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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)

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011**

#### **MANAGEMENT DISCUSSION AND ANALYSIS**

##### **BUSINESS REVIEW**

The Group recorded a turnover of HK\$174.77 million, representing a decrease of 47% from that of HK\$331.10 million a year ago. Gross profit was HK\$28.85 million, representing a decrease of 58% from that of HK\$68.93 million in the last year. Loss for the year amounted to HK\$677 million compared with a loss of HK\$1,367 million in last year. The basic loss per share was HK\$13.11 cents (2010: the basic loss per share of HK\$36.82 cents)

The cosmetics and skincare business is the Group's largest contributor to the revenues.

##### **OPERATIONAL REVIEW**

###### **I. Cosmetics And Skincare Products**

On 19 March 2011, the Group entered into the License Agreement with the Licensee whereby the Licensor granted to the Licensee an exclusive worldwide (EXCEPT for use in the Hong Kong Special Administrative Region of People's Republic of China) license to use the Trademarks solely in connection with its business.

On 18 April 2011, the Group entered into the Sale and Purchase Agreement with the disposal of the entire interest in two subsidiaries of the Group's cosmetics and skincare operations, Global Cosmetics (HK) Company Limited and Global Cosmetics (China) Co., Limited. The rationale is that the fierce competition in the industry and lack of management talent specializing in the management, brand promotion and brand building strategy of the distribution and manufacturing business of the cosmetic and skincare business have led to a substantial loss in cosmetics and skincare products segment of the Group for the years ended

31 December 2009 and 2010. The Directors believe that the disposal will stand for the whole interest of the shareholders in the long term.

## **ANALYSIS OF OPERATING EXPENSES**

Selling and distribution expenses for the year ended 31 December 2011 amounted to HK\$27million representing 15.55% of turnover as compared with that of HK\$41million or 12.54% of turnover in the last year.

General and administrative expenses was HK\$150 million or 86.23% of turnover for the year ended 31 December 2011 as compared to HK\$170 million or 51.41% of turnover in the last year.

The finance costs for the year ended 31 December 2011 amounted to HK\$37million, mainly due to interest expenses on the loan of the Group.

## **USE OF PROCEEDS FROM ISSUE OF SHARES AND WARRANTS**

During the year, no share options were exercised.

During the year, 360,000,000 shares of HK\$0.1 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of HK\$0.36 per share. No warrants were exercised during the year.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group maintained cash and cash equivalent of approximately HK\$18 million as at the end of the reporting period. The Group adopts conservative treasury policies in cash and financial management. Most of the retained cash was placed as Renminbi and Hong Kong Dollars short term deposits and therefore exposure to exchange fluctuations was minimal. Shareholders' funds as at 31 December 2011 was HK\$1,587.46 million compared with that of HK\$2,361.67 million as at 31 December 2010, representing a decrease of HK\$774.21 million or 34.05%

On 18 April 2011, the Group entered into the Sale and Purchase Agreement with the disposal of the entire interest in two subsidiaries of the Group's cosmetics and skincare operations, Global Cosmetics (HK) Company Limited and Global Cosmetics (China) Co., Limited with the total consideration of HK\$60,000,000.00.

The indebtedness of the Group mainly comprises bank loans and other loans which are largely denominated in Hong Kong Dollars and Renminbi. On 5 March 2012, the Group's borrowings owed Sino Measure Limited and Dongguan Bo Shing Environmental Investment Co., Limited was fully settled with the debt restructuring.

## **PROSPECTS**

### **Cosmetics and Skincare Products**

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On 18 April 2011, the Group entered into the Sale and Purchase Agreement with the disposal of the entire interest in two subsidiaries of the Group's cosmetics and skincare operations, Global Cosmetics (HK) Company Limited and Global Cosmetics (China) Co., Limited. The rationale is that the fierce competition in the industry and lack of management talent specializing in the management, brand promotion and brand building strategy of the distribution and manufacturing business of the cosmetic and skincare business have led to a substantial loss in cosmetics and skincare products segment of the Group for the years ended 31 December 2009 and 2010. The Directors believe that the disposal will stand for the whole interest of the shareholders in the long term.

### **Mining Products**

The Group will leverage on the core skills and expertise of the management team of the Mining Company to continue its growth and pursue further value creating opportunities in the gold section in the People's Republic of China ("PRC"). The mining license held by the Mining Company ("Mining License") has been renewed for a further five years to 11 March 2015. The operational issues of mining segments were being reviewed by the Group, therefore, the mining and production process were not yet commenced. Within the relevant period, the Group has not conducted any significant activities in exploration, development and production, and therefore did not incur any significant cost in exploration, development and production in relation to gold mining.

## **EMPLOYEES AND REMUNERATION POLICIES**

The Group's clear and effective management policies have enabled it to maintain good staff relations. It has not encountered any difficulties in recruiting experienced personnel and there has not been any interruption to its operations as a result of labour disputes. The Group provides social security benefits encompassing the mandatory provident fund and health insurance scheme to all its employees. It does not shoulder any material liability arising from the relevant statutory retirement scheme.

## **CONTINGENT LIABILITY AND CHARGE ON GROUP ASSETS**

The Group did not have any significant contingent liabilities as at 31 December 2011.

### **FACILITY OF HK\$60,000,000.00**

On 25 April 2010, Sino Measure Limited ("Sino Measure") and the Company signed a Loan Agreement ("the 1st Loan Agreement") which was subsequently amended by an

addendum dated 1 November 2010 (“the 2nd Loan Agreement”) signed by Sino Measure as the Lender and the Company as the Borrower, under which Sino Measure agreed to make available to the Company a loan facility of up to the principal amount of HK\$60,000,000.00.

On 25 April 2010, Sino Measure Limited as Lender and Global Success Properties Limited as the holding company of Global Chemicals (China) Company (“Global Chemicals”) as Chargor signed a Deed of Charge re Shares in Global Chemicals (China) Company in supplement to the 1st Loan Agreement, whereby a fixed charge has been created on the equity shares of Global Chemicals in favour of Sino Measure as the collateral to the loan of HK\$60,000,000.00 (“25 April 2010 Deed”). It is a condition of the 1st Loan Agreement that the Chargor enter into the Deed in favour of Sino Measure.

On 19 January 2011, Sino Measure issued a letter to the Company declaring that an Event of Default had occurred pursuant to the Loan Agreement, and demanding the immediate repayment of the principal amount of the Loan together with interest accrued thereon calculated up to and including 19 January 2011 and further interest on the outstanding amount at the default rate from 19 January until full repayment of the Loan. The amount owing to Sino Measure remains outstanding.

On 9 May 2011, Sino Measure through its then solicitors issued a letter to the Company to inform the Company that the security constituted by the Loan Documents has become immediately enforceable, giving the Company notice that steps were then being taken by to enforce the security without further notice. The amount owing to Sino Measure remains outstanding.

On 10 June 2011, Sino Measure through its solicitors issued a letter to the Company to formally notify the Company that it had exercised and executed the said Share Charge under the Deed, and demand the immediate delivery of items, including but not limited to the books, records and computers, common seal, rubber chops, statutory books and secretarial record, available copies of the memorandum and articles of association of the Company, including the Share Certificate Books and the Register of Directors, Members, Transfers and Mortgages of Global Chemicals.

FACILITY OF RMB50,000,000.00

On 25 May 2010, a Chinese instrument was made between Dongguan Proamine Chemical Co., Limited as borrower, Dongguan Bo Shing Environmental Investment Co., Limited and Dongguan Bi Shing Energy Technology Co., Limited as sureties and Dongguan Branch of China CITIC Bank Corporation Limited as lender as attested by Dongguan Chang Ping District Land Reserve Centre (“Chinese Instrument”), the mortgagor have created in favour of the bank a mortgage over two pieces of land as security for repayment of advances made or to be made by the Dongguan Branch of China CITIC Bank Corporation Limited to Dongguan Proamine Chemical Co., Limited up to the maximum principal sum of RMB50,000,000.00. Sino Measure is the Security Agent acting for Dongguan Bo Shing Environmental Investment Co., Limited and Dongguan Bi Shing Energy Technology Co., Limited.

On 1 November 2010, a Deed of Charge re Shares in Global Power and Energy Company Limited (“Global Power and Energy”) was executed by the Company as one party, and Sino Measure as the other party (“1 November 2010 Deed”).

On 6 May 2011, Dongguan Branch of China CITIC Bank Corporation Limited issued a letter to Dongguan Proamine Chemical Co., Limited to demand payment of the loan of RMB50,000,000.00 on or before 9th May 2011. However, Dongguan Proamine Chemical Co., Limited and/or the Company had defaulted payment of the said loan and interest, and Dongguan Bo Shing Environmental Investment Co., Limited and Dongguan Bi Shing Energy Technology Co., Limited have to honour their obligations as sureties to Dongguan Branch of China CITIC Bank Corporation Limited.

On 10 June 2011, Sino Measure through its solicitors, issued a letter to the Company to formally notify the Company that it had exercised and executed the said Share Charge under the 1 November 2010 Deed, and demand the immediate delivery of items, including but not limited to the books, records and computers, common seal, rubber chops, statutory books and secretarial record, available copies of the memorandum and articles of association of the Company, including the Share Certificate Books and the Register of Directors, Members, Transfers and Mortgages of Global Power and Energy.

#### NEGOTIATIONS WITH SINO MEASURE AND/OR DONGGUAN BO SHING ENVIRONMENTAL INVESTMENT CO., LIMITED AND/OR DONGGUAN BI SHING ENERGY TECHNOLOGY CO., LIMITED

Given that Sino Measure had formally notified the Company that it had exercised and executed the Share Charges under the 25 April 2010 Deed and the 1 November 2010 Deed respectively, the Board of Directors (“the Board”) has appointed Mr Yip Chung Wai, David and Mr JiaXuelei to be the persons-in-charge of the conduct of negotiations and/or agreement with Sino Measure in relation to issues pertaining to the 1st Loan Agreement and/or the 2nd Loan Agreement and/or the 25 April 2010 Deed with Sino Measure and/or other related parties, and in relation to issues pertaining to the Chinese Instrument made on 25 May 2010 and/or the 1 November 2010 Deed with Sino Measures and/or Dongguan Bo Shing Environmental Investment Co., Limited and/or Dongguan Bi Shing Energy Technology Co., Limited and/or other related parties.

It has been agreed between Sino Measure, the Company and the Intended Purchaser Dongguan Bo Shing Environmental Investment Co., Limited (together known as “the Three Parties”) that Sino Measure shall take over the place of the Company as Vendor and continue with the negotiation of the Sale and Purchase transaction of Global Chemicals with Dongguan Bo Shing Environmental Investment Co., Limited as the Purchaser. It has also been agreed between the Three Parties that the deposit of HK\$30,000,000.00 already paid by Dongguan Bo Shing Environmental Investment Co., Limited to the Company shall be kept by the Company; Sino Measure and Dongguan Bo Shing Environmental Investment Co., Limited shall continue to negotiate the final sales price (“Final Sales Price”) for Global Chemicals. The Three Parties further agreed that the balance of the Final Sales Price shall

be paid by Dongguan Bo Shing Environmental Investment Co., Limited to Sino Measure directly to settle all outstanding amount owed by the Company to Sino Measure. Furthermore, it has been agreed by Sino Measure and the Company that if the sales price of Global Chemical received by Sino Measure exceeds the outstanding amount owed by the Company to Sino Measure, Sino Measure shall reimburse the exceeding amount to the Company. However, should the outstanding amount owed by the Company to Sino Measure exceeds the sales price of Global Chemical received by Sino Measure, the Company shall satisfy the balance outstanding with Sino Measure by other means, which includes but not limited to the disposal of other parts of the collaterals being charged to and transferred to Sino Measure. All fees, expenses and costs incurred in relation to the said transaction and the settlement of all monies owed by the Company to Sino Measure shall be borne by the Company.

In addition, Sino Measure, the Company and Dongguan Bo Shing Environmental Investment Co., Limited have agreed that if the aforesaid transaction can be concluded, then Dongguan Bo Shing Environmental Investment Co., Limited shall negotiate with Dongguan Branch of China CITIC Bank Corporation Limited all aspects of the Chinese Instrument; Sino Measure and the Company have conferred on Dongguan Bo Shing Environmental Investment Co., Limited all powers to deal with the Chinese Instrument.

Reference is made to the announcement (the “Announcement”) of China Billion Resources Limited (the “Company”) dated 5 March 2011 in relation to the Contract for debt restructuring and handling, Contract for concurrent transfer of assets and debt, Contract for assets replacement, Contract for transfer of indebtedness and Debt Restructuring Agreement had been effectively. Completion took place with the debt restructuring and handling, transfer of fixed assets and indebtedness on 5 March 2012.

## NET EFFECT OF DEBT RESTRUCTURING

China Billion Resources Limited (“China Billion”) owed Sino Measure Limited (“Sino Measure”) RMB37,597,122.00 up to 30 June 2011 (equivalent to HK\$ 45,269,620.00 at the exchange rate of 0.8305) including the principal of RMB34,250,000.00 and interest and default interest of RMB3,347,122.00; China Billion owed Dongguan Bo Shing Environmental Investment Co., Limited (“Bo Shing”) RMB89,200,000.00 (equivalent to HK\$107,204,072 at the exchange rate of 0.8321); The total amount owed by China Billion to Sino Measure and Bo Shing was RMB 126,797,122.00 (equivalent to HK\$152,473,692.00)

All parties under the contract of debt restructuring and handling agreed the debt restructuring and handling as follow :

1. China Billion transferred the share rights of Global Chemicals (China) Company Limited (“Global Chemicals (China)”), Global Power and Energy Company Limited (“Global Power and Energy”) and Dongguan Proamine Chemical Co., Limited (“Proamine”) to Sino Measure and Bo Shing. The net assets value of Global Chemicals (China), Global Power and Energy and Proamine is HK\$57,491,837.00 as at 30 June 2011;

2. Part of fixed assets of Dongguan Polygene Biotech R&D Co., Limited (“Polygene”) transferred to Sino Measure and Bo Shing. The net book value of that part of fixed assets is RMB75,072,499.00 (equivalent to HK\$90,274,771.00) and the fair value of that part of fixed assets determined by professional valuer in PRC engaged by Bo Shing with the related fee borne by China Billion.

Contract for debt restructuring and handling, Contract for concurrent transfer of assets and debt, Contract for assets replacement, Contract for transfer of debt and Debt Restructuring Agreement had been effectively executed. After the Completion took place with the debt restructuring and handling, transfer of fixed assets and indebtedness on 5 March 2012, all parties under the contract of debt restructuring and handling satisfied with the result after debt restructuring and regarded as full settlement of the indebtedness owed by China Billion to Sino Measure and Bo Shing.

## **DIVIDEND**

The Directors do not recommend payment of a final dividend for the year ended 31 December 2011 (2010: HK\$nil).

## **AUDIT COMMITTEE**

The existing Company's Audit Committee comprises three Independent Non-executive Directors, namely Mr. Jin Shunxing, Dr. Zhu Jing and Mr. Chiang Tsung-Nien.

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

The Audit Committee met twice during the year of 2011 in conjunction with the auditors to review the internal controls, interim results and final accounts of the Group prior to recommending them to the Board for approval.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Articles of Association and there are no restrictions against such rights under the laws in the Cayman Islands.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

The Company had no purchase, redemption or sales of its own shares during the year ended 31 December 2011.

## **COMPLIANCE OF CODE OF CORPORATE GOVERNANCE PRACTICE OF LISTING RULES**

### **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 policies in compliance with regulatory requirements and in accordance with international recommended practices. As at the date of this report, the Company has formed the Audit Committee and Remuneration Committee at the Board of Directors' (the Board" ) level, to provide assistance, advice and recommendations on the relevant matters that aim to ensure protection of the Group and the interest of the Company' s shareholders as a whole. The Board has reviewed the Company' s corporate governance practices and is satisfied that the Company has been in compliance with the code provisions set out in the Code on Corporate Governance Practices contain in Appendix 14 of the Listing Rules throughout the year ended 31 December 2011.



Full details on the subject of corporate governance are set out in the Company' s 2011 annual report.

On behalf of the Board  
**Zuo Weiqi**  
*Chief Executive Officer*

Hong Kong, 31 March 2012

## ANNUAL RESULTS

The Directors of Global Green Tech Group Limited (the “Company” ) are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group” ) for the year ended 31 December 2011 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 HK\$'000	2010 HK\$'000
<b>Turnover</b>	3	174,777	331,099
Cost of sales		<u>(145,920)</u>	<u>(262,163)</u>
<b>Gross Profit</b>		28,857	68,936
Other revenue and net income	4	36,859	44,885
Selling and distribution expenses		(27,183)	(41,517)
General and administrative expenses		(150,714)	(170,233)
Impairment loss on property, plant and equipment		-	(1,396)
Impairment loss on goodwill		(508,596)	(403,570)
Impairment loss on intangible assets		-	(12,940)
Impairment loss on trade and other receivable		-	(98,888)
Impairment loss on deposits for property, plant and equipment		-	(222,475)
Finance costs		(37,664)	(50,253)
		<u>                    </u>	<u>                    </u>
<b>(Loss) before taxation</b>	5	(658,441)	(887,451)
Income tax		<u>(608)</u>	<u>(5)</u>
(Loss) for the year from continuing operations		(659,049)	(887,456)
(Loss) for the year from discontinued operations		(33,244)	(515,738)
		<u>                    </u>	<u>                    </u>
<b>Total (Loss) for the year</b>		<u>(692,293)</u>	<u>(1,403,194)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 HK\$'000	2010 HK\$'000
<b>Other comprehensive income for the year</b>			
Exchange difference		(190,433)	90,744
<b>Total comprehensive income for the year</b>		<u>(882,726)</u>	<u>(1,312,450)</u>
<b>(Loss) attributable to:</b>			
Equity shareholders of the Company			
-Continuing operation		(644,588)	(887,203)
-Discontinued operation		(33,244)	(480,668)
Non-controlling interests			
-Continuing operation		(14,461)	(253)
-Discontinued operation		-	(35,070)
		<u>(692,293)</u>	<u>(1,403,194)</u>
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Company			
-Continuing operation		(835,021)	(823,479)
-Discontinued operation		(33,244)	(456,523)
Non-controlling interests			
-Continuing operation		(14,461)	860
-Discontinued operation		-	(33,308)
		<u>(882,726)</u>	<u>(1,312,450)</u>
(Loss) per share			
Basic	6	<u>(13.11 cents)</u>	<u>(36.82 cents)</u>
Diluted		<u>(11.50 cents)</u>	<u>(30.15 cents)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011

	Note	2011 HK\$'000	2010 HK\$'000
<b>Non-current Assets</b>			
Goodwill		-	508,596
Property, plant and equipment		519,587	713,940
Investment properties		-	34,948
Prepaid lease payments for land under operating leases		-	9,907
Intangible assets		1,335,586	1,345,263
Deposits for acquisition of property, plant and equipment		-	71,000
Other deposits and club debenture		-	350
Other non-current assets		7,615	-
		1,862,788	2,684,004
<b>Current Assets</b>			
Prepaid lease payments for land under operating leases		-	1,237
Financial assets at fair value through profit or loss		-	3,688
Inventories		4,395	51,166
Trade and other receivables		50,794	89,681
Tax recoverable		257	727
Cash and cash equivalents		18,070	78,396
		73,516	224,895
Assets of disposal group classified as held for sale		-	150,240
		73,516	375,135
<b>Current Liabilities</b>			
Trade and other payables		78,537	126,168
Bank loans		-	127,583
Loans and borrowings		5,090	23,549
Receipt in advance		15,314	-
		98,941	277,300
Liabilities of disposal group classified as held for sale		-	90,240
		98,941	367,540
<b>Net Current Assets/(Liabilities)</b>		(25,425)	7,595
<b>Total Assets less Current Liabilities</b>		1,837,363	2,691,599

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011

	Note	2011 HK\$'000	2010 HK\$'000
<b>Non-current liabilities</b>			
Long term payable		370	-
Deferred tax liabilities		826	1,106
Convertible notes		<u>248,704</u>	<u>328,820</u>
		<u>249,900</u>	<u>329,926</u>
<b>NET ASSETS</b>		<u>1,587,463</u>	<u>2,361,673</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		523,530	487,530
Reserves		<u>813,482</u>	<u>1,616,886</u>
Total equity attributable to equity shareholders of the Company		1,337,012	2,104,416
Minority interests		<u>250,451</u>	<u>257,257</u>
<b>TOTAL EQUITY</b>		<u>1,587,463</u>	<u>2,361,673</u>

Approved and authorised for issue by the Board of Directors on 31 March 2012.

Mr. Zuo Weiqi  
Director

Mr. Ng Ka Hong  
Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE TEAR ENDED 31 DECEMBER 2011**

	Attributable to owners of the Company											Total HK\$ '000	Minority interest HK\$ '000	Total HK\$ '000
	Share capital HK\$ '000	Share premium HK\$ '000	Capital reserve HK\$ '000	Capital redemption reserve HK\$ '000	Share-based compensation reserve HK\$ '000	Statutory reserve HK\$ '000	Exchange fluctuation reserve HK\$ '000	Convertible bond reserve HK\$ '000	Other reserve HK\$ '000	Retained profits HK\$ '000				
At 1 December 2009	262,078	1,422,538	166,159	300	1,250	110,121	104,352	-	-	366,140	2,432,938	56,607	2,489,545	
Transfer to retained profits	-	-	-	-	-	(18,69)	-	-	-	18,693	-	-	-	
Net profit for the year	-	-	-	-	-	-	-	-	-	(1,367,871)	(1,367,871)	(35,323)	(1,403,194)	
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	87,869	-	-	-	87,869	2,875	90,744	
Total comprehensive income for the year	-	-	-	-	-	-	87,869	-	-	(1,367,871)	(1,280,002)	(32,448)	(1,312,450)	
Issue of ordinary shares	76,202	201,936	-	-	-	-	-	-	-	-	278,138	-	278,138	
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	233,098	233,098	
Issue of convertible bonds	-	-	-	-	-	-	-	277,526	-	-	277,526	-	277,526	
Issue of placing shares	34,000	5,783	-	-	-	-	-	-	-	-	39,783	-	39,783	
Exercise of convertible bonds	115,250	345,750	-	-	-	-	-	(128,818)	-	-	332,182	-	332,182	
Equity settled share-based payment transactions	-	-	-	-	23,851	-	-	-	-	-	23,851	-	23,851	
	225,452	553,469	-	-	23,851	-	-	148,708	-	-	951,480	233,098	1,184,578	
At 31 December 2010	487,530	1,976,007	166,159	300	25,101	91,428	192,221	148,708	-	(983,038)	2,104,416	257,257	2,361,673	

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE TEAR ENDED 31 DECEMBER 2011 - continued**

	Share capital HK\$ '000	Share premium HK\$ '000	Capital reserve HK\$ '000	Capital redemption reserve HK\$ '000	Share-based compensati on reserve HK\$ '000	Attributable to owners of the Company				Total HK\$ '000	Minority interest HK\$ '000	Total HK\$ '000	
						Statutory reserve HK\$ '000	Exchange fluctuatio n reserve HK\$ '000	Convertible bond reserve HK\$ '000	Other reserve HK\$ '000				Retained profits HK\$ '000
Net loss for the year	-	-	-	-	-	-	-	-	-	(677,832)	(677,832)	(14,461)	(692,293)
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	(198,088)	-	-	-	(198,088)	7,655	(190,433)
Total comprehensive income for the year	-	-	-	-	-	-	(198,088)	-	-	(677,832)	(875,920)	(6,806)	(882,726)
Exercise of convertible bonds	36,000	134,375	-	-	-	-	-	(58,742)	(26)	-	111,607	-	111,607
Disposal of subsidiaries	-	-	88,337	-	-	(91,428)	-	-	-	-	(3,091)	-	(3,091)
	36,000	134,375	88,337	-	-	(91,428)	-	(58,742)	(26)	-	108,516	-	108,516
At 31 December 2011	523,530	2,110,382	254,496	300	25,101	-	(5,867)	89,966	(26)	(1,660,870)	1,337,012	250,451	1,587,463

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year end 31 December 2011*

### **1 GENERAL INFORMATION**

China Billion Resources Limited (the “Company”) was incorporated as an exempted Company with limited liability in the Cayman Islands on 25 September 2000 under the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company is listed on Main Board of the Stock Exchange of Hong Kong Limited (the “SEHK”). The registered office and principal place of business of the Company are disclosed in the “Corporate Information” section to the annual report.

The principal activities of the Company are investment holding and its subsidiaries are principally engaged in sale of cosmetics and skincare products and mining.

### **SIGNIFICANT ACCOUNTING POLICIES**

#### **a) Statement of compliance**

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for current accounting period of the Group and the Company. Note 3 provides information on the changes in accounting policies resulting from initial application of these developments to the extent they are relevant to the Group for the current and prior accounting periods reflect in these financial statements.

#### **b) Basis of preparation of the financial statements**

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries (collectively referred to as the “Group”). The Group incurred a loss for the year attributable to equity shareholders of the Company of approximately HK\$677,832,000.00 and its current assets exceeded its current liabilities by HK\$25,425,000.00 as at 31 December 2011.



The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial supports from the substantial shareholders to cover the Group's operating costs and meet its financial commitments. The substantial shareholders have confirmed their intention and ability to provide continuing financial support to the Group so as to enable it to meet its liabilities as and when they fall due and to carry on its business for the foreseeable future.

In light of the measures described above, the directors are confident that the Group will have sufficient working capital to meet its financial obligation as and when they fall due. Accordingly, the directors are of opinion that it is appropriate to prepare these consolidated financial statements on a going concern basis. These consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

The measurement basis used in the preparation of the financial statements is the historical cost basis except the following assets and liabilities which are stated at their fair values:

- Financial instruments classified as financial assets at fair value through profit or loss; and
- Investment properties;

The preparation of financial statements in conformity to HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

## 2 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRS that have been issued but are not yet effective in these consolidated financial statements.

		<b>Effective for annual periods beginning on or after</b>
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
HKFRS 7 (Amendments)	Transfers of Financial Assets	1 July 2011
HKFRS 9	Financial instruments	1 January 2013
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKAS 24 (revised)	Related Party Disclosures	1 January 2011
HKAS 32 (Amendments)	Classification of Rights Issues	1 February 2010
HK (IFRIC) Int-14 (Amendments)	Prepayments of a Minimum Funding Requirement	1 January 2011
HK (IFRIC) Int-19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
HKFRS (Amendments)	Improvements to HKFRSs 2010 – amendments to HKFRS 3 and 7 – amendments to other HKFRSs	1 July 2010 1 January 2011

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is to be expected in the period of initial application. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

### 3 TURNOVER

The principal activities of the Group are manufacturing and sale of cosmetics and skincare products and mining business.

	<b>2011</b>	2010
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Continuing operations</b>		
Household products	-	10,947
Industrial products	-	204,923
Cosmetics and skincare products	172,402	111,437
Mining	2,375	3,792
	<u>174,777</u>	<u>331,099</u>
<b>Discontinued operations</b>		
Industrial products	95,757	-
Cosmetics and skincare products	6,040	17,144
	<u>101,797</u>	<u>17,144</u>

#### 4 OTHER REVENUE AND NET INCOME

	<b>2011</b>	2010
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Continuing operations</b>		
Other revenue:		
Interest income	-	1,009
Rental income from operating leases	-	3
Valuation gain on financial assets at fair value through profit and loss account	-	1,909
Others	36,859	38,465
	<u>36,859</u>	<u>41,386</u>
Other net income:		
Net exchange gain	-	3,499
	<u>-</u>	<u>3,499</u>
	<u>36,859</u>	<u>44,885</u>

5 (LOSS) BEFORE TAXATION

	<b>2011</b>	2010
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>a) Finance costs</b>		
<b>Continuing operations</b>		
Finance charges on obligations under finance leases	-	1
Convertible bond interest	31,515	43,339
Bank loan interest	-	6,678
Other borrowing costs	6,149	236
	<u>37,664</u>	<u>50,253</u>

**b) Other items**

<b>Continuing operations</b>		
Auditors' remuneration	1,680	3,446
Cost of inventories	145,920	244,217
Amortisation		
- Prepaid lease payments for land under operating leases	-	326
- Intangible assets	-	15,638
Loss on disposal of property, plant and equipment	-	13,665
Operating lease charges :		
Minimum lease payments-property rentals	-	7,397
Research and development costs	-	1,343
Write-down of inventories	-	490
	<u>                    </u>	<u>                    </u>

## 6 (LOSS) PER SHARE

### a) Basic (loss) per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately HK\$677,832,000 (2010: HK\$1,367,871,000) and the weighted average number of approximately 5,170,207,000 shares (2010: 3,714,954,100 shares) in issue during the year, calculated as follows:

	<b>2011</b>	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Issued ordinary shares at 1 January	4,875,303	2,620,781
Issue of ordinary shares	-	576,214
Effect of convertible bonds exercised	294,904	469,521
Place of shares	-	48,438
Weighted average number of ordinary shares		
At 31 December	<u>5,170,207</u>	<u>3,714,954</u>

### b) Diluted (loss) per share

The calculation of diluted loss per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately HK\$677,832,000 (2010: HK\$1,367,871,000) and the weighted average number of diluted ordinary shares of approximately 5,895,685,000 shares (2010: 4,535,754,000 shares), calculated as follows:

	<b>2011</b>	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Weighted average number of ordinary shares		
At 31 December	5,170,207	3,714,954
Effect of deemed issue of shares attributable		
To the Company's convertible bonds	725,478	820,800
Weighted average number of ordinary shares		
At 31 December	<u>5,895,685</u>	<u>4,535,754</u>

*As at the date hereof, the Board comprises the following members:*

*Executive Directors*

Mr. Long Xiaobo (Chairman)

Mr. Zuo Weiqi (Chief executive officer)

Mr. Yip Chung Wai, David

Mr. Ng Ka Hong

Mr. Wu Jun

Mr. Jia Xuelei

*Independent non-executive Directors*

Mr. Jin Shunxing

Dr. Zhu Jing

Mr. Chiang Tsung-Nien

*\* For identification purpose only*