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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 274)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

ANNUAL RESULTS

The board ("**Board**") of directors ("**Directors**") of China Billion Resources Limited ("**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as "**Group**") for the financial year ended 31 December 2012, together with the comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Continuing operations			
Turnover	4 & 5	**37,322**	172,519
Cost of sales and services rendered		**(10,680)**	(141,918)
Gross profit		**26,642**	30,601
Other income and gains		**1,048**	1,353
Selling and distribution expenses		**(1,003)**	(25,904)
Administrative expenses		**(66,510)**	(66,406)
Impairment loss on goodwill		**–**	(322,458)
Impairment loss on property, plant and equipment		**–**	(455,341)
Impairment loss on trade and other receivables		**–**	(294,436)

* *For identification only*

	Notes	2012 HK$'000	2011 HK$'000
Loss from operations		**(39,823)**	(1,132,591)
Finance costs	*6*	**(19,551)**	(75,732)
Loss before tax		**(59,374)**	(1,208,323)
Income tax expense	*7*	**(3,105)**	(27,141)
Loss for the year from continuing operations		**(62,479)**	(1,235,464)
Discontinued operations			
Profit for the year from discontinued operations		**–**	256,446
Loss for the year	*8*	**(62,479)**	(979,018)
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		**7,050**	76,416
Exchange reserve released upon disposal of subsidiaries		**–**	(208,602)
Other comprehensive income for the year, net of tax		**7,050**	(132,186)
Total comprehensive income for the year		**(55,429)**	(1,111,204)
Profit/(Loss) for the year attributable to:			
Owners of the Company			
– Continuing operations		**(56,348)**	(1,176,046)
– Discontinued operations		**–**	244,728
Loss attributable to owners of the Company		**(56,348)**	(931,318)
Non-controlling interests			
– Continuing operations		**(6,131)**	(59,418)
– Discontinued operations		**–**	11,718
Loss attributable to non-controlling interests		**(6,131)**	(47,700)
		(62,479)	(979,018)

	Notes	**2012**	2011
		HK$'000	*HK$'000*
Total comprehensive income for the year attributable to:			
Owners of the Company		**(49,151)**	(1,082,461)
Non-controlling interests		**(6,278)**	(28,743)
		(55,429)	(1,111,204)
Loss per share *(HK cents)*			
From continuing and discontinued operations			
Basic	*9(a)*	**(1.08)**	(18.02)
Diluted	*9(a)*	**N/A**	N/A
From continuing operations			
Basic	*9(b)*	**(1.08)**	(22.76)
Diluted	*9(b)*	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**109,949**	96,293
Intangible assets	*10*	**1,542,790**	1,547,277
		1,652,739	1,643,570
Current assets			
Inventories		**9,651**	7,008
Trade and other receivables	*11*	**8,615**	15,362
Bank and cash balances		**5,767**	18,946
		24,033	41,316
Current liabilities			
Trade and other payables	*12*	**56,939**	61,053
Borrowings		**85,691**	37,444
Convertible bonds	*13*	**290,191**	290,191
		432,821	388,688
Net current liabilities		**(408,788)**	(347,372)
Total assets less current liabilities		**1,243,951**	1,296,198
Non-current liabilities			
Deferred tax liabilities		**347,725**	344,543
NET ASSETS		**896,226**	951,655
Capital and reserves			
Share capital	*14*	**523,530**	523,530
Reserves		**192,663**	241,814
Equity attributable to owners of the Company		**716,193**	765,344
Non-controlling interests		**180,033**	186,311
TOTAL EQUITY		**896,226**	951,655

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

(i) gold exploration, development and mining; and

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

2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK$56,348,000 for the year ended 31 December 2012 and as at 31 December 2012 the Group had net current liabilities of approximately HK$408,788,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Group has breached certain covenants of the convertible bonds. It is the Directors' belief that the Company is not liable to repay the convertible bonds because such convertible bonds will be converted into shares and the Directors have also been advised that a major shareholder of the Company has indicated his intention to provide financial support to the Group. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on (i) the successful outcome that the convertible bonds will be converted into shares of the Company and (ii) the availability of funding from the major shareholder of the Company to the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. The Directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2012. HKFRSs comprise Hong Kong Financial Reporting Standards; 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.

4. SEGMENT INFORMATION

The Group has two (2011: 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 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 for sale to manufacturers, traders, wholesalers and retailers in the general consumer market (discontinued operations since 2011).

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

The accounting policies of the operating segments are the same as those used in the preparation of the consolidated financial statements. Segment liabilities do not include convertible bonds.

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

	Mining products	Cosmetics and skincare products (Including discontinued operations of 2011)	Household and industrial products (Discontinued operations)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2012				
Revenue from external customers	**–**	**37,322**	**–**	**37,322**
Segment loss	**(30,101)**	**(438)**	**–**	**(30,539)**
Depreciation	**4,027**	**1,029**	**–**	**5,056**
Income tax expense	**(3,105)**	**–**	**–**	**(3,105)**
Additions to segment non-current assets	**17,946**	**658**	**–**	**18,604**
As at 31 December 2012				
Segment assets	**1,618,865**	**13,303**	**–**	**1,632,168**
Segment liabilities	**416,893**	**25,686**	**–**	**442,579**
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

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

	2012	2011
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**37,322**	274,317
Elimination of discontinued operations	**–**	(101,798)
Consolidated revenue from continuing operations	**37,322**	172,519
Profit or loss		
Total profit or loss of reportable segments	**(30,539)**	(130,759)
Impairment on goodwill	**–**	(322,458)
Impairment loss on property, plant and equipment	**–**	(453,655)
Impairment loss on trade and other receivables	**–**	(294,436)
Other profit or loss	**(31,940)**	(79,202)
Elimination of discontinued operations	**–**	45,046
Consolidated loss for the year from continuing operations	**(62,479)**	(1,235,464)
Assets		
Total assets of reportable segments	**1,632,168**	1,640,726
Other assets	**44,604**	44,160
Consolidated total assets	**1,676,772**	1,684,886
Liabilities		
Total liabilities of reportable segments	**442,579**	427,785
Convertible bonds	**290,191**	290,191
Other liabilities	**47,776**	15,255
Consolidated total liabilities	**780,546**	733,231

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

Geographical information:

(a) *Revenue from external customers*

	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**37,322**	170,144
PRC	**–**	2,375
	37,322	172,519

(b) *Non-current assets*

	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**1,710**	2,008
PRC	**1,651,029**	1,641,562
	1,652,739	1,643,570

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

5. TURNOVER

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

	2012	2011
	HK$'000	*HK$'000*
Revenue		
Sales of goods:		
– Household and industrial products	**–**	95,757
– Cosmetics and skincare products	**37,322**	176,185
– Mining products	**–**	2,375
	37,322	274,317
Representing:		
Continuing operations	**37,322**	172,519
Discontinued operations	**–**	101,798
	37,322	274,317

6. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Convertible bond interests	**–**	73,810
Other borrowings costs		
– Wholly repayable within five years	**19,551**	10,566
	19,551	84,376
Representing:		
Continuing operations	**19,551**	75,732
Discontinued operations	**–**	8,644
	19,551	84,376

7. INCOME TAX EXPENSE

	2012	2011
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
– Under-provision in prior years	**–**	(245)
Current tax – PRC Enterprise Income Tax		
– Under-provision in prior years	**–**	(23)
Subtotal	**–**	(268)
Deferred tax	**(3,105)**	(26,873)
	(3,105)	(27,141)
Representing:		
Continuing operations	**(3,105)**	(27,141)
Discontinued operations	**–**	–
	(3,105)	(27,141)

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the year.

The applicable income tax rate for the subsidiaries of the Group's in the People's Republic of China (the "**PRC**") in the current year is 25% (2011: 15% – 25%).

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

	2012	2011
	HK$'000	*HK$'000*
Loss before tax		
Continuing operations	**(59,374)**	(906,831)
Discontinued operations	**–**	(45,046)
	(59,374)	(951,877)
Tax at the domestic income tax rate	**(9,797)**	(157,060)
Tax effect of income that is not taxable	**(136)**	(1)
Tax effect of expenses that are not deductible	**178**	196
Tax effect of tax losses not recognized	**9,755**	156,865
Under-provision in prior years	**–**	268
Income tax expense	**–**	268

8. LOSS FOR THE YEAR

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

	2012	2011
	HK$'000	*HK$'000*
Continuing operations:		
Auditor's remuneration	**600**	600
Amortisation of intangible assets	**4,380**	1,209
Cost of sales and services rendered*	**10,680**	141,918
(Gain)/Loss on disposal of property, plant and equipment	**(97)**	70,958
Depreciation	**5,106**	4,962
Operating lease charges	**16,052**	14,938
Staff costs including directors' emoluments		
Salaries, bonus and allowances	**27,475**	31,245
Retirement benefits scheme contributions	**850**	2,077
	28,325	33,322

* Cost of sales and services rendered includes staff costs, depreciation and operating lease charges of approximately HK$3,747,000 (2011: HK$15,358,000) which are included in the amounts disclosed separately above.

9. LOSS 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 2012 is based on the loss for the year attributable to owners of the Company of approximately HK$56,348,000 (2011: approximately HK$931,318,000) and the weighted average number of ordinary shares of 5,235,303,000 (2011: 5,167,248,000) 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 2012 and 2011.

(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 2012 is the same as that detailed above for basic loss per share from continuing and discontinued operations.

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 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 2012 and 2011.

(c) From discontinued operations

Basic earnings per share

Basic earnings per share from the discontinued operations for the year ended 31 December 2011 is HK4.74 cents 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 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 2012 and 2011.

10. INTANGIBLE ASSETS

	Mining right	Licenses	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 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 and 31 December 2012	1,553,021	–	1,553,021
Accumulated amortisation and impairment			
At 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
Amortisation for the year	4,380	–	4,380
Exchange differences	107	–	107
At 31 December 2012	10,231	–	10,231
Carrying amount			
At 31 December 2012	1,542,790	–	1,542,790
At 31 December 2011	1,547,277	–	1,547,277

Mining right includes the cost of acquiring mining licenses, costs transferred from exploration right and exploration and evaluation assets upon determination that an exploration property is capable of commercial production and land compensation costs. Land compensation costs represent the compensation paid to inhabitants for relocating them from the areas nearby the mining sites so that the Group can use the land as leaching piles and dumping areas for waste ores. The mining right will expire in 2015 and in the opinion of the directors of the Company, the Group will be able to renew the mining right with the relevant government authority continuously at insignificant cost. Mining right is amortised over the estimated useful lives of the mines in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the units of production method.

11. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**2,052**	4,703
Prepayments, deposits and other receivables	**6,563**	10,659
	8,615	15,362

The Group normally allows credit terms to customers except for retail customers ranging from 30 to 180 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Current to 30 days	**1,690**	1,721
31 – 60 days	**244**	372
61 – 90 days	**57**	1
Over 90 days	**61**	2,609
	2,052	4,703

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

12. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**6,409**	2,536
Accrued liabilities and other payables	**50,530**	58,517
	56,939	61,053

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

	2012	2011
	HK$'000	*HK$'000*
Current to 30 days	**109**	170
31 – 60 days	**4**	727
61 – 90 days	**4**	250
Over 90 days	**6,292**	1,389
	6,409	2,536

13. CONVERTIBLE BONDS

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

The principal terms of the convertible bonds ("**Bonds**") are as follows:

Each Bond will, at the option of the holders ("**Bondholders**"), be convertible (unless previously redeemed, converted, purchased or cancelled) after 31 March 2010 up to and including 30 March 2013 into fully paid ordinary shares of the Company with a par value of HK$0.1 each at an initial conversion price ("**Conversion Price**") of HK$0.4 per share, subject to adjustments in accordance with the terms and conditions of the Bonds agreement as a result of dilutive events.

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

Upon any such notice being given to the Company, the Bonds will become due and are repayable on the business day falling seven business days of the date of such notice at their principal amount.

Unless previously redeemed, converted, or purchased and 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:

	2012	2011
	HK$'000	*HK$'000*
At 1 January	**290,191**	328,820
Converted during the year	**–**	(112,439)
Interest charged	**–**	73,810
At 31 December	**290,191**	290,191

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

The interest charged for 2011 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.

14. SHARE CAPITAL

	Note	Number of shares '000	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.10 each			
At 1 January 2011, 31 December 2011 and 31 December 2012		**8,000,000**	800,000
Issued and fully paid:			
Ordinary shares of HK$0.10 each			
At 1 January 2011		**4,875,303**	487,530
Issue of shares upon conversion of convertible bonds	*(a)*	**360,000**	36,000
At 31 December 2011 and 31 December 2012		**5,235,303**	523,530

(a) In 2011, 360,000,000 shares of HK$0.1 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of HK$0.4 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.

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 2012 and 2011 are as follows:

	2012	2011
	HK$'000	*HK$'000*
Total debt	780,546	733,231
Less: bank and cash balances	(5,767)	(18,946)
Net debt	774,779	714,285
Total equity	896,226	951,655
Gearing ratio	86.45%	75.06%

The increase in gearing ratio during the year ended 31 December 2012 resulted primarily from the decrease of equity by loss for the year.

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

15. 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 RMB35,000,000 (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.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

ZHONGHUI ANDA CPA Limited has expressed a disclaimer of opinion on the consolidated financial statements of our Group for the financial year ended 31 December 2012, an extract of which is as follows:

Basis for disclaimer of opinion

1) Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2011 ("**2011 Financial Statements**"), which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty in relation to going concern. Accordingly, we were then unable to form an opinion as to whether the 2011 Financial Statements gave 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.

2) Transactions, income and expense items for the year

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the transactions of the Group for the year ended 31 December 2012 as follows:

	HK$'000
Cost of sales and services rendered	6,683
Administrative expenses	25,122
Finance costs	6,277
Income tax expense	3,105
Exchange differences on translating foreign operations	7,050

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 2012 and that these items are properly disclosed in the consolidated financial statements.

3) Property, plant and equipment

No sufficient evidence has been provided to satisfy ourselves as to the carrying amount of property, plant and equipment of approximately HK$82,508,000 as included in the property, plant and equipment of approximately HK$109,949,000 in the consolidated statement of financial position as at 31 December 2012.

4) Intangible assets

No sufficient evidence has been provided to satisfy ourselves as to the carrying amount of intangible assets of approximately HK$1,542,790,000 in the consolidated statement of financial position as at 31 December 2012.

5) 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 2012. 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$9,651,000 in the consolidated statement of financial position as at 31 December 2012.

6) 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$931,000 as included in the trade and other receivables of approximately HK$8,615,000 in the consolidated statement of financial position as at 31 December 2012.

7) Bank and cash balances

No sufficient evidence has been provided to satisfy ourselves as to the bank and cash balances of approximately HK$81,000 as included in the bank and cash balances of approximately HK$5,767,000 in the consolidated statement of financial position as at 31 December 2012.

8) 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$27,240,000 as included in the trade and other payables of approximately HK$56,939,000 in the consolidated statement of financial position as at 31 December 2012.

9) Borrowings

No sufficient evidence has been provided to satisfy ourselves as to the carrying amount of the borrowings of approximately HK$6,535,000 as included in the borrowings of approximately HK$85,691,000 in the consolidated statement of financial position as at 31 December 2012.

10) Deferred tax liabilities

No sufficient evidence has been provided to satisfy ourselves as to the deferred tax expense of approximately HK$3,105,000 for the year ended 31 December 2012 and the deferred tax liabilities of approximately HK$347,725,000 in the consolidated statement of financial position as at 31 December 2012.

11) 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 2012.

12) 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 2012 and the balances as at that date as required by Hong Kong Accounting Standard 24 (Revised) "Related Party Disclosures".

13) 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, finance costs, income tax expense, loss for the year, Directors' and the five highest paid individual remuneration, the movement of property, plant and equipment, the movement of intangible assets, inventories, trade and other receivables, trade and other payables, borrowings and share-based payments as disclosed in notes to the consolidated financial statements.

Any adjustments to the figures as described from points 1 to 13 above might have a significant consequential effect on the Group's results and cash flows for the two years ended 31 December 2012 and 2011 and the financial positions of the Group as at 31 December 2012 and 2011, and the related disclosures thereof in the consolidated financial statements.

Material uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements that the Directors believe the Company is not liable to repay the convertible bonds because such convertible bonds will be converted into shares and the Directors have also been advised that a major shareholder of the Company has indicated his intention to provide financial support to the Group.

The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on (i) the successful outcome that the convertible bonds will be converted into shares of the Company and (ii) the availability of funding from the major shareholder of the Company to the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. The consolidated financial statements do not include any adjustments that would be necessary if the Company fails to convert the convertible bonds and the Group fails to obtain financial support from the major shareholder of the Company. We consider that adequate disclosures have been made. However, the uncertainties surrounding the successful conversion of the Company's convertible bonds and the availability of funding from the major shareholder of the Company raise significant doubt about the Company' s ability to continue as a going concern. We therefore disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

Disclaimer of opinion

Because of the significance of the matters described in the section headed "Basis for disclaimer of opinion" and "Material uncertainty relating to the going concern basis" as described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 December 2012 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the financial year under review, the turnover of the Group for the year ended 31 December 2012 was approximately HK$37.3 million, a significant decrease compared to the last year's figure for the same period of approximately HK$172.5 million, which represent an approximately 78.4% decrease. The turnover of approximately HK$37.3 million was contributed by beauty salon outlets in Hong Kong under the cosmetic and skincare products business segment. The reason for the significant decrease in turnover for the Group was mainly due to a large part of the production facilities and/or assets in China under the cosmetic and skincare products business segment were transferred to the lenders, namely Sino Measure Limited, according to the contract for concurrent transfer of assets and debt and contract for assets replacement, in order to settle the indebtedness owed by the Company during the debt restructuring event in 2011 ("**Debt Restructuring**") (referring to the announcements dated 27 June 2011, 5 March 2012 and 14 March 2012). After the transfer, the remaining part of the production facilities were unable to produce as much products for sale such that the management of the Company decided to exit the production of cosmetic and skincare products business segment in China and only focus on the beauty salon outlets in Hong Kong. The loss for the financial year for the Group further reduced to approximately HK$62.5 million from approximately HK$979.0 million of the same period of last year. The reason for the significant reduction in loss for the year was mainly due to the fact that no further impairment losses were incurred on goodwill, property, plant and equipment and trade and other receivables in the year which they accounted for a total of approximately HK$1,072.2 million for the financial year ended 31 December 2011. The gross margin from continuing operations for the financial year ended 31 December 2012 was approximately 71.4% which is higher than the gross margin of approximately 17.74% for the year ended 31 December 2011 due to the disposal of the household and industrial products business segment, where the segment has low gross margin during 2011. The administrative expenses for the Group for the financial year ended 31 December 2012 remain at a high level of approximately HK$66.5 million due to high rental and staff costs for the beauty salon outlets in Hong Kong under the cosmetic and skincare business segment. The finance costs reduce significantly for the financial year ended 31 December 2012 by approximately HK$19.6 million from approximately HK$75.7 million for same period of 2011. The decrease in finance costs was mainly due to the convertible bonds becoming immediately due and repayable after trading in the shares of the Company on the Main Board of the Stock Exchange had been suspended for a period of 30 consecutive trading days since 29 June 2011 and no interest was incurred on the convertible bond during 2012.

For the financial year ended 31 December 2012, the auditor of the Company was unable to obtain sufficient evidence during the course of audit due to the frequent changes in Directors and finance staff, the inability to obtain the relevant documents from the then Directors, the loss of control of the subsidiaries after the Debt Restructuring such that the then management cannot access the relevant documents (referring to auditor's opinion set out in the section headed "Basis for disclaimer of opinion" above. The internal control system of the Company has apparent weaknesses, in particular those relating to financial and accounting system.

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

I. provide training on compliance with the Listing Rules, corporate governance and accounting and finance issues to the executive Directors and staff of the Group in order to strengthen the reporting and internal control system of the Group;

II. engage an independent professional firm to conduct regular internal control review in order to identify any potential weakness for future improvement;

III. discuss with the Company's legal adviser on the follow up action regarding the misconduct of the certain then executive Directors;

IV. discuss with the Company's legal adviser on whether any legal action should be taken in relation to the unfavorable terms arising from the Debt Restructuring; and

V. review the structure of the Board in order to diversify its expertise into different areas in particular into the areas of accounting, finance and risk management.

The Company will continue to review and monitor the above measures in order to further improve the internal control system of the Group.

OPERATIONAL REVIEW

Cosmetic and skincare products business segment. The revenue contributed by this business segment for the financial year ended 31 December 2012 was approximately HK$37.3 million, representing an approximately 78.4% decrease compared to the same period last year of approximately HK$172.5 million from continuing operations under cosmetics and skincare products business segments. The turnover of approximately HK$37.3 million was contributed by beauty salon outlets in Hong Kong under the cosmetic and skincare products business segment. A significant part of the production facilities in China was transferred to the lenders in order to settle the indebtedness owed by the Group such that the cosmetic and skincare business segment was no longer be able to produce as much products thereby causing the shrinkage of the entire business segment resulting in a significant decrease in turnover. The remaining operation under this business segment is the beauty salon outlets and cosmetic products consignment in shopping malls in Hong Kong. However, both the beauty salon outlets and cosmetic products consignment in shopping malls are facing high inflationary pressure from increasing rental and staff costs in Hong Kong. Increasing competition from different brands, especially the brands from Korea, is another major problem in maintaining the profitability of the business segment. The management of the Company is considering restructuring the Group business portfolio by allocating more resources to the gold mining business segment over the cosmetic and skincare business segment.

Mining business segment. There was no revenue contributed by this business segment during the financial year under review mainly due to business process consolidation in order to improve the efficiency of the gold mining business segment. In 2012, the management of the Company has further re-assessed the exploration process by identifying the high potential gold bearing area of the existing gold mine. The management studied the relevant geological data and the existing tunnel structure of the gold mine. After the re-assessment and study, the management believed that if certain modification to the existing exploration process and further investment into the gold mine can be conducted, the production of the gold mine would become more profitable. The management expects that the gold mining business segment would generate more turnover beginning from year 2013 and onwards.

PROSPECTS

Given the continual increase in rental and staff costs for our beauty salon outlets in Hong Kong due to significant increase in inflation, the keen competition in the cosmetic and skincare industry, the management of the Company is considering restructuring the Group's business portfolio by allocating more resources to the gold mining business segment over the cosmetic and skincare business segment. Although the gold mining business of the Group is still at the exploration stage, however, the management believe that the production from the gold mine will become more profitable when we invest more time and resources into the gold mine.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group had unpledged cash and bank balances of approximately HK$5.8 million (2011: approximately HK$18.9 million). The gearing ratio for the Group was approximately 86.45% (2011: 75.06%) and the borrowings and convertible bonds of the Group together was approximately HK$375.9 million (2011: borrowings and convertible bonds were approximately HK$327.6 million). The Group reported net current liabilities of approximately HK$408.8 million as at 31 December 2012 (2011: approximately HK$347.4 million).

CONTINGENT LIABILITY

As at 31 December 2012, the Group did not have any significant contingent liability.

EMPLOYEES AND REMUNERATION

As at 31 December 2012, the Group employed 208 staff (2011: 269). The remuneration of employees was in line with the market trend and commensurate with the level of pay in the industry and to the performance of individual employees that are regularly reviewed every year.

OTHER INFORMATION

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

FINAL DIVIDEND

The Board does not recommend payment of a final dividend for the year ended 31 December 2012 (2011: HK$ Nil).

ANNUAL GENERAL MEETING

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of the listed securities of the Company, and neither the Company nor any of its subsidiaries has purchased or sold such securities during the financial year ended 31 December 2012.

REVIEW OF THE FINAL RESULTS ANNOUNCEMENT BY THE AUDITOR

The figures in respect of this final results announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2012. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the final results announcement.

REVIEW BY AUDIT COMMITTEE

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

The Audit Committee has reviewed with the management of the Group the accounting principles, the CG Code as adopted by the Company and the practices of Group and approved the internal control and financial reporting matters including the consolidated financial statements for the financial year ended 31 December 2012.

CORPORATE GOVERNANCE

The Group acknowledges the need and importance of corporate governance as one of the key elements in enhancing shareholders' value. The Group is committed to improving its corporate governance practices in compliance with regulatory requirements and in accordance with international recommended practices. As at the date of this announcement, the Company has adopted the CG Code to regulate the corporate governance issues of the 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 2012 due to the loss of the records of the Company. The existing Board is of the view that its first priority in the year 2015 is to improve the corporate governance of the Group.

The then Code provisions	Non-compliance and the reason for the deviation	Improvement actions took or to be taken
A.2.5	Non-compliance	The Chairman has confirmed that he will take active action to improve and monitor the corporate governance practice of the Group
A.2.7	Non-compliance	The Chairman has confirmed that he will hold annual meeting with the non-executive Directors including the independent non-executive directors in the absence of the executive directors
A.4.2	During the financial year under review no general meeting was held to resolve on the rotation of Directors, amongst other issues	All Directors will be subject to rotation in accordance with the Articles of Association of the Company and with the Listing Rules. Every Director will be subject to retirement by rotation at least once every three years
A.5.1	Non-compliance	A nomination committee chaired by Mr. Long Xiaobo, the chairman of the Board, has been set up since 1 October 2013. The majority of the members of the nomination committee comprises of independent non-executive Directors
A.5.2	Non-compliance	A new terms of reference for the nomination committee has been adopted by the Board on 30 January 2015 setting out the functions of the nomination committee, including fostering the structure and composition of the Board for the Company's strategic operations, nominating candidates with appropriate qualifications to the Board, assessing the independence of the independent non-executive Directors and to assist in succession planning
A.5.3	Non-compliance	A new terms of reference for the nomination committee was adopted by the Board on 30 January 2015 and was uploaded on the Stock Exchange and Company's website at the same date
A.6.5	Non-compliance	From 2015 onwards, the Company will arrange continuous training course(s) to all Directors

The then Code provisions	Non-compliance and the reason for the deviation	Improvement actions took or to be taken
B.1.3	Non-compliance	A new terms of reference for the remuneration committee was adopted by the Board on 30 January 2015 and was uploaded on the Stock Exchange and Company's website at the same date
C.1.2	Non-compliance	The management have confirmed to the Board that monthly updates, or if agreed not less frequent than quarterly interval updates, will be given to all Directors
C.2.1	Under Improvement	An external professional adviser was engaged by the Company on 31 December 2013 in order to address the deficiencies and to assist the management to improve the internal control system of the Group. Since then the Board has and will conduct a review of such system at least on annual basis to assess its effectiveness
C.2.6	No internal audit function was established by the Company during the year in question	An external professional adviser was engaged by the Company on 31 December 2013 in order to address any deficiency and to assist the management to establish and to improve the internal control system of the Group. Since then the Board has and will conduct a review of such system at least on annual basis to assess its effectiveness and make relevant disclosure in the corporate governance report
C.3.4	Non-compliance	A new terms of reference for the Audit Committee was adopted by the Board on 30 January 2015 and was uploaded on the Stock Exchange and the Company's website at the same date
E.1.1	During the financial year under review no general meeting was held	The AGM for the year 2015 will be arranged in due course and issues to be resolved at the AGM or any general meeting will be separately proposed and resolved unless they relate to the same substantial issue or are otherwise interdependent

The then Code provisions	Non-compliance and the reason for the deviation	Improvement actions took or to be taken
E.1.2	During the financial year under review no general meeting was held	The AGM for the year 2015 will be arranged in due course. The chairman of the Board will attend the AGM and will also invite the chairmen of the audit, remuneration, nomination and any other committees of the Board to attend
E.1.3	During the financial year under review no general meeting was held	The AGM for the year 2015 will be arranged in due course and due notice of at least 20 clear business days before the meeting will be sent to the shareholders. Due notice as required under the Listing Rules and the CG Code will also be given to the shareholders in the case of any other general meetings
E.1.4	During the financial year under review no general meeting was held	A shareholders' communication policy in accordance with the CG Code has been established by the Board. It will be reviewed on annual basis to ensure its effectiveness
E.2.1	During the financial year under review no general meeting was held	For the 2015 AGM and any other general meetings to be held onwards, the chairman will ensure that explanation is provided for the procedure for conducting of poll and all questions from the shareholders in that regard will be answered

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules ("**Model Code**") as the code of conduct governing Director's securities transactions. Trading in the shares of the Company on the Stock Exchange has been suspended at the request of the Company since 29 June 2011. All the then Directors who are still on the Board currently have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the financial year ended 31 December 2012.

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

The annual results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk as well as the website of the Company at www.chinabillion.net respectively. The annual report of the Company for the financial year ended 31 December 2012 will be dispatched to the shareholders of the Company and will be published on the aforementioned websites in due course.

CONTINUED SUSPENSION OF TRADING IN THE SHARES

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

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

APPRECIATION

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

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

Hong Kong, 9 February 2015

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

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

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