existing tunnel structure of the gold mine. After certain modification to the existing tunnel structure and exploration process, the segment began to generate revenue for the financial year ended 31 December 2013. The management expected that the mining business segment will continue to contribute to the revenue of the Group in the coming financial years.

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 gold mining business segment over the cosmetic and skincare business segment. During 2013, as the mining 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 business segment.

Looking forward, we target to complete the Resumption in 2015. At the same time the management of the Company is actively looking for other investment opportunities to broaden the sources of income of the Group in order to create greater value for the shareholders of the Company. Up to the date of this announcement, the Group has not yet concluded any investment project nor signed any investment memorandum or agreement.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group had unpledged cash and bank balances of approximately HK$3.9 million (2012: approximately HK$5.8 million). The gearing ratio for the Group was approximately 157.4% (2012: 86.45%) and the borrowings and convertible bonds of the Group together was approximately HK$425.2 million (2012: borrowings and convertible bonds were approximately HK$375.9 million). The Group reported net current liabilities of approximately HK$448.3 million as at 31 December 2013 (2012: approximately HK$408.8 million).

CONTINGENT LIABILITY

As at 31 December 2013, the Group did not have any significant contingent liability.

EMPLOYEES AND REMUNERATION

As at 31 December 2013, the Group employed 202 staff (2012: 208). 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.

OTHER INFORMATION

After the reporting period, the business and financial performance of the Group for the following years have been negatively affected to varying degrees by the events leading to the suspension of trading in the shares of the Company.

FINAL DIVIDEND

The Board does not recommend payment of a final dividend for the year ended 31 December 2013 (2012: HK$ Nil).

ANNUAL GENERAL MEETING

The Board has not yet fixed the date of the annual general meeting of the Company ("**AGM**"). Further announcement will be made by the Company regarding the AGM as and when appropriate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of the listed securities of the Company, and neither the Company nor any of its subsidiaries has purchased or sold such securities during the financial year ended 31 December 2013.

REVIEW OF THE FINAL RESULTS ANNOUNCEMENT BY THE AUDITOR

The figures in respect of this final results announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2013. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the final results announcement.

REVIEW BY AUDIT COMMITTEE

The Company has an audit committee ("**Audit Committee**") which was established in accordance with the requirements of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 of Listing Rules. Currently the Audit Committee comprises three independent non-executive Directors, namely: Mr. Jin Shunxing, Ms. Liu Shuang and Mr. Chiang Tsung-Nien.

The Audit Committee has reviewed with the management of Group the accounting principles, the CG Code as adopted by the Company and the practices of the Group and approved the internal control and financial reporting matters including the consolidated financial statements for the financial year ended 31 December 2013.

CORPORATE GOVERNANCE

The Group acknowledges the need and importance of corporate governance as one of the key elements in enhancing shareholders' value. The Group is committed to improving its corporate governance practices in compliance with regulatory requirements and in accordance with international recommended practices. As at the date of this announcement, the Company has adopted the CG Code to regulate the corporate governance issues of the Groups. The existing Board has reviewed the Company's corporate governance practices for the financial year 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 year ended 31 December 2013 due to the loss of the records of the Company. The existing Board is of the view that its first priority in the year 2015 is to improve the corporate governance of the Group.

The then Code provisions	Non-compliance and the reason for the deviation	Improvement actions took or to be taken
A.1.1	Non-compliance	Regular Board meetings for 2015 are scheduled to be held at approximately quarterly intervals, the first regular Board meeting in relation to the approving the respective consolidated financial statements for the years ended 31 December 2011, 2012 and 2013 has already been held on 30 January 2015
A.1.3	Non-compliance	Due notice of all Board meetings will be given to all members of the Board from 2015 onwards
A.1.8	No insurance cover could be arranged since 1 November 2013 in view of the suspension in trading of the Company's shares	Directors' insurance will be arranged for each Director once such can be arranged or immediately upon the resumption of trading of the Company's shares
A.2.5	Non-compliance	The Chairman has confirmed that he will take active action to improve and monitor the corporate governance practice of the Group
A.2.7	Non-compliance	The Chairman has confirmed that he will hold annual meeting with the non-executive Directors including the independent non-executive Directors in the absence of the executive Directors
A.4.2	During the financial year under review no general meeting was held to resolve on the rotation of Directors, amongst other issues	All Directors will be subject to rotation in accordance with the Articles of Association of the Company and the Listing Rules. Every Director will be subject to retirement by rotation at least once every three years
A.5.1	Non-compliance	A nomination committee chaired by Mr. Long Xiaobo, the chairman of the Board, has been set up since 1 October 2013. The majority of the members of the nomination committee comprises of independent non-executive Directors

The then Code provisions	Non-compliance and the reason for the deviation	Improvement actions took or to be taken
A.5.2	Non-compliance	A new terms of reference for the nomination committee has been adopted by the Board on 30 January 2015 setting out the functions of the nomination committee, including fostering the structure and composition of the Board for the Company's strategic operations, nominating candidates with appropriate qualifications to the Board, assessing the independence of the independent non-executive Directors and to assist in succession planning
A.5.3	Non-compliance	A new terms of reference for the nomination committee was adopted by the Board on 30 January 2015 and was uploaded on the Stock Exchange and Company's website at the same date
A.5.6	Non-compliance	A diversity policy was adopted by the nomination committee of the Company on 30 January 2015 and a summary of such policy will be disclosed in the corporate governance report from the 2014 annual report
A.6.1	Non-compliance	From 2015 onwards, a comprehensive, formal and tailored induction will be arranged for any new Director appointed on the first occasion of his/her appointment and regular updated information/training will be provided as necessary thereafter
A.6.5	Non-compliance	From 2015 onwards, the Company will arrange continuous training course(s) to all Directors
B.1.3	Non-compliance	A new terms of reference for the remuneration committee was adopted by the Board on 30 January 2015 and was uploaded on the Stock Exchange and Company's website at the same date

The then Code provisions	Non-compliance and the reason for the deviation	Improvement actions took or to be taken
C.1.2	Non-compliance	The management have confirmed to the Board that monthly updates, or if agreed no less frequent than quarterly interval updates, will be given to all Directors
C.2.1	Under improvement	An external professional adviser was engaged by the Company on 31 December 2013 in order to address the deficiencies and to assist the management to improve the internal control system of the Group. Since then the Board has and will conduct a review of such system at least on annual basis to assess its effectiveness
C.2.6	No internal audit function was established by the Company during the year in question	An external professional adviser was engaged by the Company on 31 December 2013 in order to address the deficiency and to assist the management to establish and to improve the internal control system of the Group. Since then the Board has and will conduct a review of such system at least on annual basis to assess its effectiveness and make relevant disclosure in the corporate governance report
C.3.4	Non-compliance	A new terms of reference for the Audit Committee was adopted by the Board on 30 January 2015 and was uploaded on the Stock Exchange and Company's website at the same date
E.1.1	During the financial year under review no general meeting was held	The AGM for the year 2015 will be arranged in due course and issues to be resolved at the AGM or any general meeting will be separately proposed and resolved unless they relate to the same substantial issue or are otherwise interdependent
E.1.2	During the financial year under review no general meeting was held	The AGM for the year 2015 will be arranged in due course. The chairman of the Board will attend the AGM and will also invite the chairmen of the audit, remuneration, nomination and any other committees of the Board to attend

The then Code provisions	Non-compliance and the reason for the deviation	Improvement actions took or to be taken
E.1.3	During the financial year under review no general meeting was held	The AGM for the year 2015 will be arranged in due course and due notice of at least 20 clear business days before the meeting will be sent to the shareholders. Due notice as required under the Listing Rules and the CG Code will also be given to the shareholders in the case of any other general meetings
E.1.4	During the financial year under review no general meeting was held	A shareholders' communication policy in accordance with the CG Code has been established by the Board. It will be reviewed on an annual basis to ensure its effectiveness
E.2.1	During the financial year under review no general meeting was held	For the 2015 AGM and other general meetings to be held onwards, the chairman will ensure that explanation is provided for the procedure for conducting of poll and all questions from the shareholders in that regard will be answered

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules ("**Model Code**") as the code of conduct governing Director's securities transactions. Trading in the shares of the Company on the Stock Exchange has been suspended at the request of the Company since 29 June 2011. All the then Directors who are still on the Board currently have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the financial year 31 December 2013.

PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

The annual results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk as well as the website of the Company at www.chinabillion.net respectively. The annual report of the Company for the financial year ended 31 December 2013 will be dispatched to the shareholders of the Company and will be published on the aforementioned websites in due course.

CONTINUED SUSPENSION OF TRADING IN THE SHARES

Trading in the shares of the Company on the Stock Exchange has been suspended at the request of the Company since 29 June 2011.

Further announcement(s) will be made by the Company as and when appropriate to update the shareholders of the Company and the investing public regarding the progress of the Resumption.

APPRECIATION

On behalf of the Board, I am grateful for the perseverance and resilience of our staff shown during suspension of trading in the shares of the Company and I thank them all for their unswerving efforts. I would also take this opportunity to express my sincere appreciation to all shareholders of the Company, investors and business partners for their patience, understanding and continued support during this period of different time.

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

Hong Kong, 9 February 2015

As at the date of this announcement, the Board comprises 6 Directors, namely,

Executive Directors:
Mr. Long Xiaobo *(Chairman)*
Mr. Zuo Weiqi *(Chief executive officer)*
Mr. Chen Yi Chung

Independent non-executive Directors:
Mr. Jin Shunxing
Ms. Liu Shuang
Mr. Chiang Tsung-Nien