



ANNUAL REPORT 2011

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

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 274)

* For identification only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Long Xiaobo (*Chairman*)
Mr. Zuo Weiqi (*Chief Executive Officer*)
(appointed on 3 August 2011)
Mr. Chen Yi Chung (appointed on 27 July 2012)

Independent Non-executive Directors

Mr. Jin Shunxing (appointed on 3 August 2011)
Mr. Chiang Tsung-Nien (appointed on 19 January 2012)
Ms. Liu Shuang (appointed on 28 April 2014)

AUDIT COMMITTEE

Mr. Jin Shunxing (*Chairman of Audit Committee*)
(appointed on 3 August 2011)
Mr. Chiang Tsung-Nien (appointed on 19 January 2012)
Ms. Liu Shuang (appointed on 28 April 2014)

REMUNERATION COMMITTEE

Mr. Jin Shunxing (*Chairman of Remuneration Committee*)
(appointed on 3 August 2011)
Mr. Chiang Tsung-Nien (appointed on 19 January 2012)
Ms. Liu Shuang (appointed on 28 April 2014)
Mr. Long Xiaobo

NOMINATION COMMITTEE

Mr. Long Xiaobo (*Chairman of Nomination Committee*)
Mr. Chiang Tsung-Nien (appointed on 19 January 2012)
Mr. Jin Shunxing (appointed on 3 August 2011)
Ms. Liu Shuang (appointed on 28 April 2014)
Mr. Zuo Weiqi (appointed on 3 August 2011)

COMPANY SECRETARY

Mr. Cheung Yuk Chuen (appointed on 14 August 2013)

AUTHORISED REPRESENTATIVES

Mr. Chen Yi Chung (appointed on 27 July 2012)
Mr. Zuo Weiqi (appointed on 3 August 2011)

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2811, 28/F.,
China Merchants Tower
No.168-200 Connaught Road Central
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS

ZHONGHUI ANDA CPA Limited
Unit 701, 7/F., Citicorp Centre
18 Whitfield Road, Causeway Bay
Hong Kong

COMPANY'S WEBSITE

www.chinabillion.net

STOCK CODE

274

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

Agricultural Bank of China (Hong Kong) Ltd

25th Floor, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

CHAIRMAN'S STATEMENT

Since 2011, the China Billion Resources Limited (formerly known as "Global Green Tech Group Limited") ("Company") has undergone various challenges, especially that the shares of the Company have been suspended from trading on The Stock Exchange of Hong Kong Limited ("Stock Exchange") due to the delay in the publication of the audited financial reports which is in part due to the debt restructuring of the Company during the said year. I would like to express my heartfelt gratitude to our management, staff, customers, suppliers, business partners, professional parties and last but not the least, our shareholders, for their continuous support and efforts to the Company and its subsidiaries (collectively referred to as "Group").

During the year 2011, certain plants and equipment of the Group have been rendered redundant as a result of the debt restructuring and subsequently in year 2013, those plants and equipment together with the household and industrial products business segment have been disposed of to an independent third party. This is to better reallocate resources for future investment in any potential new lucrative projects that may arise.

The Company will continue our investment in the gold mining business by investing more resources into the basic structural infrastructure and expertise in gold mining.

Looking forward, the resumption of trading in the shares of the Company ("Resumption") is our prime focus and we target to complete the Resumption in 2015. At the same time, the management of the Company is looking for other investment opportunities to broaden the sources of income of the Group in order to create greater value for the shareholders of the Company ("Shareholders"). Up till the date of this annual report, the Group has not yet concluded any investment project nor signed any investment memorandum or agreement.

Long Xiaobo

Chairman of the Board

Hong Kong, 9 February 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the financial year under review, the Group's major business segments were namely household and industrial products, cosmetic and skincare products and mining products which they contributed revenues in the amount of approximately HK\$95.8 million, approximately HK\$176.2 million and approximately HK\$2.4 million respectively. However, due to the default in the indebtedness owed by the Group (referring to the Company's announcements dated 27 June 2011, 5 March 2012 and 14 March 2012) which triggered the debt restructuring in 2011 ("Debt Restructuring"), an agreement of debt restructuring ("Agreement") was entered into on 30 June 2011. Pursuant to the Agreement, the subsidiaries of the Company under the household and industrial products business segment were disposed of during 2011 in order to repay the indebtedness. After the exclusion of these subsidiaries, the turnover from continuing operations for the financial year ended 31 December 2011 was approximately HK\$172.5 million, among which approximately HK\$170.1 million was contributed by the cosmetic and skincare products business segment, and approximately HK\$2.4 million was contributed by the mining products business segment located in Hunan, the PRC. The losses of the Group for the year ended 31 December 2011 reduced to approximately HK\$979 million compared to the corresponding figure of 2010 of approximately HK\$1,772.9 million.

During the financial year under review, the Group also incurred certain significant impairment losses which were impairment loss on property, plant and equipment of approximately HK\$455.3 million and impairment loss on trade and other receivables of approximately HK\$294.4 million. Both the impairment loss on property, plant and equipment and impairment loss on trade and other receivables arose from the misconduct of certain executive Directors at the material time ("Relevant Directors") during the Debt Restructuring arrangement with the lenders of the Group. According to the findings of the Investigation Committee of the Company (referring to the Company's announcement dated 4 December 2013), the acts of misconduct include:

- I. failure to act in the best interest of the Company in negotiating the terms of the Debt Restructuring;
- II. failure to provide adequate information to the ex-auditors during the audit for the year ended 31 December 2010;
- III. executing documents and publication of announcement(s) without proper approval by the Board;
- IV. failure to keep proper books and records of the Company; and
- V. being un-cooperative in assisting the Company with the investigation.

Besides the misconduct by the Relevant Directors during the Debt Restructuring, the auditor of the Company was unable to obtain sufficient audit evidence during the course of audit for the financial year ended 31 December 2011 due to the frequent changes in directors of the Company ("Directors") and finance staff, the inability to obtain relevant documents from the Relevant Directors, loss of control of the then subsidiaries of the Company after the Debt Restructuring such that the then management could not access to the relevant documents (referring to the "Independent Auditor's Report" set out on pages 34 to 38 of this annual report). The internal control system of the Company had apparent weaknesses, in particular those relating to financial and accounting system.

MANAGEMENT DISCUSSION AND ANALYSIS

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

- I. provide training on compliance with the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”), corporate governance and accounting and finance issues to the Directors and staff of the Group in order to strengthen the reporting and internal control system of the Group;
- II. engage an independent professional firm to conduct regular internal control review in order to identify any potential weakness for future improvement;
- III. discuss with the Company’s legal adviser on the follow up action regarding the misconduct of the Relevant Directors;
- IV. discuss with the Company’s legal adviser on whether any legal action should be taken in relation to the unfavorable terms arising from the Debt Restructuring; and
- V. review the structure of the Board in order to diversify its expertise into different areas in particular in the areas of accounting, finance and risk management.

During the financial year under review, certain plant and equipment of the Group under the cosmetics and skincare products business segment in the PRC, which suffered continual losses, have been rendered redundant as a result of the Debt Restructuring. To better channel its resources into its principal business and to prepare for any new lucrative investments should they arise, the Company has disposed of these plants and equipment to an independent third party at a consideration of RMB35 million on 31 December 2013. The sale proceeds of RMB35 million has been utilized to settle the rental payment of approximately RMB34.9 million payable under the tenancy agreement dated 28 March 2011 in respect of the factory located in Dongguan, PRC (referring to the Company’s announcement dated 3 January 2014). In view of continual loss making in the cosmetics and skincare products business segment of the Group, there was an impairment of goodwill amounting to approximately HK\$322.5 million incurred during the financial year under review.

Other than the existing business segments of the Group, the management is actively looking for other investment opportunities to broaden the sources of income of the Group and to create greater value for the shareholders of the Company. Up to the date of this annual report, the Group has not yet concluded any investment project nor signed any investment memorandum or agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is currently focusing on seeking the Resumption and significant amount of resources of the Group have been applied to preparing for the Resumption. Except for the household and industrial products business segment which has been disposed of during the financial year under review, the Group is still conducting the operations under the cosmetic and skincare products business in Hong Kong and the mining products business located in the PRC.

OPERATIONAL REVIEW

Household and industrial products business segment (Discontinued operation). The revenue contributed by this business segment for the financial year ended 31 December 2011 was approximately HK\$95.8 million, representing an approximate 55.6% decrease compared to the revenue for the same period last year of approximately HK\$215.9 million. Under the Debt Restructuring, the subsidiaries of the Company mainly under the household and industrial products business segments have been disposed of in order to repay the indebtedness such that the entire household and industrial products business segment has been removed from the Group since the completion of disposal of this business segment.

Cosmetic and skincare products business segment. The revenue contributed by this business segment, part of which included the discontinued operations, for the financial year ended 31 December 2011 was approximately HK\$176.2 million, representing an approximate 44.3% increase compared to the revenue for the same period last year of approximately HK\$122.1 million. The revenue contributed by the continuing operations under this business segment for the financial year ended 31 December 2011 was approximately HK\$170.1 million, representing an approximate 62.2% increase compared to the revenue for the same period last year of approximately HK\$104.9 million. The increase in the revenue was mainly due to the continual high growth in the economy in Asia and increasing number of visitors from mainland China, which together, increased the demand for cosmetic and skincare products. With increasing demand for cosmetic and skincare products, the loss including discontinued operations for this segment for the financial year ended 31 December 2011 was significantly reduced to approximately HK\$34.3 million compare to the same period last year of approximately HK\$600.1 million, which represented a decrease of approximate 94.3%.

Mining products business segment. The revenue contributed by this business segment for the financial year ended 31 December 2011 was approximately HK\$2.4 million, representing an approximate 36.8% decrease compared to the revenue for the same period last year of approximately HK\$3.8 million. As the mining products business segment is still at the development stage, the management of the Company will continue its investment in the basic structural infrastructure and expertise in mining products business in order to diversify the Group's business portfolio.

PROSPECTS

In order to diversify our business portfolio, we will also continue our investment in the mining products business by investing more funds to the basic structural infrastructure and expertise in gold mining.

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

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group had unpledged cash and bank balances of approximately HK\$18.9 million (2010: approximately HK\$78.4 million). The gearing ratio for the Group was approximately 75.06% (2010: approximately 47.62%) and the borrowings and convertible bonds of the Group together was approximately HK\$327.6 million (2010: approximately HK\$538.7 million). The Group reported net current liabilities of approximately HK\$347.4 million as at 31 December 2011 (2010: approximately HK\$1.9 million).

COMMITMENTS

Particulars of the commitments of the Group as at 31 December 2011 and 2010 are set out in the notes 40 to 41 to the financial statements of this annual report.

CONTINGENT LIABILITY

As at 31 December 2011, the Group did not have any significant contingent liability (2010: nil).

BANK BORROWINGS

As at 31 December 2011, the Group did not have any outstanding bank loan (2010: nil).

DEBT RESTRUCTURING EVENT

FACILITY OF HK\$60,000,000

- 1) On 25 April 2010, Sino Measure Limited ("Sino Measure") and the Company signed a loan agreement which was subsequently amended by an addendum dated 1 November 2010 ("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 ("Loan").
- 2) On 25 April 2010, Sino Measure as lender and Global Success Properties Limited ("Global Success") as chargor ("Chargor") and as the holding company of Global Chemicals China and signed a deed of charge over the shares in Global Chemicals China ("Deed") in supplement to the Loan Agreement. It is a condition of the Loan Agreement that the Chargor would enter into the Deed in favour of Sino Measure.
- 3) On 19 January 2011, Sino Measure issued a letter to the Company declaring that an event of default has 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 2011 until full repayment of the Loan.

MANAGEMENT DISCUSSION AND ANALYSIS

- 4) On 9 May 2011, Sino Measure through its then solicitors issued a letter to the Company informing it that the security constituted by the Loan Agreement has become immediately enforceable and notifying the Company that steps were then being taken to enforce the security without further notice. On the same day, Global Chemicals China acting as the vendor entered into a non-binding memorandum of understanding with Dongguan Bo Shing Environmental Investment Co., Limited (“Dongguan Bo Shing”), for the proposed disposal of Dongguan Proamine Chemical Co. Limited (“Dongguan Proamine”), an indirect wholly owned subsidiary of the Company at the time (referring to the Company’s announcement dated 9 May 2011).
- 5) On 26 May 2011, Sino Measure enforced its rights under the Deed and transferred the shares of Global Chemicals China from Global Success to Sino Measure.
- 6) On 10 June 2011, Sino Measure through its solicitors issued a letter to the Company to formally notify the Company that it has exercised and enforced the said share charge under the Deed, and demanded the immediate delivery of the 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, share certificate books and the registers of Directors, members, transfers and mortgages of Global Chemicals China.

FACILITY OF RMB100,000,000

- 1) On 25 May 2010, a lending agreement up to the maximum sum of RMB100,000,000.00 was made between Dongguan Proamine and Dongguan Branch of China CITIC Bank Corporation Limited (“CITIC Bank”). Dongguan Proamine borrowed a short term loan of RMB80,000,000.00 and a bank loan against bills of exchange of RMB20,000,000 from CITIC Bank.
- 2) On 25 May 2010, a Chinese instrument was made between Dongguan Proamine as borrower, Dongguan Bo Shing and Dongguan Bi Shing Energy Technology Co., Limited (“Dongguan Bi Shing”), as mortgagors (“Mortgagors”) and CITIC Bank as lender as attested by Dongguan Chang Ping District Land Reserve Centre (“Chinese Instrument”), the Mortgagors created in favour of the lender a mortgage over two pieces of land as security for repayment of advances made or to be made by the lender to the borrower up to the maximum principal sum of RMB50,000,000. Sino Measure is the Security Agent acting for the Mortgagors.
- 3) On 1 November 2010, a deed of charge over the shares in Global Power and Energy Company Limited (“Global Power and Energy”), a wholly owned subsidiary of the Company at the time, was made by the Company as one party, and Sino Measure as the other party (“1 November 2010 Deed”).
- 4) On 6 May 2011, CITIC Bank issued a letter to Dongguan Proamine to demand repayment of the loan of RMB50,000,000 on or before 9 May 2011. However, Dongguan Proamine and the Company defaulted on the repayment of the said loan and interest, and the Mortgagors have to honour their obligations as sureties to CITIC Bank.

MANAGEMENT DISCUSSION AND ANALYSIS

- 5) On 26 May 2011, Sino Measure acting as the security agent for the Mortgagors enforced its rights under the 1 November 2010 Deed and transferred the shares of Global Power and Energy from the Company to Sino Measure.
- 6) On 10 June 2011, Sino Measure through its solicitors, issued a letter to the Company notifying that it had exercised and enforced the said share charge under the 1 November 2010 Deed, and demanded 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, including the share certificate books and the register of Directors, members, transfers and mortgages of Global Power and Energy.

SETTLEMENT OF THE INDEBTEDNESS OWED BY THE GROUP IN RESULTING DEBT RESTRUCTURING

- 1) Given that Sino Measure had formally notified the Company that it has exercised and enforced the share charges under the Deed and the 1 November 2010 Deed respectively, the then Board appointed the then Executive Directors, Mr. Yip Chung Wai, David and Mr. Jia Xuelei, to negotiate with Sino Measure, the Mortgagors and other related parties in relation to the settlement of the indebtedness owed by the Group.
- 2) From 27 June 2011 onwards, the Group, Sino Measure and the Mortgagors participated in the process of Debt Restructuring. During this process, the relevant parties tried to restructure their debts, interest in the debts and assets in order to settle the debt owed by the Company to Sino Measure and the Mortgagors. The relevant parties made a series of restructuring contracts including contract for concurrent transfer of assets and debt, contract for assets replacement, contract for transfer of indebtedness and debt restructuring agreement. All these contracts were part of the Debt Restructuring and were executed.

EMPLOYEES AND REMUNERATION

As at 31 December 2011, the Group employed 269 staff (2010: no information can be located). The remuneration of employees was in line with the market trend and commensurate with the level of pay in the industry and the performance of individual employees that are regularly reviewed every year.

FOREIGN EXCHANGE EXPOSURE

During the year ended 31 December 2011, the Group mainly generated sales revenue and incurred costs in both Hong Kong dollar and Renminbi. In view of the fluctuation of Renminbi, the Directors considered that the Group's exposure to fluctuation in foreign exchange rate was minimal, and accordingly, the Group did not employ any financial instruments for hedging purpose.

BIOGRAPHICAL DETAILS OF DIRECTORS

The followings are the details of the current Directors as at the date of this annual report

EXECUTIVE DIRECTORS

Mr. Long Xiaobo, aged 48, joined the Group on 22 November 2010, is an executive Director of the Company (“Executive Directors”) and chairman of the Board (“Chairman”). He is also a chairman of the nomination and resumption committee, and a member of the remuneration committee of the Company. He is currently a director and general manager of Shenzheng City Boien Investment Limited Liability Company (深圳市柏恩投資有限責任公司). Mr. Long has served as the vice president of Dapeng Securities Company Limited, and was in charge of investment banking, asset management and the research business. He was also the founder and the first general manager of Dacheng Fund Management Company Limited. Mr. Long has more than 22 years of experience in the capital market business, and has specialised in asset management, securities investment, merger and acquisition, corporate reorganisation, financial consulting and real estates investment and integration. Mr. Long holds a Master of Economics Degree and a Bachelor of Engineering Degree from Fudan University, the People’s Republic of China (“PRC”).

Mr. Zuo Weiqi, aged 48, joined the Group on 3 August 2011, is an Executive Director and the chief executive officer of the Company (“Chief Executive Officer”). Mr. Zuo is currently a member of the nomination and resumption committee of the Company. Mr. Zuo has years of experiences in property management, private equity investment and industrial investment. Mr. Zuo is currently an executive director and general manager of China High-tech Investment Management Co., Ltd. Mr. Zuo obtained a Master of Business Administration Degree from China Academy of Social Sciences, PRC.

Mr. Chen Yi Chung, aged 40, joined the Group on 27 July 2012 as deputy manager of the Company prior to his appointment as Executive Director. Mr. Chen is also a member of the resumption committee of the Company. Mr. Chen has obtained his Bachelor of Business Administration Degree from National Taiwan University, Mr. Chen has been worked experiences in various international financial institutions, such as Citigroup Asia-Pacific and the Principal Finance Group of the Standard Chartered Group.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jin Shunxing, aged 50, joined the Group on 3 August 2011, is an independent non-executive Director (“INED”). Mr. Jin is also the chairman of the audit, remuneration, investigation committee and a member of the nomination committee of the Company. Mr. Jin has years of experiences in corporate finance and accounting. Mr. Jin is currently a partner of Pan-China (H.K.) CPA Limited. Mr. Jin is a Chinese Certified Public Accountant and a Chinese Certified Appraiser. He obtained a Bachelor of Finance Degree from Central South University of Technology, PRC and a Master of Business Administration Degree from Northwestern Polytechnical University, PRC.

Mr. Chiang Tsung-Nien, aged 55, joined the Group on 19 January 2012, is an INED. Mr. Chiang is currently a member of audit, remuneration, nomination and investigation committee of the Company. Mr. Chiang obtained his Master of Business Administration Degree from the Wharton School of the University of Pennsylvania, the United States of America. Mr. Chiang specializes in corporate finance, initial public offerings, real estate and large trade and other services for clients. He has worked in several banks in United States of America such as Citibank N.A., China Trust Bank USA, UBS N.Y., Continental Illinois Bank Chicago, and Chase Manhattan Bank N.Y. He also served as the chief financial officer of China Aerospace International Investment Corporation, the managing director of China Link Investment Ltd. and the managing director of Asia Pacific Capital Partners Ltd.

Ms. Liu Shuang, aged 42, joined the Group on 28 April 2014, is an INED. Ms. Liu is currently a member of the audit, remuneration, nomination and investigation committee of the Company. Ms. Liu holds a Bachelor of Business Law Degree from Beijing Technology and Business University, PRC and a Master of Laws Degree from Northwest University of Politics & Law, PRC and has around 20 years’ experience in practicing law, specializing in overseas listing, merger and acquisition, private equity and overseas investment.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company acknowledges the need for 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 annual report, the Company has adopted the Corporate Governance Code as set out in Appendix 14 of the Listing Rules ("CG Code") to regulate the corporate governance issues of the Group. The existing Board has reviewed the Company's corporate governance practices for the financial 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 2011 due to the loss of the most important records of the Company. The existing Board is of the view that aside from achieving the Resumption, one of its main priorities in 2015 is to improve the corporate governance of the Group.

This Corporate Governance Report was produced pursuant to the latest requirements prescribed in Appendix 14 of the Listing Rules. However, due to the loss of the most important records of the Company on 21 June 2013, which was announced by the Company on 1 November 2013, the Board was unable to conduct and form a complete opinion in relation to the compliance of each of the codes in the CG Code except for the following.

The then CG Code provisions	Non-compliance	Improvement action taken
A.1.5	Non-compliance	Since August 2013, minutes of the Company have been kept in the registered office of Hong Kong by a designated officer and will be open to all members of the Board for inspection upon reasonable notice being given
B.1.4	Non-compliance	A new terms of reference for the remuneration committee of the Company ("Remuneration Committee") was adopted by the Board on 30 January 2015 and was uploaded on Company's website at the same date
C.3.4	Non-compliance	A new terms of reference for the audit committee of the Company ("Audit Committee") was adopted by the Board on 30 January 2015 and was uploaded on Company's website at the same date

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (“Model Code”) as the code of conduct governing Director’s securities transactions. Trading in the shares of the Company on the Stock Exchange 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 ended 31 December 2011.

BOARD OF DIRECTORS

The Board is responsible for overseeing the overall Group’s businesses and strategies, supervision of the management and affairs as well as monitoring of the overall operation and performance of the Group. The Board has delegated to the Chief Executive Officer, together with which the Directors also undertake, with the senior management of the Company, the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established various committees and has delegated to these committees various responsibilities as set out in their respective terms of reference.

The Board is collectively responsible for performing the corporate governance duties and has formalised the inclusion of the following corporate governance duties into the terms of reference of the Board:

- a. to develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board;
- b. to review and monitor the training and continuous professional development of Directors and senior management;
- c. to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
- d. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- e. to review the Company’s compliance with the Corporate Governance Code and disclosure in the corporate governance report in the annual report of the Company.

On 30 January 2015, the Board had adopted a board diversity policy which aims to achieve the diversity of members of the Board to enhance the effectiveness of the Board. The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board possesses diverse skills, experience and perspectives appropriate to the requirements of the Company’s business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates of Board members will be based on diversity in their respective background and experience, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Company will conduct a tailor-made training in respect of the compliance with the Listing Rules, corporate governance and accounting and finance issues to all the Directors and senior management of the Company. It is planned that the training will be conducted before the end of May 2015.

CORPORATE GOVERNANCE REPORT

During the year 2011 and as at the date of this report, the composition of the Board is set out below:

Executive Directors as at the date of this report:

Mr. Long Xiaobo (*Chairman*)
Mr. Zuo Weiqi (*Chief Executive Officer*) (appointed on 3 August 2011)
Mr. Chen Yi Chung (appointed on 27 July 2012)

Executive Directors during the year 2011:

Mr. Chai Xiaojun (retired on 30 June 2011)
Mr. Dong Jixu (retired on 30 June 2011)
Mr. Jia Xuelei (resigned on 1 October 2013)
Mr. Lin Jan (retired on 30 June 2011)
Mr. Ng Ka Hong (appointed on 4 January 2011 and resigned on 25 December 2012)
Mr. Wong Hiu Tung (resigned on 4 January 2011)
Mr. Wu Jun (resigned on 27 July 2012)
Mr. Xue Bing (retired on 30 June 2011)
Mr. Yip Chung Wai, David (resigned on 1 October 2013)

INEDs as at the date of this report:

Mr. Jin Shunxing (appointed on 3 August 2011)
Mr. Chiang Tsung-Nien (appointed on 19 January 2012)
Ms. Liu Shuang (appointed on 28 April 2014)

INEDs during the year 2011:

Ms. Chan Wing (appointed on 7 March 2011 and retired on 30 June 2011)
Mr. Cheung Kwok Yu (resigned on 4 January 2011)
Mr. Ding Yongshun (retired on 30 June 2011)
Mr. Ng Ka Chung (appointed on 4 January 2011 and resigned on 27 January 2011)
Mr. Xiong Wei (retired on 30 June 2011)

The current Directors have no financial, business, family or other material/relevant relationships with each other.

The biographical details of the current Directors are set out on pages 10 to 11 and whose respective interests in the Company's shares are set out on page 30 of this annual report.

CORPORATE GOVERNANCE REPORT

Except for the period between 1 July 2011 to 18 January 2012, during which the Board did not comply with the requirements of the Listing Rules relating to the appointment of at least three INEDs with at least one INED possessing appropriate professional qualifications or accounting or related financial management expertise during the year, the Board has complied with the requirements of the Listing Rules in relation to the Board composition.

The Company has received from each of the INEDs a written annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and is satisfied of their independence.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles and duties of the Chairman and the Chief Executive Officer of the Company are carried out by different individuals and have been clearly defined in writing.

The current Chairman of the Board is Mr. Long Xiaobo and the current Chief Executive Officer is Mr. Zuo Weiqi. The positions of Chairman and Chief Executive Officer are held by separate persons in order to preserve independence and a balance of views and judgement.

With the support of the senior management, the Chairman is responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the articles 86 and 87 of the articles of association of the Company ("Articles of Association"), a person may be appointed as a member of the Board at any time either by the Shareholders in a general meeting or by the Board. Director appointed by the Board must retire at the next annual general meeting of the Company ("AGM") after his appointment and shall then be eligible for re-election, and shall not be taken into account in determining the number of Directors who are to retire by rotation at that next AGM.

According to the article 87 of the Articles of Association, no less than one-third of the Directors for the time being shall retire from office by rotation at each AGM. The Chairman of the Board shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. Retiring Directors shall be eligible for re-election.

According to the article 86 of the Articles of Association, the Company may remove any Director by a special resolution at a general meeting.

CORPORATE GOVERNANCE REPORT

BOARD PRACTICES

As per the latest improved corporate governance practice of the Company, since 2015, notice of regular Board meetings has been and will be dispatched to all Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days (or any other agreed date) before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management of the Company where necessary.

The senior management of the Company, including Chief Executive Officer and finance manager, attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and final versions are open for Directors' inspection.

Directors are required to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

As mentioned previously, due to the loss of the most important record of the Company, it was only able to locate the following information in relation to the Board meetings held during the year 2011. The attendance of the Directors at the said meetings is set out as follows:

Name of Directors	Attendance/ Total no. of meetings held during the year 2011	Passed/Total written resolutions circulated during the year 2011
Executive Directors		
Mr. Long Xiaobo (<i>Chairman</i>)	3/3	2/2
Mr. Zuo Weiqi (<i>Chief Executive officer</i>)	1/3	0/2
	appointed on 3 August 2011	
Mr. Yip Chung Wai, David	3/3	2/2
	resigned on 1 October 2013	
Mr. Jia Xuelei	3/3	2/2
	resigned on 1 October 2013	
Mr. Ng Ka Hong	3/3	2/2
	appointed on 4 January 2011 and resigned on 25 December 2012	

CORPORATE GOVERNANCE REPORT

Name of Directors	Attendance/ Total no. of meetings held during the year 2011	Passed/Total written resolutions circulated during the year 2011
Mr. Lin Jan	2/3	1/2 retired on 30 June 2011
Mr. Chai Xiaojun	2/3	1/2 retired on 30 June 2011
Mr. Dong Jixu	2/3	1/2 retired on 30 June 2011
Mr. Xue Bing	2/3	1/2 retired on 30 June 2011
Mr. Wu Jun	3/3	1/2 resigned on 27 July 2012
Mr. Wong Hiu Tung	0/3	0/2 resigned on 4 January 2011
INEDs		
Mr. Jin Shunxing	1/3	0/2 appointed on 3 August 2011
Ms. Chan Wing	2/3	0/2 appointed on 7 March 2011 and retired on 30 June 2011
Mr. Ding Yongshun	2/3	0/2 retired on 30 June 2011
Mr. Xiong Wei	2/3	1/2 retired on 30 June 2011
Mr. Ng Ka Chung	0/3	0/2 appointed on 4 January 2011 and resigned on 27 January 2011
Mr. Cheung Kwok Yu	0/3	0/2 resigned on 4 January 2011

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD

The Board undertakes responsibility for decision making in major Company's matters, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary of the Company ("Company Secretary"), with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management of the Group.

NOMINATION COMMITTEE

During the year 2011, the Company had not established nomination committee ("Nomination Committee") and the Chief Executive Officer was mainly responsible for identifying appropriate candidates to fill the casual vacancy whenever it arises or to add additional member as and when required. The Chief Executive Officer would propose the qualified candidate(s) to the Board for consideration. The Board would then approve the appointment based on the suitability and qualification of the candidate.

Subsequently, on 1 October 2013, a Nomination Committee was established with written terms of reference adopted on the same date and updated on 30 January 2015. The primary function of the Nomination Committee is to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive. As at the date of this annual report, the Nomination Committee currently consists of five members, comprising Mr. Long Xiaobo, Mr. Zuo Weiqi, Mr. Jin Shunxing, Mr. Chiang Tsung-Nien and Ms. Liu Shuang. Mr. Long Xiaobo is the chairman of the Nomination of Committee.

As at the date of this annual report, the Nomination Committee had reviewed the size, structure and composition of the Board to complement the Group's corporate strategy, nominated candidates to fill the casual vacancy arising from the resigning Director and made recommendation to the Board in order to share part of the duties and responsibilities of the Chairman of the Board.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 27 June 2008 with written terms of reference adopted on the same date and updated on 30 January 2015. The primary duties of the Remuneration Committee are to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objects and make recommendations to the Board on the remuneration package of individual Executive Director and senior management of the Company. As at the date of this annual report, the Remuneration Committee currently consists of four members, namely Mr. Jin Shunxing, Mr. Chiang Tsung-Nien, Ms. Liu Shuang and Mr. Long Xiaobo. Mr. Jin Shunxing is the chairman of the Remuneration Committee.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee has reviewed the Directors' fee (including Executive Directors and INEDs) in consideration of the increasingly level of duties and responsibilities of the Directors and the market condition and approval of the remuneration incentive structure of the Group as a whole taking consideration of factors such as salaries paid by comparable companies, time commitment and their responsibilities.

As mentioned previously, due to the loss of record of the Company, no record has been found in relation to the meeting held during the year 2011.

REMUNERATION POLICY OF THE GROUP

The remuneration policy of the Group is designed to ensure that remuneration offered to the Directors and/or employees is appropriate for the respective duties performed, sufficiently compensate them for the effort and time dedicated to the affairs of the Group, and is competitive and effective in attracting, retaining and motivating employees. The key components of the Company's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus, mandatory provident funds and share options granted (if any) under the share option scheme of the Company. Details of the share option scheme of the Company are set out on pages 27 to 29 of this annual report.

The emoluments payable to Directors are determined with reference to the responsibilities, qualifications, experience, duties, performance of the Directors, prevailing market conditions and remuneration benchmark with directors of listed companies of similar size and industry nature. They include incentive bonus primarily based on the results of the Group and share options granted (if any) under the share option scheme of the Company. The Remuneration Committee 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.

DIRECTORS' AND THE FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The Directors' fees and remuneration and the emoluments of the five highest paid individuals during the year are disclosed in note 15 to the consolidated financial statements of this annual report.

The contributions to pension scheme of Directors for the year are disclosed in note 15 to the consolidated financial statements of this annual report.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company established an Audit Committee on 28 October 2000 with written terms of reference adopted on the same date and updated on 30 January 2015. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. As at the date of this annual report, the Audit Committee currently consists of three INEDs, being Mr. Jin Shunxing, Mr. Chiang Tsung-Nien and Ms. Liu Shuang. Mr. Jin Shunxing is the chairman of the Audit Committee.

The Audit Committee has discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

For the year ended 31 December 2011, the Audit Committee discussed with the senior management of the Company the internal controls and financial reporting matters, and reviewed the accounting principles and practices adopted by the Group and the effectiveness of the Group's internal control system.

As mentioned previously, due to the loss of the most important record of the Company, it was only able to locate the following information in relation to the Audit Committee meetings held during the year 2011. The attendance of the members of the Audit Committee at the said meetings is set out as follows:

Name of Directors	Attendance/ Total no. of meetings held during the year 2011	Passed/Total written resolutions circulated during the year 2011
Mr. Jin Shunxing	0/1 appointed on 3 August 2011	0/0
Mr. Ding Yongshun	1/1 retired on 30 June 2011	0/0
Mr. Xiong Wei	1/1 retired on 30 June 2011	0/0
Ms. Chan Wing	1/1 appointed on 7 March 2011 and retired on 30 June 2011	0/0
Mr. Ng Ka Chung	0/1 appointed on 4 January 2011 and resigned on 27 January 2011	0/0
Mr. Cheung Kwok Yu	0/1 resigned on 4 January 2011	0/0

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the annual consolidated financial statements of the Company which give a true and fair view of the state of affairs, results and cash flows of the Group for the year ended 31 December 2011. Save as disclosed in the qualifications to the auditor's opinions, the Directors consider that the Group has adequate resources to continue in business for the foreseeable future and are not aware of any other material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's consolidated financial statements, which are put to the Board for approval.

The annual results of the Group for the year ended 31 December 2011 have also been reviewed by the Audit Committee. The auditor of the Company had given certain qualifications in their opinion which are set out on page 34 to 38 of this annual report which we would like to draw to the Shareholders' attention.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' investments and Company's assets and with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

As mentioned previously, due to the loss of record of the Company, the Company was unable to ascertain, whether during the year 2011, an internal control review was conducted. The Company had engaged an external professional adviser on 22 February 2012 to review the internal control system of the Group but, without any reason given by the then adviser, no report was provided to the Company for review. On 31 December 2013, another replacement external professional adviser, ZHONGHUI ANDA Risk Services Limited ("Internal Control Consultant") was engaged by the Company to evaluate the effectiveness of the financial reporting procedures and the system of internal control of the Group. A draft summary of the internal control review findings and recommendations was submitted for the Audit Committee and the Board's review and consideration.

Since then, based on the recommendations made by the Internal Control Consultant, the Board has been taking certain follow-up steps in order to improve and strengthen the internal control of the Group to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard the assets of the Group.

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The Company's current independent external auditor is ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA"). The Audit Committee is mandated to ensure continuing auditors' objectivity and safeguarding the independence of the auditor. Up to the date of this annual report, the Audit Committee has considered and made recommendation to the Board on the engagement of ZHONGHUI ANDA as auditor of the Group in respect of the consolidated financial statements for the year ended 31 December 2011 and the corresponding audit fees estimation.

For the year ended 31 December 2011, the remuneration paid/payable by the Company to ZHONGHUI ANDA and other ZHONGHUI ANDA network firms in respect of their audit and other non-audit services were as follows:

	HKD
Annual audit services	600,000
*Non-audit services	—
Total fees	600,000

* Non-audit services mainly included review of interim financial information, certain agreed-upon procedures and taxation-related services.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions. The general meetings of the Company provide a forum for face-to-face communication between the Board and the Shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available to answer questions at Shareholder's meetings.

To promote effective communication, the Company maintains on its website up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted and are available for public access.

No general meeting was held after 2011 and up to the date of this annual report. The last AGM was held on 30 June 2011.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at Shareholders' meetings, including the election of individual Directors.

All resolutions put forward at Shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each Shareholders' meeting.

The procedures for Shareholders to convene an extraordinary general meeting of the Company ("EGM") are governed by Article 58 of the Articles of Association. A written requisition must be addressed to the Board or the Company Secretary. On the written requisition of Shareholders holding not less than one-tenth of such of the paid-up share capital of the Company as at the date of lodgment of the requisition, and the Board must proceed duly to convene an EGM.

The written requisition must state the objectives (which must be capable of being effectively achieved) of the meeting, be signed by the Shareholders who propose to convene the meeting, and be lodged at the registered office of the Company. The Board must thereafter within 21 days from the lodgment of the requisition proceed duly to convene a meeting for a day not more than two months after the date on which the notice convening the meeting is given.

Whilst giving the above written requisition, Shareholders are recommended to provide written explanation of the reasons and material implications relating to the proposed resolution to enable all of the Shareholders to properly consider and determine the proposed resolution.

The Company will, upon receipt of a properly lodged requisition referred to above, issue a notice of extraordinary general meeting of the proposed resolutions and (if applicable) circulars containing further information relating to the proposed resolution in accordance with the Listing Rules.

Shareholders who intend to put forward their enquiries to the Board could send their enquiries to the Company's head office and principal place of business in Hong Kong or by email to contact@chinabillion.net. Shareholders can contact Tricor Tengis Limited, the Hong Kong branch share registrar and transfer office of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

COMPANY SECRETARY

During year 2011, Mr. Ng Ka Hong acted as the Company Secretary and he resigned on 25 December 2012. On 28 March 2013, Miss. Fok Joyce Sing Yan was appointed as Company Secretary and she resigned on 17 July 2013.

The Company has engaged Mr. Cheung Yuk Chuen of FE Corporate Services Limited as the Company Secretary effective from 14 August 2013. His primary contact person at the Company is Mr. Chen Yi Chung, Executive Director. The Company Secretary will report to Chairman of the Board and/or the Chief Executive Officer. Following the adoption of the new CG Code, the Company Secretary will take no less than 15 hours of relevant professional training.

REPORT OF THE DIRECTORS

The Board is pleased to present its report together with the audited consolidated financial statements of the Company for the year ended 31 December 2011.

COMPANY 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 KY 1-1111, Cayman Islands. The address of its principal place of business is Room 2811, 28th Floor, China Merchants Tower, No. 168-200 Connaught Road Central, Hong Kong. The Company's shares are listed on the Main Board of the Stock Exchange and have been suspended from trading since 29 June 2011.

Pursuant to a special resolution passed by the Shareholders in the EGM held on 30 June 2011, the Company had changed its name from Global Green Tech Group Limited to China Billion Resources Limited.

PRINCIPAL ACTIVITIES

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

- (i) gold exploration, development and mining;
- (ii) provision of beauty treatment services and manufacture and trading of cosmetic and skincare products; and
- (iii) manufacture of household and industrial products.

The activities of the subsidiaries are set out in note 23 to the consolidated financial statements of this annual report.

An analysis of the performance of the Group for the year by operating segments is set out in note 8 to the consolidated financial statement of this annual report.

RESULTS AND RESERVES

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on pages 39 to 40 of this annual report.

Details of movements in the reserves of the Group during the year 2011 are set out on page 43 in the consolidated statement of changes in equity of this annual report.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: nil).

REPORT OF THE DIRECTORS

CHARITABLE DONATIONS

The Group made no charitable and other donations for the year ended 31 December 2011 (2010: nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 107 to 108 of this annual report. This summary does not form part of the audited consolidated financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2011, the Group's five largest suppliers accounted for 99% of the Group's total purchases, and the purchase from the Group's largest supplier included therein accounted for 90% of the total purchase for the year.

For the year ended 31 December 2011, the Group's sales to its five largest customers accounted for 70% of the Group's total sales, and the sales to the largest customer included therein accounted for 42% of the total sales for the year.

None of the Directors, any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's top five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 35 to the consolidated financial statements of this annual report.

CONVERTIBLE BONDS

Details of movements in the convertible bonds of the Company during the year are set out in note 32 to the consolidated financial statements of this annual report.

REPORT OF THE DIRECTORS

BANK LOANS AND OTHER BORROWINGS

The total borrowings of the Group as at 31 December 2011 amounted to approximately HK\$37,444,000 (2010: approximately HK\$209,893,000). Particulars of bank loans and other borrowings are set out in note 31 to the consolidated financial statements of this annual report.

DIRECTORS

The Directors during the year ended 31 December 2011 and up to the date of this report were:

Executive Directors

Mr. Long Xiaobo (*Chairman*)
Mr. Zuo Weiqi (*Chief Executive Officer*) (appointed on 3 August 2011)
Mr. Chen Yi Chung (appointed on 27 July 2012)
Mr. Chai Xiaojun (retired on 30 June 2011)
Mr. Dong Jixu (retired on 30 June 2011)
Mr. Jia Xuelei (resigned on 1 October 2013)
Mr. Lam Chi Man (appointed on 28 March 2013 and was disqualified on 17 October 2013)
Mr. Lin Jan (retired on 30 June 2011)
Mr. Ng Ka Hong (appointed on 4 January 2011 and resigned on 25 December 2012)
Mr. Wong Hiu Tung (resigned on 4 January 2011)
Mr. Wu Jun (resigned on 27 July 2012)
Mr. Xue Bing (retired on 30 June 2011)
Mr. Yip Chung Wai. David (resigned on 1 October 2013)

INEDs

Mr. Jin Shunxing (appointed on 3 August 2011)
Mr. Chiang Tsung-Nien (appointed on 19 January 2012)
Ms. Liu Shuang (appointed on 28 April 2014)
Ms. Chan Wing (appointed on 7 March 2011 and retired on 30 June 2011)
Mr. Cheung Kwok Yu (resigned on 4 January 2011)
Mr. Ding Yongshun (retired on 30 June 2011)
Mr. Ng Ka Chung (appointed on 4 January 2011 and resigned on 27 January 2011)
Mr. Xiong Wei (retired on 30 June 2011)
Dr. Zhu Jing (appointed on 19 January 2012 and resigned on 1 April 2014)

In accordance with the Articles of Association, Chairman of the Board is not subject to rotation at the AGM.

In accordance with the Articles of Association, all the current INEDs, and the two Executive Directors, Mr. Chen Yi Chung and Mr. Zuo Weiqi who were appointed as Directors after the last AGM are subject to retirement as Directors at the forthcoming AGM but, being eligible, will offer themselves for re-election.

Mr. Jin Shunxing, Mr. Chiang Tsung-Nien and Ms. Liu Shuang are the current INEDs and were appointed for a one-year term expiring on 29 January 2016.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of Directors as at the date of this report are set out on pages 10 to 11 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the INEDs has confirmed their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs to be independent in accordance with the Listing Rules.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

No Director proposed for re-election at the forthcoming AGM has a services contract with the Company which exceeds three years and is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 31 the consolidated financial statement, no contract of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the year or at the end of the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SHARE OPTIONS SCHEME

Due to the loss of most of the important records of the Company which occurred on 21 June 2013, and which was announced by the Company on 1 November 2013, the Board was unable to ascertain the information in relation to the share option scheme. However, based on the published 2010 annual report and 2011 interim report of the Company, the following disclosure has been made.

REPORT OF THE DIRECTORS

Pursuant to an ordinary resolution passed at an EGM held on 20 December 2001, the share option scheme adopted by the Company on 28 November 2000 (“Old Scheme”) was terminated and another share option scheme (“New Scheme”) was adopted. Upon termination of the Old Scheme, no further options can be granted thereunder but in all other respects, the provisions of the Old Scheme remain in force and all share options granted prior to such termination continue to be valid and exercisable in accordance therewith. The exercisable period of the share options granted is determined by the Directors, and commences after a certain vesting period, if any, and ends on a date which is not later than 10 years from the date of the offer. The share options which are granted and remain unexercised immediately prior to the end of the expiry date of the New Scheme shall continue to be exercisable in accordance with their terms of grant, notwithstanding the expiry of the New Scheme.

The New Scheme was aimed at providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the New Scheme include the Company’s Directors, including the non-executive Directors and INEDs, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any minority shareholders of the Company’s subsidiaries and any other person or entity determined by the Directors as having contributed or may contribute to the development and growth of the Group.

The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. On 30 June 2011, share options could be granted under the New Scheme with the 10% general limit refreshed and approved by the shareholders in a general meeting. No general meeting has been held since then.

The maximum number of shares issued and to be issued upon exercise of the share options granted to each eligible participant under the New Scheme in any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to Shareholders’ approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval by the INEDs. In addition, any share options granted to a substantial shareholder or an INED, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company’s shares at the date of the grant) in excess of HK\$5 million, in any 12-month period, are subject to Shareholders’ approval in a general meeting.

The offer of a grant of share options shall be deemed to be accepted when the acceptance letter is duly signed by the grantee and the nominal consideration for the grant of HK\$1 is received by the Company within 28 days from the date of the offer.

The exercise price of the share option is determined by the Directors, but shall not be less than the highest of (i) the closing price of the Company’s shares as stated in the daily quotations sheet of Stock Exchange on the date of the offer of the grant, which must be a trading day; (ii) the average closing price of the Company’s shares as stated in the Stock Exchange’s daily quotations sheet for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company’s shares.

REPORT OF THE DIRECTORS

As at 31 December 2011, there were no outstanding share options which were granted under the Old Scheme. For the year ended 31 December 2011, no share options were granted and exercised under the New Scheme. Details of the share options outstanding as at 31 December 2011 which have been granted under the New Scheme are as follows:

Participant	Date of grant	Original exercise price HK\$	Number of share options			Company Share Price		
			1 January 2011 HK\$	Granted during the year	Lapsed during the year	31 December 2011 HK\$	At date of grant HK\$	At date of exercise
Suppliers of goods or services, customers and others								
In aggregate	7 July 2009 ⁽¹⁾	0.44	10,000,985	-	-	10,000,985	0.44	N/A
	25 February 2010 ⁽¹⁾	0.349	262,078,130	-	-	262,078,130	0.349	N/A
Share options granted under the New Scheme			272,079,115	-	-	272,079,115		

Notes:

- (1) The exercisable period of the above share options is 3 years from the date of grant as determined by the Directors. The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange's closing price on the trading day immediately prior to the date of grant of the share options.

Summary of details of the Company's share option schemes are also set out in note 37 to the consolidated financial statements of this annual report.

The fair value of share options granted is recognised in consolidated profit and loss account taking into account the probability that the options will vest over the vesting period. Upon the exercise of the options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapsed, if any, prior to their exercise date are deleted from the outstanding options.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Brief summary of the remuneration policy of the Group are set out in page 19 of this annual report. Details of the Directors' fee and remuneration of the Directors and the emoluments of the five highest paid individuals during the year are set out in notes 15 to the consolidated financial statements of this annual report.

PENSION SCHEMES

Details of the pension schemes are set out in note 15 to the consolidated financial statements of this annual report.

REPORT OF THE DIRECTORS

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

As at 31 December 2011, the interests and short positions of the Directors and chief executive of the Company and their respective associates in the shares or underlying shares or, as the case may be, the equity interest and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, were as follows:

Name of Director	Name of Group member/associated corporation	Capacity	Number of ordinary shares (Note 1)	Approximate percentage of shareholding
Mr. Long Xiaobo ("Mr. Long")	The Company	Interest of controlled corporation (Note 2)	762,022,000 Ordinary shares (L)	14.56%

Notes:

1. The letter "L" denotes long position in the shares of the Company or the relevant associated corporation.
2. These 762,022,000 Shares were held through Star Sino International Limited which is wholly owned by Mr. Long, the Chairman and an Executive Director of the Company. Pursuant to the convertible bonds instrument dated 31 March 2010, the suspension of trading in the Company's shares on the Stock Exchange at the request of the Company since 29 June 2011 has triggered the Company's obligation to make an early redemption for all the then outstanding convertible bonds. No such redemption has been implemented and the convertible bonds have expired on 11 August 2011, representing debts due and payable to the bondholders on the aforementioned date. As a result, as at 31 December 2011, the convertible bonds held by the bondholders has been reclassified as current liabilities. The discrepancy of Mr. Long's long position from year 2010 to 2011 under this disclosure requirement was due to the reclassification of his holding from an interest in the underlying shares of the convertible bonds to that of a loan.

Save as disclosed above, as at 31 December 2011, none of the Directors, chief executives of the Company, nor their associates, had any interest or short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year was the Company, any of its subsidiaries, its holding company or a subsidiary of its holding company a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive (including their spouse and children under 18 years of age) had an interest in, or been granted any rights to subscribe for the securities of the Company and its associated corporations (within the meaning of the SFO), or had exercised any such right.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2011, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company, as recorded in the register maintained by the Company pursuant to section 336 of the SFO:

Name of shareholder	Number of ordinary shares (Note 1)	Approximate percentage of shareholding
Star Sino International Limited (Note 2)	762,022,000 (L)	14.56%

Notes

1. The letter "L" denotes long position in the shares or the Company or the relevant associated corporation.
2. These 762,022,000 Shares were held through Star Sino International Limited which is wholly owned by Mr. Long, the Chairman and an Executive Director of the Company. Pursuant to the convertible bonds instrument date 31 March 2010 the suspension of trading in the Company's shares on the Stock Exchange at the request of the Company since 29 June 2011 has triggered the Company's obligation to make an early redemption for all the then outstanding convertible bonds. No such redemption has been implemented and the convertible bonds have expired on 11 August 2011, representing debts due and payable to the bondholders on the aforementioned date. As a result, as at 31 December 2011, the convertible bonds held by the bondholders has been reclassified as current liabilities. The discrepancy of Mr. Long's long position from year 2010 to 2011 under this disclosure requirement was due to the reclassification of his holding from an interest in the underlying shares of the convertible bonds to that of a loan.
3. Saved as disclosed above, due to the reclassification, Double Chance Investments Limited is no longer the substantial shareholder of the Company and is not obliged to make disclosure.

Save as disclosed and in the section of "Directors' and Chief Executive's Interests in Shares of the Company" above, the Company has not been notified of any other relevant interest or short positions held by any other person in the shares or underlying shares of the Company as recorded in the register to be kept pursuant to section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands where the Company was incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

REPORT OF THE DIRECTORS

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or their respective associates had, either directly or indirectly, an interest in a business which causes or may cause any significant competition with the businesses of the Group during the year.

SUBSEQUENT EVENTS

The material subsequent events are disclosed in note 45 to the audited consolidated financial statements in this annual report.

REVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee has reviewed with the management of the Group and the independent external auditor, ZHONGHUI ANDA, the accounting principles and policies as adopted by the Company, the practices of the Group and the audited consolidated financial statements for the year ended 31 December 2011.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 12 to 23 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued share capital throughout the year ended 31 December 2011 and as at the date of this annual report.

REPORT OF THE DIRECTORS

AUDITORS

Hopkins CPA Limited was appointed as auditors of the Group on 21 November 2008 for conducting the audit works of the Group for the years ended 31 December 2009 and 2010, and they resigned as auditors of the Group on 7 January 2011.

Parker Randall CF (H.K.) CPA Limited was appointed as auditors of the Group on 7 January 2011 for conducting the audit works of the Group for the years ended 31 December 2010 and 2011, and they resigned as auditors of the Group on 11 August 2013.

Ting Ho Kwan & Chan CPA Limited was appointed as auditors of the Group on 14 August 2013 for conducting the audit works of the Group for the year ended 31 December 2011, and they resigned as auditors of the Group on 10 October 2014.

ZHONGHUI ANDA was appointed as auditors of the Group on 10 October 2014 for conducting the audit works of the Group for the years ended 31 December 2011, 2012, 2013 and 2014.

ZHONGHUI ANDA shall retire in the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of ZHONGHUI ANDA as auditors of the Group will be proposed at the forthcoming AGM.

On behalf of the Board

Long Xiaobo

Chairman

Hong Kong, 9 February 2015

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF CHINA BILLION RESOURCES LIMITED

*(Formerly known as Global Green Tech Group Limited)
(Incorporated in the Cayman Islands with limited liability)*

We were engaged to audit the consolidated financial statements of China Billion Resources Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 106, which comprise the consolidated statement of financial position as at 31 December 2011, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matters as described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

1) Opening balances and corresponding figures

The consolidated financial statements of the Group for the year ended 31 December 2010 which form the basis for the corresponding figures presented in the current year's consolidated financial statements were not audited by us. There were no satisfactory audit procedures for us to ascertain the existence, accuracy, presentation and completeness of the opening balances and corresponding figures shown in the current year's consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR DISCLAIMER OF OPINION (continued)

2) Retrospective restatements

The consolidated financial statements for the year ended 31 December 2010 were retrospectively restated. However, the consolidated financial statements for the year ended 31 December 2011 do not include the consolidated statement of financial position as at 1 January 2010 which is required by Hong Kong Accounting Standard 1 (Revised) "Presentation of Financial Statements".

3) 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 2011 as follows:

	HK\$'000
Cost of sales and services rendered	22,383
Other income and gains	1,348
Administrative expenses	49,395
Finance costs	1,519
Income tax expense	26,873
Profit for the year from discontinued operations	256,446
Exchange differences on translating foreign operations	76,416
Exchange reserve released upon disposal of subsidiaries	208,602

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 comprehensive income for the year ended 31 December 2011 and that these items are properly disclosed in the consolidated financial statements.

4) Impairment loss on goodwill

No sufficient evidence has been received by us up to the date of this report in respect of whether the impairment loss on goodwill of approximately HK\$322,458,000 were properly accounted for in the consolidated financial statements for the year ended 31 December 2011.

5) Impairment loss on trade and other receivables

No sufficient evidence has been received by us up to the date of this report in respect of whether the impairment loss on trade and other receivables of approximately HK\$294,436,000 were properly accounted for in the consolidated financial statements for the year ended 31 December 2011.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR DISCLAIMER OF OPINION (continued)

6) Loss from discontinued operations and gain on disposal of subsidiaries

As described in notes 13 and 38 to the consolidated financial statements, certain subsidiaries of the Company were disposed of by the Group during the year. No sufficient evidence has been provided to satisfy ourselves as to the loss for the year from discontinued operations of approximately HK\$45,046,000 and the gain on disposal of subsidiaries of approximately HK\$301,492,000 for the year ended 31 December 2011 as disclosed in notes 13 and 38 to the consolidated financial statements respectively.

7) Property, plant and equipment

No sufficient evidence has been provided to satisfy ourselves as to the appropriateness of making impairment loss on property, plant and equipment of approximately HK\$455,341,000 in the consolidated statement of comprehensive income for the year ended 31 December 2011 and the carrying amount of property, plant and equipment of approximately HK\$76,114,000 as included in the property, plant and equipment of approximately HK\$96,293,000 in the consolidated statement of financial position as at 31 December 2011.

8) Intangible assets

No sufficient evidence has been provided to satisfy ourselves as to the carrying amount of intangible assets of approximately HK\$1,547,277,000 in the consolidated statement of financial position as at 31 December 2011.

9) Inventories

We were initially appointed as auditor of the Company subsequent to the end of the reporting period. As a result, we were unable to attend the physical count of the Group's inventories as at 31 December 2011. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the existence, quantities, conditions and valuation of the inventories of approximately HK\$7,008,000 in the consolidated statement of financial position as at 31 December 2011.

10) Trade and other receivables

No sufficient evidence has been provided to satisfy ourselves as to the carrying amount of the trade and other receivables of approximately HK\$7,842,000 as included in the trade and other receivables of approximately HK\$15,362,000 in the consolidated statement of financial position as at 31 December 2011.

11) Bank and cash balances

No sufficient evidence has been provided to satisfy ourselves as to the bank and cash balances of approximately HK\$3,285,000 as included in the bank and cash balances of approximately HK\$18,946,000 in the consolidated statement of financial position as at 31 December 2011.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR DISCLAIMER OF OPINION (continued)

12) Trade and other payables

No sufficient evidence has been provided to satisfy ourselves as to the carrying amount of the trade and other payables of approximately HK\$30,907,000 as included in the trade and other payables of approximately HK\$61,053,000 in the consolidated statement of financial position as at 31 December 2011.

13) Borrowings

No sufficient evidence has been provided to satisfy ourselves as to the carrying amount of the borrowings of approximately HK\$32,114,000 as included in the borrowings of approximately HK\$37,444,000 in the consolidated statement of financial position as at 31 December 2011.

14) Deferred tax liabilities

No sufficient evidence has been provided to satisfy ourselves as to the deferred tax expense of approximately HK\$26,873,000 for the year ended 31 December 2011 and the deferred tax liabilities of approximately HK\$344,543,000 in the consolidated statement of financial position as at 31 December 2011.

15) 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 2011.

16) 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 2011 and the balances as at that date as required by Hong Kong Accounting Standard 24 (Revised) "Related Party Disclosures".

17) 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 segment, turnover, other income and gains, finance costs, income tax expense/credit, loss for the year, Directors' and five highest paid individual remuneration, the movement of property, plant and equipment, the movement of prepaid land lease payments, the movement of investment properties, the movement of intangible assets, inventories, trade and other receivables, trade and other payables, borrowings and share-based payments as disclosed in notes 8, 9, 10, 11, 12, 14, 15, 18, 19, 20, 22, 26, 27, 30, 31 and 37 to the consolidated financial statements respectively.

Any adjustments to the figures as described from points 1 to 17 above might have a significant consequential effect on the Group's results and cash flows for the two years ended 31 December 2011 and 2010 and the financial positions of the Group as at 31 December 2011 and 2010, and the related disclosures thereof in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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 basis for disclaimer of opinion paragraphs and the 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 2011 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.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Ng Ka Lok

Practising Certificate Number P06084

Hong Kong, 9 February 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

		2011	As restated 2010
	Notes	HK\$'000	HK\$'000
Continuing operations			
Turnover	9	172,519	108,726
Cost of sales and services rendered		(141,918)	(78,885)
Gross profit		30,601	29,841
Other income and gains	10	1,353	1,578
Selling and distribution expenses		(25,904)	(30,392)
Administrative expenses		(66,406)	(83,768)
Impairment loss on goodwill		(322,458)	(184,074)
Impairment loss on property, plant and equipment		(455,341)	(1,396)
Impairment loss on trade and other receivables		(294,436)	(11,639)
Loss from operations		(1,132,591)	(279,850)
Finance costs	11	(75,732)	(45,661)
Loss before tax		(1,208,323)	(325,511)
Income tax (expense)/credit	12	(27,141)	1,035
Loss for the year from continuing operations		(1,235,464)	(324,476)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	13	256,446	(1,448,413)
Loss for the year	14	(979,018)	(1,772,889)
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		76,416	90,744
Exchange reserve released upon disposal of subsidiaries		(208,602)	–
Other comprehensive income for the year, net of tax		(132,186)	90,744
Total comprehensive income for the year		(1,111,204)	(1,682,145)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

		2011	As restated 2010
	Notes	HK\$'000	HK\$'000
Profit/(Loss) for the year attributable to:			
Owners of the Company			
– Continuing operations		(1,176,046)	(323,578)
– Discontinued operations		244,728	(1,413,343)
Loss attributable to owners of the Company	16	(931,318)	(1,736,921)
Non-controlling interests			
– Continuing operations		(59,418)	(898)
– Discontinued operations		11,718	(35,070)
Loss attributable to non-controlling interests		(47,700)	(35,968)
		(979,018)	(1,772,889)
Total comprehensive income for the year attributable to:			
Owners of the Company		(1,082,461)	(1,649,052)
Non-controlling interests		(28,743)	(33,093)
		(1,111,204)	(1,682,145)
Loss per share (HK cents)			
From continuing and discontinued operations			
Basic	17(a)	(18.02)	(46.75)
Diluted	17(a)	N/A	N/A
From continuing operations			
Basic	17(b)	(22.76)	(8.71)
Diluted	17(b)	N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

		2011	As restated 2010
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	18	96,293	713,843
Prepaid land lease payments	19	–	9,895
Investment properties	20	–	34,948
Goodwill	21	–	322,458
Intangible assets	22	1,547,277	1,430,839
Deposits for property, plant and equipment	24	–	71,000
Other deposits and club debenture	25	–	350
		1,643,570	2,583,333
Current assets			
Prepaid land lease payments	19	–	331
Inventories	26	7,008	51,166
Trade and other receivables	27	15,362	89,681
Financial assets at fair value through profit or loss	28	–	3,688
Current tax assets		–	727
Bank and cash balances	29	18,946	78,396
		41,316	223,989
Assets of disposal group classified as held for sale		–	150,240
		41,316	374,229
Current liabilities			
Trade and other payables	30	61,053	75,998
Borrowings	31	37,444	209,893
Convertible bonds	32	290,191	–
		388,688	285,891
Liabilities of disposal group classified as held for sale		–	90,240
		388,688	376,131

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	Notes	2011 HK\$'000	As restated 2010 HK\$'000
Net current liabilities		(347,372)	(1,902)
Total assets less current liabilities		1,296,198	2,581,431
Non-current liabilities			
Convertible bonds	32	–	328,820
Deferred tax liabilities	33	344,543	302,191
		344,543	631,011
NET ASSETS		951,655	1,950,420
Capital and reserves			
Share capital	35	523,530	487,530
Reserves	36	241,814	1,247,836
Equity attributable to owners of the Company		765,344	1,735,366
Non-controlling interests		186,311	215,054
TOTAL EQUITY		951,655	1,950,420

The consolidated financial statements on pages 39 to 106 were approved and authorised for issue by the board of Directors on 9 February 2015 and are signed on its behalf by:

Approved by:

Long Xiaobo
Director

Chen Yi Chung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Attributable to owners of the Company											
	Share capital	Share premium*	Capital reserve*	Capital redemption reserve*	Share-based payment reserve*	Statutory reserve*	Foreign currency translation reserve*	Convertible bond reserve*	Retained profits/(accumulated losses)*	Total	Non-Controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010	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	-	-	-	-	-	(18,693)	-	-	18,693	-	-	-
Total comprehensive income for the year, as restated	-	-	-	-	-	-	87,869	-	(1,736,921)	(1,649,052)	(33,093)	(1,682,145)
Issue of shares	76,202	201,936	-	-	-	-	-	-	-	278,138	-	278,138
Acquisition of subsidiaries, as restated	-	-	-	-	-	-	-	-	-	-	191,540	191,540
Issue of convertible bonds	-	-	-	-	-	-	-	277,526	-	277,526	-	277,526
Issue of shares on placement	34,000	5,783	-	-	-	-	-	-	-	39,783	-	39,783
Exercise of convertible bonds	115,250	345,750	-	-	-	-	-	(128,818)	-	332,182	-	332,182
Share-based payments	-	-	-	-	23,851	-	-	-	-	23,851	-	23,851
Changes in equity for the year, as restated	225,452	553,469	-	-	23,851	(18,693)	87,869	148,708	(1,718,228)	(697,572)	158,447	(539,125)
At 31 December 2010, as restated	487,530	1,976,007	166,159	300	25,101	91,428	192,221	148,708	(1,352,088)	1,735,366	215,054	1,950,420
At 1 January 2011, as restated	487,530	1,976,007	166,159	300	25,101	91,428	192,221	148,708	(1,352,088)	1,735,366	215,054	1,950,420
Transfer to retained profits	-	-	(166,159)	-	-	(91,428)	-	-	257,587	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	(151,143)	-	(931,318)	(1,082,461)	(28,743)	(1,111,204)
Exercise of convertible bonds	36,000	125,758	-	-	-	-	-	(49,319)	-	112,439	-	112,439
Changes in equity for the year	36,000	125,758	(166,159)	-	-	(91,428)	(151,143)	(49,319)	(673,731)	(970,022)	(28,743)	(998,765)
At 31 December 2011	523,530	2,101,765	-	300	25,101	-	41,078	99,389	(2,025,819)	765,344	186,311	951,655

* These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 HK\$'000	As restated 2010 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(951,877)	(1,773,924)
Adjustments for:		
Finance costs	84,376	56,396
Interest income	(5)	(1,024)
Depreciation	5,452	98,439
Amortisation of intangible assets	1,209	4,161
Amortisation of prepaid land lease payments	168	3,248
Provision for loss on re-measurement to fair value less estimated cost to sell in respect of disposal group held for sale	–	80,690
Write-down of inventories	–	490
Loss on disposals of property, plant and equipment	70,958	–
Fair value gain on investment properties	–	(873)
Gain on disposal of discontinued operations	(301,492)	–
Impairment loss on property, plant and equipment	455,341	319,932
Impairment loss on goodwill	322,458	773,782
Impairment loss on prepaid land lease payments	14,422	63,964
Impairment loss on intangible assets	–	12,940
Impairment loss on trade and other receivables	294,436	102,562
Impairment loss on deposit for acquisition of property, plant and equipment	–	222,475
Operating loss before working capital changes	(4,554)	(36,742)
Decrease in financial assets at fair value through profit or loss	–	16,178
Decrease/(Increase) in inventories	231	(16,844)
(Increase)/Decrease in trade and other receivables	(675,053)	53,825
Decrease in prepaid lease payments for land under operating leases	–	39,449
Increase in trade and other payables	787,758	65,048
Cash generated from operations	108,382	120,914
Income tax paid	(481)	(5)
Interest paid	–	(232)
Net cash generated from operating activities	107,901	120,677

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 HK\$'000	As restated 2010 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries	–	2,724
Disposal of subsidiaries	20,903	–
Interest received	5	–
Purchases of property, plant and equipment	(6,371)	(30,623)
Deposits paid for acquisition of property, plant and equipment	–	(14,352)
Net cash generated from/(used in) investing activities	14,537	(42,251)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(147,985)	(215,308)
Bank loans raised	–	196,965
Proceeds from share placing	–	39,783
Other borrowing costs paid	(10,566)	(54,309)
Net cash flows used in financing activities	(158,551)	(32,869)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(36,113)	45,557
Effect of foreign exchange rate changes	(29,159)	3,147
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	84,218	35,514
CASH AND CASH EQUIVALENTS AT END OF YEAR	18,946	84,218
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	18,946	84,218

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hctchins 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 (the "Stock Exchange") and have been suspended for trading since 29 June 2011.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 23 to the consolidated financial statements.

2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK\$931,318,000 for the year ended 31 December 2011 and as at 31 December 2011 the Group had net current liabilities of approximately HK\$347,372,000. 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.

As disclosed in note 32 to the consolidated financial statements, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

3. RETROSPECTIVE RESTATEMENTS

There were retrospective restatements in the consolidated financial statements for the year ended 31 December 2010 as follows:

- (a) Omission in calculating the deferred taxation liabilities of approximately HK\$302,125,000 on the fair value adjustment of the mining right acquired on a business combination and a corresponding understatement of goodwill. Such goodwill arising from the business combination was considered to have been fully impaired upon the acquisition of the business;
- (b) Overstatement of prepaid lease payments for land under operating leases of approximately HK\$918,000 and a corresponding understatement of intangible assets due to wrong accounting classification;
- (c) Understatement of mining right of approximately HK\$76,493,000 and a corresponding overstatement of administrative expenses of approximately HK\$8,165,000 due to misapplication of accounting treatment;
- (d) Overstatement of goodwill of approximately HK\$186,138,000 and a corresponding understatement of impairment on goodwill due to incorrect assessment for impairment;
- (e) Understatement of loan borrowings due to other entities and a corresponding overstatement of other payable of approximately HK\$58,761,000 due to wrong accounting reclassification;
- (f) Understatement of finance costs and a corresponding understatement of accruals of approximately HK\$2,087,000 due to omission of accrued loan interest;
- (g) Understatement of receipt in advance of approximately HK\$6,504,000 and a corresponding overstatement of sale due to calculation errors; and
- (h) Understatement of depreciation for property, plant and equipment of approximately HK\$97,000.

Accordingly, retrospective restatements have been made by restating the comparative information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

3. RETROSPECTIVE RESTATEMENTS (continued)

The financial impact of the adjustments described above resulted in an increase in consolidated accumulated losses at 31 December 2010 by approximately HK\$369,050,000 and on the results and financial position are as follows:

The financial effects of the restatements on the consolidated statement of comprehensive income for the year ended 31 December 2010:

	For the year ended 31.12.2010 HK\$'000 (originally stated)	Prior year adjustments HK\$'000	Subtotal HK\$'000	Restatement of discontinued operations HK\$'000	For the year ended 31.12.2010 HK\$'000 (restated)
For continuing operation:					
Turnover (note g)	331,099	(6,504)	324,595	(215,869)	108,726
Cost of sales and services rendered	(262,163)	–	(262,163)	183,278	(78,885)
Other income and gains	44,885	–	44,885	(43,307)	1,578
Selling and distribution expenses	(41,517)	–	(41,517)	11,125	(30,392)
Impairment loss on goodwill (notes a and d)	(403,570)	(370,212)	(773,782)	589,708	(184,074)
Impairment loss on property, plant and equipment	(1,396)	–	(1,396)	–	(1,396)
Impairment loss on trade and other receivables	(98,888)	–	(98,888)	87,249	(11,639)
Impairment loss on intangible assets	(12,940)	–	(12,940)	12,940	–
Impairment loss on deposits for property, plant and equipment	(222,475)	–	(222,475)	222,475	–
Administrative expenses (notes c and h)	(170,233)	8,068	(162,165)	78,397	(83,768)
Finance costs (note f)	(50,253)	(2,087)	(52,340)	6,679	(45,661)
Income tax (expense)/credit (note a)	(5)	1,040	1,035	–	1,035
Loss for the year from discontinued operations	(515,738)	–	(515,738)	(932,675)	(1,448,413)
Loss for the year:	(1,403,194)	(369,695)	(1,772,889)	–	(1,772,889)
Consolidated statement of comprehensive income for the year ended 31 December 2010					
Total comprehensive income for the year	(1,312,450)	(369,695)	(1,682,145)	–	(1,682,145)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

3. RETROSPECTIVE RESTATEMENTS (continued)

The financial effects of the restatements on the Group's basic loss for the continuing and discontinued operations per share for the year ended 31 December 2010:

Impact on basic loss per share

	HK cents
Reported figure before adjustments	(36.82)
Prior years adjustments	(9.93)
Restated	(46.75)

The financial effects on the restatements on the consolidated statement of financial position as at 31 December 2010:

	As at 31.12.2010 HK\$'000 (originally stated)	Prior year adjustments HK\$'000	As at 31.12.2010 HK\$'000 (restated)
Effect on non-current assets:			
Property, plant and equipment (note h)	713,940	(97)	713,843
Prepaid land lease payment (note b)	9,907	(12)	9,895
Goodwill (note d)	508,596	(186,138)	322,458
Intangible assets (notes b and c)	1,345,263	85,576	1,430,839
Effect on current assets:			
Prepaid land lease payments (note b)	1,237	(906)	331
Effect on current liabilities:			
Trade and other payables (notes e, f and g)	(126,168)	50,170	(75,998)
Borrowings (note e)	(151,132)	(58,761)	(209,893)
Effect on non-current liabilities:			
Deferred tax liabilities (note a)	(1,106)	(301,085)	(302,191)
Effect on equity:			
Reserves	(1,616,886)	369,050	(1,247,836)
Non-controlling interests	(257,257)	42,203	(215,054)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

4. 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 2011. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards; 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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, investments which are carried at their fair values. These consolidated financial statements are presented in Hong Kong dollars (HK\$) and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 6 to these consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation (continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination and goodwill (continued)

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in HK\$, which is the Company's functional and presentation currency.

(b) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in consolidated profit or loss during the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	20%
Leasehold improvements	20%-50%
Plant and machinery	20%
Furniture, fixtures and equipment	15%-25%
Motor vehicles	10%

Depreciation of mining infrastructure is calculated using the Units of Production ("UOP") method to write off the cost of the assets proportionately to the extraction of the proved and probable mineral reserves.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in consolidated profit or loss.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less any impairment losses. Depreciation begins when the relevant assets are available for use.

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in consolidated profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in consolidated profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Stripping costs

Stripping costs incurred in the development of a mine before production commences are capitalised as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a UOP basis.

Stripping costs incurred subsequently during the production phase of its operation are deferred for those operations where this is the most appropriate basis for matching the cost against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in stripping costs over the life of the mine. The amount of stripping costs deferred is based on the strip ratio obtained by dividing the tonnage of waste mined by the quantity of minerals contained in the ore. Stripping costs incurred in the period are deferred to the extent that the current period ratio exceeds the life of the mine strip ratio. Such deferred costs are then charged to profit or loss to the extent that, in subsequent periods, the current period ratio falls short of the life of mine ratio. The life of mine ratio is based on economically recoverable reserves of the mine. Changes are accounted for prospectively, from the date of the change.

Deferred stripping costs are included as part of "Mining infrastructure". These form part of the total investment in the relevant cash generating units, which are reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Mining rights include the cost of acquiring mining licenses, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are 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 UOP method. Mining rights are written off to profit or loss if the mining property is abandoned.

Licenses

Licences comprise licence rights acquired from independent third parties to exploit technical knowhow for the manufacture of certain biotechnology products with medical applications. The underlying products relating to the licences acquired have been put into commercial production. Amortisation on the cost of licences has been provided on a straight-line basis over their estimated useful lives to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Operating leases

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Club membership

Club membership with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the club membership has suffered an impairment loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in consolidated profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in consolidated profit or loss.

Investments are classified as financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in consolidated profit or loss.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount of the receivables and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in consolidated profit or loss.

Impairment losses are reversed in subsequent periods and recognised in consolidated profit or loss when an increase in the recoverable amount of the receivables can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as convertible bond reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

- (a) Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.
- (b) Service income is recognised when the services are provided.
- (c) Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (“MPF Scheme”) in Hong Kong under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to consolidated profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the People’s Republic of China (the “PRC”). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to consolidated profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Share-based payments

The Group issues equity-settled share-based payments to certain employees (including Directors). Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in the consolidated profit or loss in the period in which they are incurred.

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in consolidated profit or loss over the period to match them with the costs they are intended to compensate.

Discontinued operations

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises:

- The post-tax profit or loss of the discontinued operation; and
- The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in consolidated profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in consolidated profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.

- (b) An entity is related to the Group (reporting entity) if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business in different geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investment properties, investments, deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the Group's accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) *Going concern basis*

These 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 to the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. Details are explained in note 2 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) *Property, plant and equipment and depreciation*

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) *Income taxes*

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2011 was nil (2010: approximately HK\$322,458,000). More details are given in note 21.

(d) *Impairment of receivables, deposits and prepayments*

Impairment of receivables, deposits, and prepayments is made based on an assessment of the recoverability of receivables, deposits and prepayments. The assessment of impairment of receivables, deposits and prepayments involves the use of estimates and judgments. An estimate for doubtful debts is made when collection of the full amount is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying amount of receivables, deposits and prepayments and thus the impairment loss in the period in which such estimate is changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(e) *Write-down of inventories*

The Group determines the write-down for obsolescence of inventories with reference to aged inventory analyses and projections of expected future saleability of goods. Based on this review, write-down of inventories will be made when the carrying amounts of inventories are lower than their estimated net realisable values. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

(f) *Amortisation of intangible assets*

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation. The Group reassesses the useful life of the intangible assets and if the expectation differs from the original estimate, such a difference may impact the amortisation in the year and the estimate will be changed in the future period.

(g) *Mine reserves*

Mining rights and mining development assets are amortised over the estimated useful lives of the mines in accordance with the production plans of the entities concerned and the mineral resources and reserves of the mines using the UOP method.

The process of estimating the quantities of the Group's gold reserve and resources is inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting mineral prices and costs change. Changes in reported reserves and resources estimated can impact the carrying value of intangible asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amount of the cash and bank balances and trade and other receivables included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise credit risk, the Directors review the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

(c) Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of its own funding sources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Interest rate risk

The Group's borrowings bear interests at fixed interest rates and therefore are subject to fair value interest rate risks. Except as stated above, the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

(e) Categories of financial instruments

	2011 HK\$'000	2010 HK\$'000
Financial assets:		
Financial assets at fair value through profit or loss		
Equity securities listed in Hong Kong, at fair value	–	3,688
Loans and receivables		
Trade and other receivables	15,362	95,194
Bank and cash balances	18,946	84,218
	34,308	179,412
Financial liabilities:		
Financial liabilities at amortised cost		
Trade and other payables	61,053	120,404
Borrowings	37,444	255,727
Convertible bonds	290,191	328,820
	388,688	704,951

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

8. SEGMENT INFORMATION

The Group has three reportable segments as follows:

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

Cosmetics and skincare products segment – provision of beauty treatment services and manufacture and trading of cosmetics and skincare products to authorised distributors and retailers in the general consumer market (including discontinued operations); and

Household and industrial products segment – manufacture of household and industrial products to manufacturers, traders, wholesalers and retailers in the general consumer market (discontinued operations).

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 5 to the consolidated financial statements. Segment profits or losses do not include gains or losses from investments and derivative instruments. Segment assets do not include investments and derivative instruments. 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 (Including discontinued operations) HK\$'000	Household and industrial products (Discontinued operations) HK\$'000	Total HK\$'000
For the year ended 31 December 2011				
Revenue from external customers	2,375	176,185	95,757	274,317
Segment loss	(68,332)	(34,251)	(28,176)	(130,759)
Depreciation	3,503	1,453	473	5,429
Income tax (expense)/credit	(27,699)	36	–	(27,663)
Additions to segment non-current assets	5,357	771	–	6,128
As at 31 December 2011				
Segment assets	1,605,499	35,227	–	1,640,726
Segment liabilities	380,616	47,169	–	427,785

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

8. SEGMENT INFORMATION (continued)

	Mining products HK\$'000	Cosmetics and skincare products (Including discontinued operations) HK\$'000	Household and industrial products (Discontinued operation) HK\$'000	Total HK\$'000
For the year ended 31 December 2010				
Revenue from external customers	3,792	122,077	215,870	341,739
Segment loss	(39,147)	(600,081)	(546,400)	(1,185,628)
Depreciation	778	49,224	45,790	95,792
As at 31 December 2010				
Segment assets	1,531,696	309,234	1,027,272	2,868,202
Segment liabilities	346,280	116,972	215,070	678,322

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

8. SEGMENT INFORMATION (continued)

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

	2011 HK\$'000	2010 HK\$'000
Revenue		
Total revenue of reportable segments	274,317	341,739
Elimination of discontinued operations	(101,798)	(233,013)
Consolidated revenue from continuing operations	172,519	108,726
Profit or loss		
Total profit or loss of reportable segments	(130,759)	(1,185,628)
Impairment of goodwill	(322,458)	(184,074)
Impairment loss on property, plant and equipment	(453,655)	(1,396)
Impairment loss on trade and other receivables	(294,436)	(11,639)
Other profit or loss	(79,202)	(390,152)
Elimination of discontinued operations	45,046	1,448,413
Consolidated loss for the year from continuing operations	(1,235,464)	(324,476)
Assets		
Total assets of reportable segments	1,640,726	2,868,202
Other assets	44,160	89,360
Consolidated total assets	1,684,886	2,957,562
Liabilities		
Total liabilities of reportable segments	427,785	678,322
Convertible bonds	290,191	328,820
Other liabilities	15,255	–
Consolidated total liabilities	733,231	1,007,142

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

8. SEGMENT INFORMATION (continued)

Geographical information:

(a) Revenue from external customers

	2011 HK\$'000	2010 HK\$'000
Hong Kong	170,144	104,934
PRC	2,375	3,792
	172,519	108,726

(b) Non-current assets

	2011 HK\$'000	2010 HK\$'000
Hong Kong	2,008	322,808
PRC	1,641,562	2,260,525
	1,643,570	2,583,333

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

9. TURNOVER

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

	2011 HK\$'000	2010 HK\$'000
Revenue		
Sales of goods:		
– Household and industrial products	95,757	215,870
– Cosmetics and skincare products	176,185	122,077
– Mining products	2,375	3,792
	274,317	341,739
Representing:		
Continuing operations	172,519	108,726
Discontinued operations	101,798	233,013
	274,317	341,739

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

10. OTHER INCOME AND GAINS

	2011 HK\$'000	2010 HK\$'000
Interest income	5	1,009
Rental income from operating leases	–	3
Valuation gain on financial assets at fair value through profit or loss	–	1,909
Net exchange gain	–	3,499
Others	17,774	56,114
	17,779	62,534
Representing:		
Continuing operations	1,353	1,578
Discontinued operations	16,426	60,956
	17,779	62,534

11. FINANCE COSTS

	2011 HK\$'000	2010 HK\$'000
Finance leases charges	–	1
Convertible bond interests	73,810	43,337
Bank loan interests	–	6,678
Other borrowings costs		
– Wholly repayable within five years	10,566	6,380
	84,376	56,396
Representing:		
Continuing operations	75,732	45,661
Discontinued operations	8,644	10,735
	84,376	56,396

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

12. INCOME TAX (EXPENSE)/CREDIT

	2011 HK\$'000	2010 HK\$'000
Current tax – Hong Kong Profits Tax		
– Under-provision in prior years	(245)	(5)
Current tax – PRC Enterprise Income Tax		
– Under-provision in prior years	(23)	–
Subtotal	(268)	(5)
Deferred tax (note 33)	(26,873)	1,040
	(27,141)	1,035
Representing:		
Continuing operations	(27,141)	1,035
Discontinued operations	–	–
	(27,141)	1,035

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year.

The applicable income tax rate for the subsidiaries of the Group in the PRC in the current year is 15% - 25% (2010: 15% - 25%).

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

	2011 HK\$'000	2010 HK\$'000
Loss before tax		
Continuing operations	(906,831)	(325,511)
Discontinued operations	(45,046)	(1,448,413)
	(951,877)	(1,773,924)
Tax at the domestic income tax rate	(157,060)	(292,698)
Tax effect of income that is not taxable	(1)	(66,705)
Tax effect of expenses that are not deductible	196	359,403
Tax effect of tax losses not recognised	156,865	–
Under-provision in prior years	268	5
Income tax expense	268	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

13. DISCONTINUED OPERATIONS

During the year, the Group entered into a debt restructuring agreement with third party lenders ("Lenders") to dispose of the Group's PRC household and industrial products manufacturing business ("Household and Industrial Products Business"). The disposal was completed on 26 May 2011 and the Group discontinued its Household and Industrial Products Business.

On 18 April, 2011, the Group entered into a sales and purchase agreement with a third party to dispose of the Group's PRC cosmetic products manufacturing business ("Cosmetic Products Business").

The profit/(loss) for the year from the discontinued operations is analysed as follows:

	2011 HK\$'000	2010 HK\$'000
Loss from discontinued operations	(45,046)	(1,448,413)
Gain on disposal of subsidiaries (note 38)	301,492	–
	256,446	(1,448,413)

The results of the discontinued operations for the period from 1 January 2011 to the completion date, which have been included in consolidated profit or loss, are as follows:

	Household and Industrial Products Business 2011 HK\$'000	Cosmetic Products Business 2011 HK\$'000	Total 2011 HK\$'000	Household and Industrial Products Business and Cosmetic Products Business Total 2010 HK\$'000
Turnover	95,757	6,041	101,798	233,013
Cost of sales and services rendered	(88,589)	(3,427)	(92,016)	(225,067)
Gross profit	7,168	2,614	9,782	7,946
Other income and gains	16,426	–	16,426	60,956
Selling and distribution expenses	(5,107)	(582)	(5,689)	(22,950)
Provision for loss on re-measurement to fair value less estimate cost to sell in respect of disposal group held for sale	–	–	–	(80,690)
Impairment loss on goodwill	–	–	–	(589,708)
Impairment loss on property, plant and equipment	–	–	–	(318,536)
Impairment loss on prepaid lease payments for land use rights	(14,422)	–	(14,422)	(63,964)
Impairment loss on intangible asset	–	–	–	(12,940)
Impairment loss on trade and other receivables	–	–	–	(90,923)
Impairment loss on deposits for property, plant and equipment	–	–	–	(222,475)
Administrative expenses	(24,176)	(18,323)	(42,499)	(104,394)
Loss from operations	(20,111)	(16,291)	(36,402)	(1,437,678)
Finance costs	(8,065)	(579)	(8,644)	(10,735)
Loss for the period/year	(28,176)	(16,870)	(45,046)	(1,448,413)

No tax charge or credit arose on loss on disposal of the discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

14. LOSS FOR THE YEAR

The Group's loss from continuing operations for the year is stated after charging the followings:

	2011 HK\$'000	2010 HK\$'000
Continuing operations:		
Auditor's remuneration	600	3,446
Amortisation of intangible assets	1,209	4,161
Cost of sales and services rendered*	141,918	78,885
Research and development expenditure	–	8
Write-down of inventories	–	490
Loss on disposal of property, plant and equipment	70,958	–
Depreciation	4,962	6,505
Operating lease charges	14,938	9,012
Staff costs including Directors' emoluments		
Salaries, bonus and allowances	31,245	33,173
Equity-settled share-based payments	–	23,851
Retirement benefits scheme contributions	2,077	2,550
	33,322	59,574

* Cost of sales and services rendered includes staff costs, depreciation and operating lease charges of approximately HK\$15,358,000 (2010: approximately HK\$16,411,000) which are included in the amounts disclosed separately above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

15. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION

The emoluments of each director were as follows:

For the year ended 31 December 2011

		Fees	Salaries and allowances	Discretionary bonus	Share-based payments	Retirement benefit scheme contributions	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive Directors:							
Mr. YIP Chung Wai	(i)	-	1,002	-	-	12	1,014
Mr. NG Ka Hong	(ii)	-	50	-	-	-	50
Mr. JIA Xuelei	(i)	-	186	-	-	10	196
Mr. LIN Jan	(iii)	-	467	-	-	9	476
Mr. CHAI Xiaojun	(iii)	-	356	-	-	9	365
Mr. DONG Jixu	(iii)	-	356	-	-	9	365
Mr. XUE Bing	(iii)	-	356	-	-	9	365
Mr. LONG Xiaobo		-	596	-	-	13	609
Mr. WU Jun	(iv)	-	359	-	-	10	369
Mr. ZUO Weiqi	(v)	-	245	-	-	4	249
Independent non-executive Directors:							
Ms. CHAN Wing	(vi)	40	-	-	-	-	40
Mr. DING Yongshun	(iii)	60	-	-	-	-	60
Mr. XIONG Wei	(iii)	60	-	-	-	-	60
Mr. JIN Shunxing	(v)	50	-	-	-	-	50
		210	3,973	-	-	85	4,268

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

15. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION (continued)

For the year ended 31 December 2010

		Fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonus HK\$'000	Share-based payments HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive Directors:							
Mr. YIP Chung Wai	(i)	-	936	-	-	11	947
Mr. WONG Hiu Tung	(vii)	-	600	-	-	11	611
Mr. JIA Xuelei	(i)	-	180	-	-	8	188
Mr. LIN Jan	(iii)	-	189	-	-	3	192
Mr. CHAI Xiaojun	(iii)	-	150	-	-	-	150
Mr. DONG Jixu	(iii)	-	150	-	-	-	150
Mr. XUE Bing	(iii)	-	150	-	-	-	150
Mr. LONG Xiaobo		-	65	-	-	-	65
Mr. WU Jun	(iv)	-	65	-	-	-	65
Independent non-executive Directors:							
Mr. CHEUNG Kwok Yu	(vii)	120	-	-	-	-	120
Ms. LIN Ying	(viii)	13	-	-	-	-	13
Mr. LI Yong Xiang	(viii)	13	-	-	-	-	13
		146	2,485	-	-	33	2,664

Notes:

- (i) Resigned on 1 October 2013
- (ii) Appointed on 4 January 2011 and resigned on 25 December 2012
- (iii) Retired on 30 June 2011
- (iv) Resigned on 27 July 2012
- (v) Appointed on 3 August 2011
- (vi) Appointed on 7 March 2011 and retired on 30 June 2011
- (vii) Resigned on 4 January 2011
- (viii) Resigned on 22 November 2010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

15. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION (continued)

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2010: Nil).

The five highest paid individuals in the Group during the year included two (2010: zero) Directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2010: five) individuals are set out below:

	2011 HK\$'000	2010 HK\$'000
Basic salaries and allowances	1,839	4,052
Retirement benefit scheme contributions	33	60
	1,872	4,112

The emoluments fell within the following band:

	Number of individuals	
	2011	2010
Nil to HK\$1,000,000	3	5

During the year, no emoluments were paid by the Group to any of the Directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

16. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the year attributable to owners of the Company included a loss of approximately HK\$1,082,461,000 (2010: approximately HK\$555,885,000) which has been dealt with in the financial statements of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

17. LOSS/(EARNINGS) PER SHARE

(a) From continuing and discontinued operations

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company for the year ended 31 December 2011 is based on the loss for the year attributable to owners of the Company of approximately HK\$931,318,000 (2010: approximately HK\$1,736,921,000) and the weighted average number of ordinary shares of approximately 5,167,248,000 (2010: approximately 3,714,954,000) 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 2011 and 2010.

(b) From continuing operations

Basic loss per share

The calculation of basic loss per share from continuing operations attributable to owners of the Company for the year ended 31 December 2011 is based on the loss for the year from continuing operations attributable to owners of the Company of approximately HK\$1,176,046,000 (2010: approximately HK\$323,578,000) and the denominator used is the same as that detailed above for basic loss per share from continuing and discontinued operations.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2011 and 2010.

(c) From discontinued operations

Basic earnings/(loss) per share

Basic earnings (2010: loss) per share from the discontinued operations for the year ended 31 December 2011 is HK4.74 cents per share (2010: HK38.04 cent per share), based on the profit for the year from discontinued operations attributable to the owners of the Company of approximately HK\$244,728,000 (2010: loss for the year from discontinued operations attributable to owners of the Company of approximately HK\$1,413,343,000) and the denominator used is the same as that detailed above for basic loss per share.

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2011 and 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvement HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Mining infrastructure HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost								
At 1 January 2010	301,745	86,140	890,294	216,530	9,789	-	380,871	1,885,369
Additions	11	-	2,112	3,221	-	-	2,246	7,590
Disposals	-	-	(748)	(7)	-	-	-	(755)
Acquisition of subsidiaries	2,911	-	7,455	1,996	2,031	-	29,942	44,335
Reclassified as held for sale	(243,207)	-	(300,003)	(201,043)	(2,488)	-	-	(746,741)
Exchange differences	10,588	2,944	31,083	7,084	253	-	14,292	66,244
At 31 December 2010 and 1 January 2011	72,048	89,084	630,193	27,781	9,585	-	427,351	1,256,042
Transfers	-	-	-	-	-	36,892	(36,892)	-
Additions	2,500	-	126	1,069	-	2,676	-	6,371
Disposal of subsidiaries, disposals and write-off	(68,404)	(78,842)	(107,777)	(12,612)	(7,772)	-	(390,459)	(665,866)
Exchange differences	179	-	692	176	125	2,108	-	3,280
At 31 December 2011	6,323	10,242	523,234	16,414	1,938	41,676	-	599,827
Accumulated depreciation and impairment								
At 1 January 2010	76,169	35,037	358,614	98,362	7,484	-	138,566	714,232
Charge for the year (restated)	12,962	8,646	62,664	13,171	996	-	-	98,439
Impairment loss	129,032	1,396	86,114	103,390	-	-	-	319,932
Disposals	-	-	(395)	(5)	-	-	-	(400)
Reclassified as held for sale	(186,580)	-	(226,634)	(192,412)	(1,697)	-	-	(607,323)
Exchange differences	1,873	1,050	12,828	1,436	132	-	-	17,319
At 31 December 2010 and 1 January 2011 (restated)	33,456	46,129	293,191	23,942	6,915	-	138,566	542,199
Charge for the year	770	286	2,325	1,839	216	16	-	5,452
Impairment loss	-	-	455,341	-	-	-	-	455,341
Transfers	-	-	-	-	-	1,790	(1,790)	-
Disposal of subsidiaries, disposals and write-off	(32,290)	(36,293)	(275,883)	(12,502)	(6,475)	-	(136,776)	(500,219)
Exchange differences	76	-	426	115	31	113	-	761
At 31 December 2011	2,012	10,122	475,400	13,394	687	1,919	-	503,534
Carrying amount								
At 31 December 2011	4,311	120	47,834	3,020	1,251	39,757	-	96,293
At 31 December 2010 (restated)	38,592	42,955	337,002	3,839	2,670	-	288,785	713,843

In 2010, the leasehold land and buildings located outside Hong Kong have been pledged to secure the general banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

19. PREPAID LAND LEASE PAYMENTS

	2011 HK\$'000	2010 HK\$'000
At 1 January	10,226	142,357
Exchange differences	284	4,782
Amortisation for the year	(168)	(3,248)
Impairment loss for the year	–	(63,964)
Lease refunded	–	(39,015)
Disposal of subsidiaries	(10,342)	–
Reclassified as held for sale	–	(30,686)
At 31 December	–	10,226
Current portion	–	(331)
Non-current portion	–	9,895

The Group's prepaid land lease payments was held under long term leases and located in the PRC.

At 31 December 2010, the leasehold land located in the PRC with a net book value of approximately HK\$10,226,000 has been pledged to secure the bank loans.

20. INVESTMENT PROPERTIES

	2011 HK\$'000	2010 HK\$'000
At 1 January	34,948	34,075
Exchange differences	604	873
Disposal of subsidiaries	(35,552)	–
At 31 December	–	34,948

At 31 December 2010, the investment properties of the Group were situated outside Hong Kong and held under medium term lease.

The investment properties of the Group were revalued as at 31 December 2010 on the open market existing use basis by Roma Appraisals Limited, an independent firm of professional valuer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

21. GOODWILL

	2011 HK\$'000	2010 HK\$'000
Cost		
At 1 January	1,134,259	968,024
Arising on acquisition of subsidiaries	–	184,074
Disposal of subsidiaries	(459,428)	–
At 31 December	674,831	1,152,098
Accumulated impairment loss		
At 1 January	811,801	55,858
Impairment loss for the year	322,458	773,782
Disposal of subsidiaries	(459,428)	–
At 31 December	674,831	829,640
Carrying value	–	322,458

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units ("CGUs") for impairment testing:

- Cosmetic and skincare products manufacturing operation CGU
- Facial treatment and retailing of cosmetics and skincare products operation CGU
- Mining business CGU

Cosmetic and skincare products manufacturing operation CGU

The recoverable amount of the cosmetic and skincare products manufacturing operation CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 15% in 2010 and cash flows beyond the five-year-period were extrapolated using a growth rate under the management's conservative estimation.

The goodwill allocated to the cosmetic and skincare products manufacturing operation CGU have been reduced to its recoverable amount through recognition of full impairment loss during the year of 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

21. GOODWILL (continued)

Impairment testing of goodwill (continued)

Facial treatment and retailing of cosmetics and skincare products operation CGU

The recoverable amount of the facial treatment and retailing of cosmetics and skincare products operation CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 5% (2010: 15%) and cash flows beyond the five-year-period were extrapolated using a growth rate under the management's conservative estimation.

The goodwill allocated to the facial treatment and retailing of cosmetics and skincare products operation CGU have been reduced to its recoverable amount through recognition of full impairment loss during the year.

Mining business CGU

The recoverable amount of the mining business CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 15% in 2010 and cash flows beyond the five-year-period were extrapolated using a growth rate under the management's conservative estimation.

The goodwill allocated to the mining business CGU have been reduced to its recoverable amount through recognition of full impairment loss during the year of 2010.

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	2011 HK\$'000	2010 HK\$'000
Facial treatment and retailing of cosmetics and skincare products operation CGU	–	322,458

Key assumptions were used in the value in use calculation of CGUs for 31 December 2011 and 31 December 2010. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to key assumptions are consistent with external information sources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

22. INTANGIBLE ASSETS

	Mining right HK\$'000	Licenses HK\$'000	Total HK\$'000
Cost			
At 1 January 2010	–	108,909	108,909
Arising on acquisitions of subsidiaries, as restated	1,435,000	–	1,435,000
Exchange differences	–	3,777	3,777
At 31 December 2010 and 1 January 2011, as restated	1,435,000	112,686	1,547,686
Written-off	–	(112,686)	(112,686)
Exchange differences	118,021	–	118,021
At 31 December 2011	1,553,021	–	1,553,021
Accumulated amortisation and impairment			
At 1 January 2010	–	96,706	96,706
Amortisation for the year, as restated	4,161	–	4,161
Impairment loss for the year	–	12,940	12,940
Exchange differences	–	3,040	3,040
At 31 December 2010 and 1 January 2011, as restated	4,161	112,686	116,847
Amortisation for the year	1,209	–	1,209
Written back on write-off	–	(112,686)	(112,686)
Exchange differences	374	–	374
At 31 December 2011	5,744	–	5,744
Carrying amount			
At 31 December 2011	1,547,277	–	1,547,277
At 31 December 2010, as restated	1,430,839	–	1,430,839

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

22. INTANGIBLE ASSETS (continued)

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 UOP method.

23. SUBSIDIARIES

Particulars of the Company's major subsidiaries are set out below:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest/voting power/ profit sharing		Principal activities and place of operation
			Direct	Indirect	
Bio Beauty Group Limited	The Cayman Islands	90,850,000 Ordinary shares of HK\$0.1 each	93.2%	-	Investment holding in Hong Kong
Global Success Properties Limited	The British Virgin Islands ("BVI")	200 Ordinary shares of US\$1 each	100.0%	-	Investment holding in Hong Kong
GCC Finance Company Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100.0%	-	Dormant
Supreme China Limited	BVI	50,000 Ordinary shares of US\$1 each	100.0%	-	Investment holding in Hong Kong
Westralian Resources Pty Ltd	Australia	80,000 Ordinary shares of AUD1 each	100.0%	-	Investment holding in Hong Kong
Global Bio-Engineering Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100.0%	-	Inactive
Bishop Logistics Limited	BVI	100 Ordinary shares of US\$1 each	100.0%	-	Investment holding in Hong Kong
Global Idea (Int'l) Co., Limited	Hong Kong	1,000 Ordinary shares of HK\$1 each	-	93.2%	Trading of cosmetics and skincare products in Hong Kong
Cristal Marketing Management Company Limited	Hong Kong	5,010,000 Ordinary shares of HK\$1 each	-	100.0%	Retailing of cosmetics and provision of beauty treatment services in Hong Kong and Macau
Dongguan Polygene Biotech R&D Co., Limited (Note (i))	The People's Republic of China ("PRC")	Approximately HK\$16,000,000	-	100.0%	Dormant

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

23. SUBSIDIARIES (continued)

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest/voting power/ profit sharing		Principal activities and place of operation
			Direct	Indirect	
High Billion Investment Limited	Hong Kong	10,000 Ordinary shares of HK\$1 each	-	93.2%	Holding of license in Hong Kong
Hunan Westralian Mining Co., Limited (Note (ii))	PRC	US\$29,700,000	-	80.0%	Gold exploration, development and mining in PRC
Cosmos World Limited	BVI	1 Ordinary shares of US\$1 each	-	100.0%	Not yet commence business
Global Chemical Overseas Limited	BVI	1 Ordinary shares of US\$1 each	-	100.0%	Inactive
Global Chemical Investment Limited	BVI	100 Ordinary shares of US\$1 each	-	93.2%	Investment holding in Hong Kong
Globe Wealthy Limited	BVI	1 Ordinary shares of US\$1 each	-	93.2%	Not yet commence business
Global Kingdom International Limited	BVI	1 Ordinary shares of US\$1 each	-	93.2%	Investment holding in Hong Kong
Global Marketing (Int'l) Co., Limited	Hong Kong	1,000 Ordinary shares of HK\$1 each	-	93.2%	Not yet commence business
Enzymes Technology Limited	Hong Kong	6,153,846 Ordinary shares of HK\$1 each	-	65.0%	Dormant

Note:

- (i) Dongguan Polygene Biotech R&D Co., Limited is a wholly-owned foreign enterprises established in the PRC.
- (ii) Hunan Westralian Mining Co., Ltd. is a foreign owned enterprise established in the PRC.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

24. DEPOSITS FOR PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2010, the Group paid a total sum of approximately HK\$293,475,000 as deposits for the acquisition of certain property, plant and equipment, which comprise plant and machinery for manufacturing operations as well as for a new business line of recycling waste tyres and plastic products into usable oil, diesel, gasoline and natural gas. In the opinion of the board of Directors, the related deposits for property, plant and equipment should be impaired due to the possible abortion of the project and the possible recoverable amount of the equipment. Approximately HK\$222,475,000 impairment loss was recognised in 2010.

The aforesaid deposit with carrying amount of approximately HK\$71,000,000 was reflected under the statement of financial position of the Company's subsidiary, Global Power and Energy Company Limited, as at 31 December 2010. During the year ended 31 December 2011, as a result of the disposal of subsidiaries, such deposits is no longer recognised by the Group.

25. OTHER DEPOSITS AND CLUB DEBENTURE

	2011 HK\$'000	2010 HK\$'000
Club debenture	–	170
Other deposits	–	180
	–	350

26. INVENTORIES

	2011 HK\$'000	2010 HK\$'000
Raw materials	949	26,785
Work in progress	1,381	2,458
Finished goods	4,678	22,413
	7,008	51,656
Less: Write-down of inventories	–	(490)
	7,008	51,166

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

27. TRADE AND OTHER RECEIVABLES

	2011 HK\$'000	2010 HK\$'000
Trade receivables	4,703	60,490
Bills receivables	–	7,146
Loan receivables	–	2,000
Prepayments, deposits and other receivables	10,659	53,212
	15,362	122,848
Less: Allowance for doubtful debts	–	(33,167)
	15,362	89,681

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 and bills receivables, based on the invoice date, and net of allowance, is as follows:

	2011 HK\$'000	2010 HK\$'000
Current to 30 days	1,721	19,291
31 – 60 days	372	7,189
61 – 90 days	1	6,382
Over 90 days	2,609	34,774
	4,703	67,636
Less: Allowance for trade and bills receivables	–	(4,711)
	4,703	62,925

As at 31 December 2010, an allowance was made for estimated irrecoverable trade and bills receivables of approximately HK\$4,711,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

27. TRADE AND OTHER RECEIVABLES (continued)

Reconciliation of allowance for trade and bills receivables:

	2011 HK\$'000	2010 HK\$'000
At 1 January	4,711	30,727
Allowance for the year	–	1,939
Allowance written back	–	(28,465)
Disposal of subsidiaries	(4,711)	–
Exchange differences	–	510
At 31 December	–	4,711

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

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 HK\$'000	2010 HK\$'000
Listed securities held for trading:		
Market value of equity securities listed in Hong Kong	–	3,688

The fair value of all equity securities is based on their current bid prices in an active market.

Financial assets at fair value through profit or loss are presented within the section of operating activities as part of changes in working capital in the statement of cash flows.

The financial assets are disposed under debt restructuring (note 38).

29. BANK AND CASH BALANCES

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

30. TRADE AND OTHER PAYABLES

	2011 HK\$'000	2010 HK\$'000
Trade payables	2,536	32,466
Accrued liabilities and other payables	58,517	43,532
	61,053	75,998

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

	2011 HK\$'000	2010 HK\$'000
Current to 30 days	170	14,099
31 – 60 days	727	4,202
61 – 90 days	250	7,230
Over 90 days	1,389	6,935
	2,536	32,466

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

31. BORROWINGS

	2011 HK\$'000	2010 HK\$'000
Bank loans		
– secured and due within one year	–	127,583
Other loans		
– unsecured, interest-free and due within one year	16,641	–
Other loans		
– unsecured, bear interest at 30% per annum and due within one year	15,973	82,310
Loan from a director		
– unsecured, bear interest at 12% per annum and due within one year	4,830	–
	37,444	209,893

Notes:

The bank loans are repayable within one year or when the facility is withdrawn. These borrowings are used to finance the business of the Group. In 2011, all the bank loans are repaid.

At 31 December 2010, bank loans were secured by the land use rights of the Group. The effective interest rates on the Group's bank borrowings are equal to contractual interest rates.

The Directors consider that the fair values of borrowings at 31 December 2011 and 2010 approximate to their carrying amounts.

32. CONVERTIBLE BONDS

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

The principal terms of the convertible bonds (the "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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

32. CONVERTIBLE BONDS (continued)

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

	2011 HK\$'000	2010 HK\$'000
At 1 January	328,820	–
Fair value of Bonds issued upon acquisition of Westralian Resources Group Equity component	–	895,191 (277,526)
Liability component	328,820	617,665
Converted during the year	(112,439)	(332,182)
Interest charged	73,810	43,337
At 31 December	290,191	328,820

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.

The interest charged for the year is calculated by applying an effective interest rate of 13.17% to the liability component for the 12-month period since the Bonds were issued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

33. DEFERRED TAX LIABILITIES

	Revaluation of intangible assets	Impairment loss	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010	280	826	1,106
Acquisition of subsidiaries, as restated	302,125	–	302,125
(Credit) to profit or loss for the year	(1,040)	–	(1,040)
At 31 December 2010, as restated	301,365	826	302,191
Debit/(Credit) to profit or loss for the year	27,699	(826)	26,873
Exchange differences	15,479	–	15,479
At 31 December 2011	344,543	–	344,543

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

34. EMPLOYEE BENEFIT OBLIGATIONS

Provision for long service payments

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of services with the Group. The amount payable is dependent on the employees' final salary and years of services, and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

PRC employee severance compensation

Pursuant to the new PRC Labour Contract Law which became effective on 1 January 2008, the Group is required to pay the severance compensation to its employees if the employment contract expires and is not renewed unless the Group has offered the employment contract on the same terms and conditions but the offer is rejected by the employee.

Under the Labour Contract Law, the severance compensation is calculated based on one month's salary for each year of employment completed by the employee and is capped at 12 months' salary or 12 times of 300% of the average monthly salary of the previous year at the place where the employer is located, whichever is lower. At the end of each reporting period, the Group has made the provision for severance compensation for the existing employees in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

35. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK'000
Authorised:			
Ordinary shares of HK\$0.10 each			
At 1 January 2010, 31 December 2010 and 31 December 2011		8,000,000	800,000
Issued and fully paid:			
Ordinary shares of HK\$0.10 each			
At 1 January 2010		2,620,781	262,078
Issue of shares	(a)	762,022	76,202
Issue of shares on placement	(b)	340,000	34,000
Issue of shares upon conversion of convertible bonds	(c)	1,152,500	115,250
At 31 December 2010		4,875,303	487,530
Issue of shares upon conversion of convertible bonds	(c)	360,000	36,000
At 31 December 2011		5,235,303	523,530

- (a) On 31 March 2010, the Company issued 762,022,000 ordinary shares as part of the consideration of acquisition of the Westralian Resources Group.
- (b) On 12 November 2010, the Company completed a placing of 340,000,000 shares of the Company at a price of HK\$0.12 per shares to not less than six independent institutional and professional investors. All new ordinary shares issued during the year rank pari passu in all respects with the existing shares.
- (c) During the year, 360,000,000 (2010: 1,152,500,000) 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\$0.4 per share.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

35. SHARE CAPITAL (continued)

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 2011 and 2010 are as follows:

	2011 HK\$'000	2010 HK\$'000
Total debt	733,231	1,007,142
Less: bank and cash balances	(18,946)	(78,396)
Net debt	714,285	928,746
Total equity	951,655	1,950,420
Gearing ratio	75.06%	47.62%

The increase in gearing ratio during the year ended 31 December 2011 resulted primarily from the decrease of equity by impairment loss on assets.

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

36. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

36. RESERVES (continued)

(b) Company

	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Share-based payment reserve HK\$'000	Convertible bond reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2010	1,422,538	89,247	300	1,250	-	(435,642)	1,077,693
Total comprehensive income for the year	-	-	-	-	-	(555,885)	(555,885)
Issue of shares	201,936	-	-	-	-	-	201,936
Issue of convertible bonds	-	-	-	-	277,526	-	277,526
Issue of shares on placement	5,783	-	-	-	-	-	5,783
Exercise of convertible bonds	345,750	-	-	-	(128,818)	-	216,932
Equity settled share-based payment transactions	-	-	-	23,851	-	-	23,851
At 31 December 2010	1,976,007	89,247	300	25,101	148,708	(991,527)	1,247,836
Transfer to retained profits	-	(89,247)	-	-	-	89,247	-
Total comprehensive income for the year	-	-	-	-	-	(1,082,461)	(1,082,461)
Exercise of convertible bonds	125,758	-	-	-	(49,319)	-	76,439
At 31 December 2011	2,101,765	-	300	25,101	99,389	(1,984,741)	241,814

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Capital reserve

The capital reserve of the Group includes the difference between the nominal value of the share/registered capital of the subsidiaries acquired pursuant to the Group reorganisation carried on 28 November 2000, over the nominal value of the share capital of the Company issued in exchange; and amount arising from the acquisition by the Group in respect of additional interest of 13% in Global Cosmetics (Hong Kong) Company Limited for a consideration of approximately HK\$274,058,000 which was paid by the Company on behalf of Bio Beauty Group Limited by transfer of 13,936,390 ordinary shares of HK\$0.10 each of Bio Beauty Group Limited on 29 October 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

36. RESERVES (continued)

(c) Nature and purpose of reserves (continued)

(ii) *Capital reserve (continued)*

The capital reserve of the Company arose as a result of the above-mentioned Group reorganisation and represents the excess of the combined net assets of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange.

(iii) *Capital redemption reserve*

Capital redemption reserve arises from the reduction of the nominal value of the issued capital of the Company upon the cancellation of the repurchased shares.

(iv) *Share-based payment reserve*

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share based payments in note 5.

(v) *Foreign currency translation reserve*

Foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy in note 5.

(vi) *Convertible bond reserve*

Convertible bond reserve represents the amount allocated to the equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

37. SHARE-BASED PAYMENTS

The Company has a share option scheme which was adopted on 20 December 2001 whereby the Directors of the Company are authorised, at their discretion, to invite employees and other eligible suppliers and customers of the Group, including directors of any company in the Group, to take up options at nil consideration to subscribe for shares of the Company. The options vest immediately from the date of grant and are then exercisable within a period of three years. Each option gives the holder the right to subscribe for one ordinary share in the Company.

For the year ended 31 December 2011, no share option had been granted under the share option scheme.

- (a) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments '000	Vesting conditions	Contractual life of options
Options granted to others			
– on 7 July 2009	10,001	Immediately from the date of grant	up to 6 July 2012
– on 25 February 2010	262,078	Immediately from the date of grant	up to 24 Feb 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

37. SHARE-BASED PAYMENTS (continued)

(b) The number and weighted average exercise prices of share options

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2011		2010	
	Average exercise price per share HK\$	Number of share options '000	Average exercise price per share HK\$	Number of share options '000
Outstanding at 1 January	0.352	272,079	0.440	10,001
Granted	-	-	0.349	262,078
Outstanding and exercisable at 31 December	0.352	272,079	0.352	272,079

The options outstanding at 31 December 2011 had exercise price of ranging from HK\$0.349 to HK\$0.440 (2010: ranging from HK\$0.349 to HK\$0.440) and a weighted average remaining contractual life of 1.14 years (2011: 2.14 years). No option was cancelled during the years 2011 and 2010.

The exercise in full of the outstanding 272,079,000 (2010: 272,079,000) share options at 31 December 2011 would, under the present capital structure of the Company, result in the issue of 272,097,000 (2010: 272,097,000) additional shares for a total cash consideration, before expenses, of approximately HK\$95,866,000 (2010: approximately HK\$95,866,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

38. DISPOSAL OF SUBSIDIARIES

The Group announced on 27 June 2011 that the indebtedness (including interest element) due to third party lenders (“Lenders”) has been defaulted. The shares of Global Chemical (China) Company Limited (“Global Chemical China”) and Global Power and Energy Company Limited (“Global Power”) (collectively referred to as “Disposed Entities I”) were used to secured the above loans granted to the Group. Global Chemical China and Global Power are wholly owned subsidiaries of the Group. The Lenders had exercised the share charges on the two of the subsidiaries under the respective deeds.

On 30 June 2011, the Group entered into a debt restructuring agreement with the Lenders to dispose of the Disposed Entities I together with several lots of plant and equipment. The disposal was completed on 26 May 2011 and the Group discontinued its Household and Industrial Products Business.

On 18 April 2011, Global Chemical Investment Limited, an indirectly held subsidiary of the Group, entered into an agreement with an independent third party to dispose of its entire interests in Global Cosmetics (Hong Kong) Company Limited and its subsidiary, Global Cosmetics (China) Company Limited (collectively referred to as “Disposed Entities II”). The disposal was completed on 18 April 2011.

Net assets at the date of disposal were as follows:

	Disposed Entities I	Disposed Entities II	Total
	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	74,756	69,077	143,833
Prepaid land lease payments	10,342	16,265	26,607
Investment properties	35,552	–	35,552
Deposits for property, plant and equipment	71,000	–	71,000
Other deposit and club debenture	350	–	350
Inventories	41,051	24,695	65,746
Trade and other receivables	484,631	3,488	488,119
Financial assets at fair value through profit or loss	3,688	–	3,688
Current tax assets	940	–	940
Bank and cash balances	23,003	16,094	39,097
Borrowings	(58,392)	(11,906)	(70,298)
Trade and other payables	(629,429)	(65,206)	(694,635)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

38. DISPOSAL OF SUBSIDIARIES (continued)

	Disposed Entities I	Disposed Entities II	Total
	HK\$'000	HK\$'000	HK\$'000
Net assets disposed of	57,492	52,507	109,999
Settlement by transferring property, plant and equipment to lenders	90,275	–	90,275
Release of foreign currency translation reserve	(107,579)	(101,023)	(208,602)
Provision for loss on re-measurement to fair value less estimated cost to sell in respect of disposal group held for sale	–	(80,690)	(80,690)
Gain on disposal of subsidiaries (note 13)	112,286	189,206	301,492
	<hr/>	<hr/>	<hr/>
Consideration	152,474	60,000	212,474
	<hr/>	<hr/>	<hr/>
Satisfied by:			
Cash consideration	–	60,000	60,000
Loans and accrual interest due to the lenders	152,474	–	152,474
	<hr/>	<hr/>	<hr/>
Consideration	152,474	60,000	212,474
	<hr/>	<hr/>	<hr/>
Net cash inflow/(outflow) arising on disposal:			
Cash consideration received	–	60,000	60,000
Cash and cash equivalents disposed of	(23,003)	(16,094)	(39,097)
	<hr/>	<hr/>	<hr/>
	(23,003)	43,906	20,903

39. MAJOR NON-CASH TRANSACTION

During the year, HK\$144,000,000 in principal amount of convertible bonds was converted into 360,000,000 ordinary shares of HK\$0.1 each in the share capital of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

40. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2011 HK\$'000	2010 HK\$'000
Contracted for – purchase of property, plant and equipment	–	33,204

41. LEASE COMMITMENTS

At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2011 HK\$'000	2010 HK\$'000
Within one year	6,645	11,299
In the second to fifth years, inclusive	4,099	7,245
After five years	–	646
	10,744	19,190

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

42. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

During the years ended 31 December 2011 and 2010, the Group had the following material transactions with related parties:

	2011 HK\$'000	2010 HK\$'000
Loan interest expense paid to a director	158	–

43. CHANGE OF NAME

At an annual general meeting of the shareholders of the Company held on 30 June 2011, a special resolution was passed to change the name of the Company from Global Green Tech Group Limited to China Billion Resources Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER

	2011 HK\$'000	2010 HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	220	–
Investments in subsidiaries	1,033,376	1,275,353
	1,033,596	1,275,353
CURRENT ASSETS		
Trade and other receivables	404	5,807
Amounts due from subsidiaries	274,921	1,208,284
Bank and cash balances	146	8,091
	275,471	1,222,182
CURRENT LIABILITIES		
Trade and other payables	2,409	3,339
Other borrowings	4,830	–
Amounts due to subsidiaries	246,293	430,010
Convertible bonds	290,191	–
	543,723	433,349
NET CURRENT (LIABILITIES)/ASSETS	(268,252)	788,833
TOTAL ASSETS LESS CURRENT LIABILITIES	765,344	2,064,186
NON-CURRENT LIABILITIES		
Convertible bonds	–	328,820
NET ASSETS	765,344	1,735,366
EQUITY		
Share capital	523,530	487,530
Reserves	241,814	1,247,836
Total equity	765,344	1,735,366

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

45. EVENTS AFTER THE REPORTING PERIOD

- (i) On 31 December 2013, the Company and a third party entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to dispose of the machinery of Dongguan Polygene Biotech R&D Co., Limited, an indirectly held subsidiary of the Group, at the consideration of RMB 35,000,000 (approximately HK\$ 44,765,000).
- (ii) On 17 October 2014, the Company entered into a loan agreement (“Loan Agreement”) with a third party (“Lender”), pursuant to which the Lender agreed to lend the Company a loan in the principal amount of HK\$10 million with a simple interest rate of 11% per annum (“Loan”) with a term of one year. The principal amount of the Loan together with the relevant accrued interest under the Loan Agreement is repayable on the maturity date, i.e. 16 October 2015. The Loan is not secured by any of the assets of the Group.

46. COMPARATIVE FIGURES

The comparative figures of the consolidated statement of comprehensive income have been restated as if the operations of the certain business disposed of during the year had been discontinued at the beginning of the comparative period.

47. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 9 February 2015.

FIVE YEARS FINANCIAL SUMMARY

The following is a summary of the published results and of the assets and liabilities of the Group prepared on the bases set out in the note below:

	Year ended 31 December				
	2011 HK\$'000	2010 HK\$'000 (Restated)	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000
RESULTS					
Turnover	274,317	341,739	397,219	1,339,707	1,071,833
Continuing operations	172,519	108,726	397,219	1,339,707	1,071,833
Discontinued operations	101,798	233,013	–	–	–
(Loss)/Profit before tax	(1,208,323)	(325,511)	(621,667)	85,060	418,581
Income tax (expense)/credit	(27,141)	1,035	(7,839)	(51,495)	(60,122)
(Loss)/Profit for the year from continuing operations	(1,235,464)	(324,476)	(629,506)	33,565	358,459
(Loss)/Profit from discontinued operation	256,446	(1,448,413)	–	–	–
(Loss)/Profit for the year	(979,018)	(1,772,889)	(629,506)	33,565	358,459
Attributable to:					
Owners of the Company	(931,318)	(1,736,921)	(620,412)	8,187	311,772
Non-controlling interests	(47,700)	(35,968)	(9,094)	25,378	46,687
	(979,018)	(1,772,889)	(629,506)	33,565	358,459

FIVE YEARS FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	Year ended 31 December				
	2011 HK\$'000	2010 HK\$'000 (Restated)	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000
Non-current assets	1,643,570	2,583,333	2,549,045	2,546,412	1,957,131
Current assets	41,316	374,229	262,906	624,545	1,120,890
Current liabilities	(388,688)	(376,131)	(321,300)	(482,784)	(268,496)
Non-current liabilities	(344,543)	(631,011)	(1,106)	(1,111)	(315,051)
Net assets	951,655	1,950,420	2,489,545	2,687,062	2,494,474
Attributable to:					
Owners of the Company	765,344	1,735,366	2,432,938	2,620,208	2,373,793
Non-controlling interests	186,311	215,054	56,607	66,854	120,681
Total equity	951,655	1,950,420	2,489,545	2,687,062	2,494,474