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CHINA BILLION RESOURCES LIMITED

中富資源有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 274)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The Board herewith presents the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2016 together with the comparative figures for the six months ended 30 June 2015 and selected explanatory notes as follows:

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

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Notes	HK\$'000	HK\$'000
Revenue	6	10,402	16,012
Cost of sales and services rendered		<u>(4,048)</u>	<u>(4,939)</u>
Gross profit		6,354	11,073
Other income and gains		154	1
Selling and distribution expenses		(683)	(707)
Administrative expenses		<u>(29,671)</u>	<u>(20,393)</u>
Loss from operations		(23,846)	(10,026)
Finance costs	7	<u>(42,444)</u>	<u>(13,414)</u>
Loss before tax		(66,290)	(23,440)
Income tax expense	8	<u>(1,644)</u>	<u>(1,651)</u>

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

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Notes	HK\$'000	HK\$'000
Loss for the period	9	(67,934)	(25,091)
Other comprehensive loss after tax:			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(1,025)</u>	<u>(975)</u>
Total comprehensive loss for the period		<u>(68,959)</u>	<u>(26,066)</u>
Loss for the period attributable to:			
Owners of the Company		(63,633)	(23,020)
Non-controlling interests		<u>(4,301)</u>	<u>(2,071)</u>
		<u>(67,934)</u>	<u>(25,091)</u>
Total comprehensive loss for the period attributable to:			
Owners of the Company		(64,543)	(23,444)
Non-controlling interests		<u>(4,416)</u>	<u>(2,622)</u>
		<u>(68,959)</u>	<u>(26,066)</u>
Loss per share (HK cents)			(restated)
Basic	10	<u>(0.86)</u>	<u>(0.49)</u>
Diluted	10	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2016

	Notes	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000
Non-current assets			
Property, plant and equipment		10,621	10,867
Mining right	11	194,600	199,463
		<u>205,221</u>	<u>210,330</u>
Current assets			
Inventories		495	438
Trade and other receivables		23,540	20,749
Bank and cash balances		142,755	7,891
		<u>166,790</u>	<u>29,078</u>
Current liabilities			
Trade and other payables		37,611	36,764
Borrowings	12	20,480	182,789
Convertible bonds	13	–	290,191
		<u>58,091</u>	<u>509,744</u>
Net current assets/(liabilities)		<u>108,699</u>	<u>(480,666)</u>
Total assets less current liabilities		<u>313,920</u>	<u>(270,336)</u>
Non-current liabilities			
Borrowings	12	–	39,482
Convertible bonds	13	47,206	–
Deferred tax liabilities		26,109	25,040
		<u>73,315</u>	<u>64,522</u>
NET ASSETS/(LIABILITIES)		<u><u>240,605</u></u>	<u><u>(334,858)</u></u>
Capital and reserves			
Share capital	14	175,449	523,530
Reserves		92,893	(835,067)
Equity attributable to owners of the Company		268,342	(311,537)
Non-controlling interests		(27,737)	(23,321)
TOTAL EQUITY		<u><u>240,605</u></u>	<u><u>(334,858)</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2016

1. GENERAL INFORMATION

China Billion Resources Limited was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Room 2105, 21/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company's shares are listed on the main board of the Stock Exchange.

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the HKICPA and applicable disclosures required by the Listing Rules. It should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2015, which have been prepared in accordance with HKFRSs.

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

In the Reporting Period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting 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 unaudited condensed consolidated financial statements and amounts reported for the Reporting 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 accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the Group's annual consolidated financial statements for the year ended 31 December 2015.

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 and retailing of cosmetics and skincare products to authorised distributors and retailers in the general consumer market.

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

5. SEGMENT INFORMATION (CONT'D)

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 unaudited condensed consolidated financial statements. Segment liabilities do not include convertible bonds.

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

	Mining products HK\$'000	Cosmetics and skincare products HK\$'000	Total HK\$'000
<u>For the six months ended 30 June 2016</u>			
Revenue from external customers	3,008	7,394	10,402
Segment loss	(4,624)	(4,685)	(9,309)
Depreciation	411	632	1,043
Income tax expense	1,644	–	1,644
Additions to segment non-current assets	188	811	999
<u>As at 30 June 2016</u>			
Segment assets	224,393	11,134	235,527
Segment liabilities	35,663	29,168	64,831
<u>For the six months ended 30 June 2015</u>			
Revenue from external customers	4,526	11,486	16,012
Segment loss	(4,225)	(1,115)	(5,340)
Depreciation	738	552	1,290
Income tax expense	1,651	–	1,651
Additions to segment non-current assets	385	–	385
<u>As at 31 December 2015</u>			
Segment assets	220,039	12,898	232,937
Segment liabilities	36,672	26,254	62,926

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

5. SEGMENT INFORMATION (CONT'D)

Reconciliations of reportable segment profit or loss:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Revenue		
Total revenue of reportable segments and consolidated revenue	<u>10,402</u>	<u>16,012</u>
Profit or loss		
Total loss of reportable segments	(9,309)	(5,340)
Finance costs	(42,444)	(13,414)
Other profit or loss	<u>(16,181)</u>	<u>(6,337)</u>
Consolidated loss for the period	<u><u>(67,934)</u></u>	<u><u>(25,091)</u></u>

6. REVENUE

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Cosmetics and skincare products	7,394	11,486
Mining products	<u>3,008</u>	<u>4,526</u>
	<u><u>10,402</u></u>	<u><u>16,012</u></u>

7. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Interest of Settlement Convertible Bonds	634	–
Settlement interest of 2010 Convertible Bonds	37,473	–
Loan interest	672	7,219
Other finance cost	<u>3,665</u>	<u>6,347</u>
	<u>42,444</u>	<u>13,566</u>
Less: interests capitalised	<u>–</u>	<u>(152)</u>
	<u><u>42,444</u></u>	<u><u>13,414</u></u>

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

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Deferred tax	<u>1,644</u>	<u>1,651</u>

No provision for Hong Kong Profits Tax is required since the Company has no assessable profit for the period (2015: nil).

The applicable income tax rate for the subsidiaries of the Group in the PRC in the Reporting Period is 25% (2015: 25%).

9. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Amortisation of mining right	437	1,320
Cost of sales and services rendered	4,048	4,939
Depreciation	1,069	1,315
Operating lease charges	3,412	2,663
Staff costs including Directors' emoluments		
Salaries, bonus and allowances	15,688	9,033
Retirement benefits scheme contributions	189	218
	<u>15,877</u>	<u>9,251</u>

10. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company for the Reporting Period is based on the loss for the period attributable to owners of the Company of approximately HK\$63,633,000 (2015: approximately HK\$23,020,000) and the weighted average number of ordinary shares of approximately 7,407,692,000 (2015: approximately 4,732,576,000 as restated) in issue during the Reporting Period.

Diluted loss per share

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

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

11. MINING RIGHT

HK\$'000

Cost

At 1 January 2015	1,587,041
Exchange differences	(82,913)

At 31 December 2015 and 1 January 2016	1,504,128
Exchange differences	(33,407)

At 30 June 2016	1,470,721
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Accumulated amortisation and impairment

At 1 January 2015	1,372,680
Amortisation for the year	3,799
Exchange differences	(71,814)

At 31 December 2015 and 1 January 2016	1,304,665
Amortisation for the period	437
Exchange differences	(28,981)

At 30 June 2016	1,276,121
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Carrying amount

At 30 June 2016	194,600
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At 31 December 2015	199,463
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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. Mining right is amortised over the estimated useful lives of the mines in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the units of production method.

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

12. BORROWINGS

	30 June 2016 <i>HK\$'000</i>	31 December 2015 <i>HK\$'000</i>
Short-term borrowings		
Other loans		
Unsecured, interest-free and due within one year	19,880	3,720
Unsecured, bear interest at 5.5% per annum and due within one year	600	–
Unsecured, bear interest at 10%-11% per annum and due within one year	–	74,152
Loan from a related party		
Unsecured, bear interest at 12%-18% per annum and due within one year	–	53,193
Loan from a director		
Unsecured, bear interest at 12% per annum and due within one years	–	51,724
	20,480	182,789
Long-term borrowings		
Other loans		
Unsecured, bear interest at 10% per annum and due within three years	–	39,482
	20,480	222,271

13. CONVERTIBLE BONDS

2010 Convertible Bonds

On 31 March 2010, the Company issued zero coupon convertible bonds as part of the consideration for the acquisition 100% equity interest of Westralian Resources Pty. Ltd., a company incorporated in Australia with limited liability and a wholly-owned subsidiary of the Company with a maturity date of 30 March 2013.

On 24 May 2016, the outstanding 2010 Convertible Bonds of the Group were settled by the issuance of 6,193,281,959 Settlement Shares at settlement share price of HK\$0.05 per Settlement Share to the respective bondholders pursuant to the Share Settlement Agreements. As a result, the 2010 Convertible Bonds were settled by net amount of approximately HK\$272,191,000 after deducting interests of approximately HK\$37,473,000.

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

	<i>HK\$'000</i>
At 1 January 2015 and 31 December 2015	290,191
Interest charged to profit or loss	37,473
Reclassified as borrowings	(18,000)
Settlement by shares	(309,664)
At 30 June 2016	–

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

13. CONVERTIBLE BONDS (CONT'D)

Settlement Convertible Bonds

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

	<i>HK\$'000</i>
Nominal value of convertible bonds issued	53,417
Fair value gain from the settlement of the indebtedness and liabilities of the Group owing to the other creditors	(57)
Equity component	(6,788)
	<u>46,572</u>
Effective interest charged to profit or loss	634
	<u>47,206</u>
Liability component at 30 June 2016	<u><u>47,206</u></u>

14. SHARE CAPITAL

	Number of Shares '000	Amount HK\$'000
Authorised:		
At 31 December 2015 and 1 January 2016 (8,000,000,000 ordinary shares of HK\$0.1 each)	8,000,000	800,000
Capital Cancellation	(2,764,697)	(276,470)
Capital Reduction	–	(497,354)
Share Consolidation	(2,617,651)	–
Increase in authorised share capital	<u>22,382,348</u>	<u>223,824</u>
At 30 June 2016 (25,000,000,000 ordinary shares of HK\$0.01 each)	<u><u>25,000,000</u></u>	<u><u>250,000</u></u>
Issued and fully paid:		
At 31 December 2015 and 1 January 2016 (5,235,303,300 ordinary shares of HK\$0.1 each)	5,235,303	523,530
Capital Reduction	–	(497,354)
Capital Consolidation	(2,617,651)	–
Open Offer	5,235,303	52,353
Issue of Settlement Shares	<u>9,692,022</u>	<u>96,920</u>
At 30 June 2016 (17,544,977,408 ordinary shares of HK\$0.01 each)	<u><u>17,544,977</u></u>	<u><u>175,449</u></u>

15. EVENTS AFTER THE REPORTING PERIOD

The Company entered into a MOU with Mr. Long Xiaobo, an Executive Director and the Chairman of the Board. Under the MOU, Mr. Long has agreed to give approximately 3.5 months' exclusivity to the Group in negotiating the terms of collaboration between the Group and a Chinese domestic company controlled by Mr. Long that engages in, among others, the development, sales and distribution of electric vehicles in China.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in gold mining, exploration and trading of gold products in the PRC and provision of beauty treatment services and trading and retailing of cosmetic and skincare products in Hong Kong.

During the Reporting Period, the Group recorded a total revenue of approximately HK\$10.4 million, which represented an approximately 35.0% decrease as compared with approximately HK\$16.0 million for the Corresponding Period.

The revenue contributed by the mining products business segment during the Reporting Period was approximately HK\$3.0 million, representing an approximately 33.5% decrease as compared with approximately HK\$4.5 million for the Corresponding Period. The decrease in revenue generated from this segment mainly due to the temporary suspension of mining operations to facilitate the final stages of works for connecting the tunnels network of East and West mines.

The revenue contributed by the cosmetic and skincare products business segment for the Reporting Period was approximately HK\$7.4 million, representing an approximately 35.6% decrease as compared with approximately HK\$11.5 million for the Corresponding Period. The decrease in revenue generated from this segment mainly due to fixed rental and staff costs that has not reduced in line with decreased revenue in the generally weak economic environment in Hong Kong for the Reporting Period that has materially impacted consumer spending.

The gross profit for the Reporting Period of the Group was approximately HK\$6.4 million, which represented a decrease of approximately 42.6% as compared with approximately HK\$11.1 million in the Corresponding Period.

The loss for the Reporting Period of the Group was approximately HK\$67.9 million as compared with approximately HK\$25.1 million for the Corresponding Period. The significant increase in the loss for the Reporting Period was mainly due to the one-off recognition in Reporting Period of finance costs of approximately HK\$42.4 million (2015: approximately HK\$13.4 million) mainly attributable to the loans and convertible bonds and the administrative expenses (including legal and professional costs incurred in connection with the Group's debt restructuring and Resumption exercises) of approximately HK\$29.7 million (2015: approximately HK\$20.4 million).

PROSPECTS

As mentioned, the tunnels network between the East and West mines has been connected and the Group expects that the Gold Mine will gradually reach normal production capacity in the first half of next year. In view of the recommendations of SRK in its independent technical report issued in May 2015, Hunan Westralian plans to continue to explore and modify the existing tunnel structure and to perform further tunneling exploration with channel sampling at different levels and in-fill holes in order to expand the resource tonnage and upgrade the resource categories. The Board believes that the performance mining products business segment can improve if the Company allocates sufficient time and resources into it.

The Management has been approached by the local government with respect to the government's intention to acquire from the Group the land located above a part of the Gold Mine in connection with the construction of a highway. Should this transaction proceed, the operation of the relevant section of the Gold Mine located under the land sold will have to cease. However, no agreement has yet been reached in relation to such sale and there is no assurance that any such transaction will proceed.

For the money lending business, GCCF is applying for requisite court approval for the change of its business address. The Company will start its money lending business as soon as possible following such approval to seize suitable business opportunities.

During the past few years, the Management has been looking into different kind of business and investment opportunities to broaden the sources of income of the Group in order to manage the risks associated with the volatility of the commodities prices that can have a material impact on the Group's mining operations and to create greater value for the Shareholders. The Board believes it would be prudent to consider investing in other resources related sectors, such as those related to new energy industry and technologies given Chinese government's policies and incentives toward supporting green energy and environmental protection efforts. Therefore, in July 2016, the Company has entered into a MOU with a connected party, Mr. Long, an Executive Director and the Chairman of the Board, in negotiating a potential investment in electric vehicles sector in the PRC. The Management is undertaking due diligence and negotiating the terms of collaboration between the Group and a Chinese domestic company controlled by Mr. Long that engages in, among others, the development, sales and distribution of electric vehicles in China. Such collaboration may involve the acquisition of equity interest in that Chinese company by the Group or other appropriate form of cooperation between the parties. Mr. Long has also agreed to assist the Group in conducting due diligence against the Chinese company and the intellectual property rights that may be owned by it in connection with the research and development of electric vehicles.

The Board believes that the market for electric vehicles has been growing rapidly in China and globally, and is often supported by the favourable policies (including subsidies and other incentives) from the governments. Subject to the Company being satisfied with the outcome of its due diligence and commercially acceptable terms of collaboration being agreed between the parties, the Board also views that investment in the electric vehicles sector in these circumstances can bring positive contributions to the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group had unpledged cash and bank balances of approximately HK\$142.8 million (31 December 2015: approximately HK\$7.9 million). The gearing ratio was approximately 54.6% (31 December 2015: n/a) and the total borrowings and outstanding convertible bonds of the Group was approximately HK\$67.7 million (31 December 2015: approximately HK\$512.5 million). The Group reported net current assets of approximately HK\$108.7 million as at 30 June 2016 and net current liabilities of approximately HK\$480.7million as at 31 December 2015. The maturity profile and interest rate structure of the borrowings of the Group are set out in notes 12 and 13 to the unaudited condensed consolidated financial statements of this announcement.

EMPLOYEES AND REMUNERATION

The remuneration policy of the Group is designed to ensure that remuneration offered to the Directors and/or employees is appropriate for their respective duties performed, sufficiently compensates them for the effort and time dedicated to the affairs of the Group, and is competitive and effective in attracting, retaining and motivating employees. The key components of the Company's remuneration package include basic salary, and 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 the 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 2016, the Group employed 130 staff (2015: 180). The remuneration of employees was in line with the market trend and commensurate with the level of pay in the industry and with the performance of individual employees that is regularly reviewed every year.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Reporting Period (2015: 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 announcement, the Company has adopted the CG Code to regulate the corporate governance matters of the Company. The Board has reviewed the Company's corporate governance practices for the Reporting Period and has formed the opinion that the Company, throughout the Reporting Period and up to the date of this announcement, has complied with the Code Provisions as set out in the CG Code except for the following deviations:

The Code provisions	Non-compliance and the reason for the deviation	Improvement action taken or to be taken
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 cover has been arranged and effective since 26 July 2016.
A.4.2	At the 2015 annual general meeting, Mr. Long, Chairman of the Board, was not subject to rotation of Directors according to the former Articles of Association before the adoption of the new Articles of Association on 22 February 2016.	Mr. Long, Chairman of the Board, participated in the rotation at the 2016 annual general meeting held on 28 June 2016 in accordance with the new Articles of Association adopted on 22 February 2016.

From the date of the Company's announcement dated 5 April 2016 pursuant to Rule 3.11 of the Listing Rules, the Company has only two INEDs, thus the number of the INEDs and the members of the Audit Committee fell below the minimum number required under Rules 3.10 and 3.21 of the Listing Rules. Following the appointment of Mr. Cai Jianhua as an INED and the chairman of the Audit Committee on 22 July 2016, the Company is in compliance with the requirements of Rules 3.10 and 3.21 of the Listing Rules.

SHARE CAPITAL

As at 30 June 2016, the authorised share capital of the Company was HK\$250 million, divided into 25,000 million Shares of HK\$0.01 each, of which 17,544,977,408 Shares were issued and fully paid up or credited as fully paid up in the amount of HK\$175,449,774.08. Details of movements in the share capital of the Company during the Reporting Period are set out in note 14 to the unaudited condensed consolidated financial statements of this announcement.

CAPITAL REORGANISATION

The proposed Capital Reorganisation was approved by the Shareholders at the extraordinary general meeting of the Company held on 22 February 2016 and became effective on 19 April 2016 which entailed the Capital Reduction, the Capital Cancellation, the Share Consolidation, the increase in authorised share capital and the Share Premium Reduction with details as follows:

Capital Reduction

The nominal value of each of the then issued share of the Company was reduced from HK\$0.10 to HK\$0.005 by the reduction of HK\$0.095 for each of the then issued share of the Company. The credit balance arising from the Capital Reduction of HK\$497,353,813.50 was applied in a manner as permitted by the Companies Law, the Articles of Association and other applicable laws to, including but not limited to, the setting off of part of the accumulated deficit of the Company as at 19 April 2016, being the effective date of the Capital Reduction.

Capital Cancellation

The 2,764,696,700 unissued shares in the then unissued share capital of the Company of HK\$276,469,670.00 was, immediately after the completion of the Capital Reduction, cancelled in its entirety resulting in the authorized share capital being reduced to the amount of the then Company's issued share capital, namely HK\$26,176,516.50.

Share Consolidation

Immediately after the Capital Reduction and Capital Cancellation became effective, every two (2) shares of HK\$0.005 each were consolidated into one Share of HK\$0.01 each. As a result, the then 5,235,303,300 issued shares of the Company of HK\$0.005 each were consolidated into 2,617,651,650 issued Shares of HK\$0.01 each.

Increase in Authorised Share Capital

Immediately after the Share Consolidation became effective, the Company increased its authorised share capital from HK\$26,176,516.50 to HK\$250,000,000.00 by the creation of 22,382,348,350 new Shares.

Share Premium Reduction

The entire amount standing to the credit of the share premium account of the Company as at 30 June 2015, which amounted to approximately HK\$2,101,765,000.00, was applied to set off against the accumulated losses of the Company or in a manner otherwise permitted by the Companies Law, the Articles of Association and other applicable laws.

For details of abovementioned Capital Reorganisation, please refer to the circular of the Company dated 29 January 2016.

DEBT RESTRUCTURING ARRANGEMENTS AND OPEN OFFER

To facilitate the Resumption and improve the Company's financial position in order to solve the going concern issue of the Company as disclosed in the Company's 2014 annual report, the Company entered into a total of 13 sets of Debt Settlement Agreements, comprising 10 sets of Share Settlement Agreements and 3 sets of CB Settlement Agreements, with Share Settlement Creditors and CB Settlement Creditors respectively during the period between 9 November 2015 and 23 November 2015.

The Debt Settlement Agreements and the Open Offer were approved at the extraordinary general meeting of the Company held on 22 February 2016 and both the transactions under the Debt Settlement Agreements and the Open Offer completed on 24 May 2016. Summary of the debt restructuring arrangements and the Open Offer are set out as follows:

Share Settlement Agreements

The Company entered into 10 sets of Share Settlement Agreements with the Share Settlement Creditors respectively, pursuant to which the Company allotted and issued an aggregate of 9,692,022,458 Settlement Shares at settlement share price of HK\$0.05 each to the Share Settlement Creditors, in full and final settlement of the relevant outstanding debts, together with the accrued interest (where applicable), owed by the Company to the Share Settlement Creditors.

CB Settlement Agreements

The Company entered into 3 sets of CB Settlement Agreements with the CB Settlement Creditors respectively, pursuant to which the Company issued the Settlement Convertible Bonds in the total principal amount of HK\$53,417,356.17 to the CB Settlement Creditors in full and final settlement of the relevant outstanding debts, together with the accrued interest, owed by the Company to the CB Settlement Creditors.

Open Offer

After the Capital Reorganisation became effective, the Company launched the Open Offer on the basis of two (2) Offer Shares for every one (1) Share held on 28 April 2016 by the Qualifying Shareholders. A total of 5,235,303,300 Offer Shares were allotted and issued by the Company to the Qualifying Shareholders and the underwriter at the offer price of HK\$0.03 for each Offer Share and the gross proceeds raised from the issue of the Offer Shares is approximately HK\$157.1 million.

UPDATE ON THE USE OF PROCEEDS FROM THE OPEN OFFER

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

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

As at 30 June 2016, save for approximately HK\$13.2 million which was applied as working capital of the Group such as legal and professional fees, administrative expenses and rental expenses, the rest of the net proceeds remain unutilised.

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

SETTLEMENT CONVERTIBLE BONDS

As disclosed above, on 24 May 2016, the Company issued the unsecured 10% Settlement Convertible Bonds in the aggregate principal amount of approximately HK\$53,417,356 with a term of three years to the CB Settlement Creditors pursuant to the terms of the CB Settlement Agreements. The Settlement Convertible Bonds carry interest rate of 10% per annum with no guarantee and are unsecured, and will mature on 23 May 2019. The respective bondholders entitled to convert its Settlement Convertible Bonds at HK\$0.10 per Share (subject to adjustment) within the conversion period of the Settlement Convertible Bonds commencing on the seventh day next following the date of issue of the Settlement Convertible Bonds and expiring up to and including the date which is seven days prior to the maturity date. The Company or any of its subsidiaries may at any time and from time to time repurchase the Settlement Convertible Bonds at any price as may be agreed in writing between the Company or such subsidiary and the relevant bondholders. Any Settlement Convertible Bond so repurchased shall forthwith be cancelled by the Company.

Further details regarding the CB Settlement Agreements are set out in section headed “CB Settlement Agreements” in the letter from the Board in the circular of the Company dated 29 January 2016.

Details of movements in the convertible bonds of the Company as at 30 June 2016 are set out in note 13 to the unaudited condensed consolidated financial statements of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

REVIEW OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

DEFINITIONS

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

“Articles of Association”	the articles of association of the Company
“associate(s)”	having the meaning ascribed thereto under the Listing Rules
“Auditors” or “ZHONGHUI ANDA”	ZHONGHUI ANDA CPA Limited, an independent external auditor of the Company
“Board”	the board of Directors
“Capital Cancellation”	the cancellation of the then unissued share capital of the Company in its entirety immediately after the Capital Reduction becoming effective
“Capital Reduction”	the reduction of the nominal value of each of the then share from HK\$0.10 to HK\$0.005

“Capital Reorganisation”	the capital reorganisation approved at the extraordinary general meeting of the Company held on 22 February 2016 which involves the Capital Reduction, the Capital Cancellation, the Share Consolidation, the increase in authorised share capital and the Share Premium Reduction
“CB Settlement Agreements”	having the same meaning ascribed thereto under the circular of the Company dated 29 January 2016 (i.e. a total 3 sets of convertible bonds settlement agreements entered into between the Company and the CB Settlement Creditors)
“CB Settlement Creditors”	having the same meaning ascribed thereto under the circular of the Company dated 29 January 2016 (i.e. Mr. 李鐵鍵, Mr. 吳躍新 and Mr. 豆新虎)
“CG Code”	Corporate Governance Code as set out in Appendix 14 of the Listing Rules
“Chairman of the Board”	the chairman of the Board
“Chief Executive Officer”	the chief executive officer of the Company
“China” or “PRC”	the People’s Republic of China, but for the purposes of this announcement and for geographical reference only (unless otherwise indicated), excludes the Macao Special Administrative Region of the PRC, Hong Kong and Taiwan
“Code Provisions”	code provisions as set out in the CG Code
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company”	China Billion Resources Limited, a company incorporated in the Cayman Islands with limited liability, shares of which are listed on the Stock Exchange
“Corresponding Period”	the period for the six months ended 30 June 2015
“Debt Settlement Agreements”	the Share Settlement Agreements and the CB Settlement Agreements
“Director(s)”	the director(s) of the Company

“Executive Director(s)”	the executive Director(s)
“GCCF”	GCC Finance Company Limited, a wholly-owned subsidiary of the Company
“Gold Mine”	the Group’s Yuanling gold project in Hunan Province, the PRC
“Group”	the Company and its subsidiaries
“HKAS”	Hong Kong Accounting Standards
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hunan Westralian”	Hunan Westralian Mining Co., Limited, a foreign owned enterprise established in the PRC and is a subsidiary of the Company
“INED(s)”	the independent non-executive Director(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management”	the management of the Group
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“MOU”	the memorandum of understanding entered into between the Company and Mr. Long on 18 July 2016
“Mr. Long”	Mr. Long Xiaobo
“Offer Shares”	the Shares allotted and issued under the Open Offer, being 5,235,303,300 Shares
“Open Offer”	the issue of the Offer Shares on the basis of two (2) Offer Shares for every one (1) Share held by the Qualifying Shareholders on 28 April 2016 at HK\$0.03 for each of the Offer Shares

“Qualifying Shareholders”	the Shareholders, other than the Excluded Shareholders (i.e. Shareholders whose address(es) as shown on the register of members is/are outside in a jurisdiction the laws of which may prohibit the making of the Open Offer to such Shareholders or otherwise require the Company to comply with additional requirements which are (in the opinion of the Directors) unduly onerous or burdensome), whose names appear on the register of members of the Company as at the close of business on 28 April 2016
“Reporting Period”	the period for the six months ended 30 June 2016
“Resumption”	the resumption of trading in the shares of the Company on the Stock Exchange
“Settlement Convertible Bonds”	the unsecured 10% convertible bonds in the aggregate principal amount of HK\$53,417,356.17 with a term of three years issued by the Company to the CB Settlement Creditors pursuant to the terms of the CB Settlement Agreements
“Settlement Shares”	an aggregate of 9,692,022,458 Shares issued by the Company to the Share Settlement Creditors at HK\$0.05 per Settlement Share pursuant to the Share Settlement Agreements
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Share Consolidation”	the consolidation of every two (2) then shares of nominal value of HK\$0.005 each immediately following the Capital Reduction and Capital Cancellation into one (1) Share of nominal value of HK\$0.01 each
“Share Option Scheme”	the share option scheme approved by the Shareholders for adoption at the extraordinary general meeting of the Company held on 22 February 2016
“Share Premium Reduction”	the application of the entire credit standing in the Company’s share premium account towards offsetting the accumulated losses of the Company or in such other manner as determined by the Directors, as described in the circular of the Company dated 29 January 2016

“Share Settlement Agreements”	having the same meaning ascribed thereto under the circular of the Company dated 29 January 2016 (i.e. a total 10 sets of share settlement agreements entered into between the Company and the Share Settlement Creditors)
“Share Settlement Creditors”	having the same meaning ascribed thereto under the circular of the Company dated 29 January 2016 (i.e. Star Sino International Limited, Successful Era Investments Limited, Premier Trend Capital Management Limited, Capital Mountain Investments Limited, Mr. Long Xiaobo, Billion Glory Capital Investment Limited, Oriental Hung Tai Investment Limited, Mr. Wang Bo and China United International Fortune Management Co., Limited)
“Shareholder(s)”	holder(s) of the Share(s)
“SRK”	SRK Consulting China Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“2010 Convertible Bonds”	the zero coupon convertible bonds issued by the Company on 31 March 2010 with aggregate outstanding principal amount of HK\$290,191,200 as at the 31 December 2015
“%”	per cent

On behalf of the Board
Long Xiaobo
Chairman of the Board

Hong Kong, 31 August 2016

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

Executive Directors:

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

INEDs:

Mr. Cai Jianhua
Ms. Liu Shuang
Mr. Liu Feng