CPM

中國貴金屬資源控股有限公司

CHINA PRECIOUS METAL RESOURCES HOLDINGS CO., LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1194

2009 ANNUAL REPORT

Contents

Corporate Profile

China Precious Metal Resources Holdings Co., Ltd. 中國貴金屬資源控股有限公司 (Formerly known as China Force Oil & Grains Industrial Holdings Co., Ltd. 中盛糧油工業控股有限公司) (the "**Company**") and its subsidiaries (together, the "**Group**") has been founded by Mr. LIM Wa and Mr. LAM Cham in 1999.

The shares (the "**Shares**") of the Company have been listed on the main board (the "**Main Board**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 12 October 2004 (Stock code: 1194).

Upon completion of business reorganization, the directors of the Company ("the Directors") consider that it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio and to broaden its source of income. In light of the increase in gold prices over the past years, the Directors are optimistic about the future prospects of gold metal. Therefore, the Group decides to diversify its business portfolio into the precious metal industry in the PRC.

On 28 June 2009, the Group and Harmonie Developments Limited ("Harmonie") entered into a sale and purchase agreement, pursuant to which the Group agreed to purchase and Harmonie agreed to dispose the entire equity interest in Able Supplement Limited and its subsidiaries (collectively "Able Supplement Group") at the consideration that was satisfied by (i) cash of HK$50,500,000; (ii) 175,000,000 ordinary shares of the Company of HK$0.125 each at an issue price of HK$0.5635 and; (iii) two tranches of convertible bonds of principal amount of HK$97,056,000 and HK$73,828,000 respectively with an aggregate amount of HK$170,884,000. In mid-September 2009, the Group successfully acquired Able Supplement Group, including Chifeng Yongfeng Kuangye Co., Ltd. ("Chifeng Yongfeng") in Song Shan Qu and Hong Shan Qu, Chifeng City, Inner Mongolia, the PRC with an aggregate exploitation area of approximately 0.926 km^2.

The Directors consider that the acquisition of Able Supplement Group will provide an opportunity for the Group to gain access to the gold mining industry with an aim to broaden the income base of the Group, and thereby enhancing the Group's future financial performance and profitability.

Due to the incapability of the business of processing of oil & grains to withstand financial risk and its poor results, and the commencement of the gold mining business which possesses better risk-resistant ability and obtains satisfactory operating results in just within few months of time, the principal business activities of the Group will transform to mining and processing of gold mines and sale of gold completely.

Financial Highlights

Operating Figures

For the financial years ended 31 December	2009 HK$'000	2008 HK$'000
Turnover	**95,148**	139,541
Gross profit	**9,033**	3,513
Loss for the year	**(29,190)**	(52,209)
Loss per share	**(2.7) cents**	(5.9) cents

Sales Volume, Average Selling Price and Average Gross (Loss)/Profit

Edible oils:	**2009**	2008
Sales volume	**('000 tonnes)**	('000 tonnes)
– Small pack oil	**8**	12
Average selling price per tonne	**(HK$)**	(HK$)
– Small pack oil	**8,185**	11,263
Average gross (loss)/profit per tonne	**(HK$)**	(HK$)
– Small pack oil	**(308)**	250

Gold mining:	**2009**	2008
Sales volume	**('000 gram)**	('000 gram)
– Gold products	**69**	—
Average selling price per gram	**(HK$)**	(HK$)
– Gold products	**281**	—
Average gross profit per gram	**(HK$)**	(HK$)
– Gold products	**180**	—

Financial Highlights

Consolidated Balance Sheet

As at 31 December	**2009** **HK$'000**	2008 HK$'000
Total assets	**715,496**	143,012
Non-current assets	**509,968**	54,055
Current assets	**205,528**	88,957
Total liabilities	**199,983**	73,357
Current liabilities	**94,196**	65,548
Net current assets	**111,332**	23,409
Net assets	**515,513**	69,655

Financial Indicators

For the financial year ended 31 December	**2009**	2008
Gross profit/(loss)		
– Small pack oil (HK$ per tonne)	**(308)**	250
– Gold products (HK$ per gram)	**180**	—
Average inventory turnover (days)	**20.5**	10.8
Average trade receivable turnover (days)	**41.9**	31.1
Average trade payable turnover (days)	**40.8**	41.5
Net gearing ratio#	**0%**	54.5%

It is calculated with reference to the net debts (total borrowings and long-term payable less bank deposits) and the net assets value of the Group as at the balance sheet dates.

Chairman's Statement

Dear Shareholders,

The 2009 annual report is the first annual report after the Group changed its business of processing of oil & grains to business of gold mining. This has also symbolized the successful transformation of the principal operation of the Company. I hereby please to present on behalf of the board of directors of the Company the annual report of the Group for the year ended 31 December 2009 and to express my gratitude to all shareholders of the Company on behalf of the board of directors and all fellow staffs.

2009 was a critical year for the Company. It is also a year that the Company underwent significant changes. Extremely disorganized economic order was observed upon the outbreak of the global financial crisis. In order to cope with the changing real economies and market situation, the board of directors of the Group that assumes the leading role decided since the beginning of the year to expand its business to gold mining business which are considered to be able to provide support against financial risk. However, in pursuing the above clear-cut direction, great challenges such as insufficient of working capital and reformation of professional team were encountered by the Company. However, with the mutual support and inspiration between directors and their cooperation and efficient performance, all necessary fundamental development for operating a gold mining company was accomplished within the shortest time. In mid-September 2009, the Company successfully acquired Chifeng Yongfeng in the Inner Mongolia, PRC. As a subsidiary company of the Company, Chifeng Yongfeng obtained satisfactory operating results after the fourth quarter of operations. As such, the transformation of the Group to a listed company in Hong Kong focusing on resources development-type professional gold mining company is substantially reinforced and well received by investors in Hong Kong, making it as one of the most popular companies in the market in 2009. Therefore, the principal business activities of the Group will transform to mining and processing of gold mines and sale of gold completely.

During the reporting period, the Group recorded turnover and profit after taxation in relation to gold mining operating of HK$19,370,000 and HK$7,759,000 respectively. The assets and shareholders' equity of the Group also experienced rapid growth.

That said, "the baby lotus is just looming up", in 2010, the Group will implement the same business model as Bema/Eldorado, two of the internationally well-known gold mining companies, which is "gold reserve + short time production profit", so as to continue to actively invest in gold mining operation and, through merger and acquisition of gold mines, maintain rapid increase in gold resources of the Group and the profitability of the gold mining operation in the gold mineralization of Xiaoqinling and Ailao Shan in the PRC. The Group will also identify opportunities for international merger and acquisition with an aim to become one of the listing companies solely focusing on gold mining in Hong Kong that process the largest gold resources and the best profitability, as well as to bring higher return to all our shareholders.

Lastly, on behalf of the Board, I would like to extend our thankfulness to all our staffs and shareholders of the Group for their dedication and support to the Group. I hereby promise the operations of the Company will be based on the fundamental principle of best interest of the shareholders in 2010. With enterprising attitude, innovation, prudent and efficient operation, the Group will reward all our shareholders with the best operating results.

Lim Wa
Chairman

Hong Kong, 23 April 2010

Management's Discussion and Analysis

Financial Review

Group results

For the financial year ended 31 December 2009, the Group's turnover was approximately HK$95,148,000 (2008: HK$139,541,000). Loss attributable to equity holders of the Company was approximately HK$29,190,000 (2008: HK$52,209,000). Loss per share amounted to HK2.7 cents (2008: HK5.9 cents).

Selling and distribution expenses

During the financial year, the Group's selling and distribution costs amounted to approximately HK$4,112,000 (2008: HK$8,780,000), representing a decrease of approximately 53.2% over last year. The decrease was resulted from sales from edible oil business decreased by 45.7% of approximately HK$75,778,000 (2008: HK$139,541,000) during the financial year.

Administrative expenses

Administrative expenses decreased to approximately HK$17,437,000 (2008: HK$33,386,000), representing a decrease of 47.8% as compared with the last year. This was mainly due to the decrease in the amount recognised for equity-settled share-based payment expenses to HK$50,000 during the financial year (2008: HK$11,810,000). The Group granted new options to its directors, employees and professional consultants working for the Group in 2008, but, no new options were granted during the financial year. In addition, a decrease of other administrative expenses of approximately HK$4,189,000 during the financial year over last year from the tight control on the expense budget by the Group.

Finance costs

The Group's finance costs for the financial year amounted to approximately HK$5,072,000 (2008: HK$6,889,000), mainly comprising interest expenses on bank and other borrowings and amortised interest expense on the fair value of loan from a related company. The decrease in finance costs was mainly due to the decrease of interest rates of bank loans and decrease of other borrowings.

Liquidity and financial resources

As at 31 December 2009, the Group's net assets amounted to HK$515,513,000 (2008: HK$69,655,000). As at 31 December 2009, the Group's cash and bank deposits amounted to HK$189,648,000 (2008: HK$6,902,000). The Group's net current assets were approximately HK$111,332,000 (2008: HK$23,409,000).

As at 31 December 2009, the Group had total available banking facilities amounted to HK$31,802,000 of which was fully utilized. As such, the Group had no remaining available banking facilities as at that date.

Material acquisition

On 28 June 2009, the Group and Harmonie entered into a sale and purchase agreement, pursuant to which the Group agreed to purchase and Harmonie agreed to dispose the entire equity interest in Able Supplement Group at the consideration that was satisfied by (i) cash of HK$50,500,000; (ii) 175,000,000 ordinary shares of the Company of HK$0.125 each at an issue price of HK$0.5635 and; (iii) two tranches of convertible bonds of principal amount of HK$97,056,000 and HK$73,828,000 respectively with an aggregate amount of HK$170,884,000. The acquisition was completed on 17 September 2009 and the Group recognised an excess over the cost on the acquisition of HK$2,585,000.

Pledge of assets

As at 31 December 2009, all of the Group's bank loans of approximately HK$31,802,000 (2008: HK$37,025,000) were secured by the Group's fixed assets with a net book value of HK$31,246,000 (2008: HK$32,368,000).

Foreign currency exposure

As the Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars, Renminbi and United States dollars; its exposure to exchange rate risk is limited.

Capital structure

As at 31 December 2009, the total number of issued ordinary shares of the Company was 1,705,720,000 (2008: 940,000,000 shares) of HK$0.125 each.

As at 31 December 2009, the Group's net assets was approximately HK$515,513,000 (2008: HK$69,655,000) and its net debts (total bank and other borrowings less bank deposits) were HK$0 (2008: HK$37,932,000). Based on the above, the Group's net gearing ratio was approximately 0% (2008: 54.5%).

Operational Review

2009 was a year that the Group implemented and successfully completed its strategic transformation in the business operations of the group companies. It is also a year that another milestone of the development and growth of the Group was achieved.

After due analysis and demonstration, the management of the Group decided to transform steadily within the year the business operations of the Group from food processing to solely focusing on the mining, processing and production of gold. Upon completion of the transformation, gold will become the core products of the Company. In mid-September 2009, the Group successfully acquired 100% equity interest of Able Supplement Group, including Chifeng Yongfeng in Song Shan Qu and Hong Shan Qu, Chifeng City, Inner Mongolia, the PRC. Chifeng City is well-known by its rich gold reserves and long-established gold mining and production activities. With total mining area of 0.926 square kilometers, Chifeng Yongfeng possesses seven mines, out of which two are currently under operation. According to the exploration report from independent technical experts, there are proven reserves of 15.7 tonnes at average grade of 9.72 gram per tonne. The concentrating mills nearby the mines process daily processing capacity of 200 tonnes ores. The pre-determined target of finished product of gold that already accomplished was approximately 400,000 grams during the year. As opportunities to acquire other mines exist in the gold mining areas in Chifeng City, the successful acquisition and the commencement of operations of the mines of Chifeng Yongfeng are significant for the future development and prospect of the Company.

Prospectus

After the most severest global financial crisis since the end of 2007, as active intervention measures were undertaken by a number of governments, in particularly the China government whose macro-economy was among the first to recover, we are optimistic to predict that the global economies will remain steady or even gradually recover. The Group took the initiative to transform its operational direction and corporate and asset structure as well as to improve its financial condition, which become a promising start and solid foundation for future development. Based on the analysis of the demand and supply of gold in the international market (including the PRC), the management believe that the Company is geared to reap its greater achievements in the upcoming years and will further expand the asset portfolio and improve the profitability.

In the year to come, the Group will further actively explore the chance to acquire high quality and high efficient gold mineral in the PRC in order to expand the gold mineral assets. The Group is currently identifying and negotiating certain acquisitions of gold mining assets in the mining areas in Xiaoqinling, Henan Province and the mining areas in Ailao Shan, Yunnan Province, the PRC. On the other hand, the Group also look into the chance to develop overseas operation as a future development strategy so as to develop the Group as a leading enterprise in the industry that focusing its main operation on gold mining and production and possesses international mining assets and world-class level of production techniques and advanced management standard.

Corporate Governance Report

Corporate Governance Practices

The Board has committed to maintain high standards of corporate governance and procedures to ensure integrity, transparency and quality of disclosure in order to promote the ongoing development of the best long term interest of the Company and enhance value for all the Shareholders.

The articles of association of the Company (the "**Articles**") and the terms of reference of the audit committee and the remuneration committee form the framework for the code of corporate governance practices of the Company. The Board has reviewed its corporate governance documents and is of the view that the Company has complied with Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 14 of the Listing Rules except with deviations from the code provisions A.2.1.

Under Code A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr Lim Wa is the chairman and the chief executive officer of the Company as at 31 December 2009. The Board considers that the intensive experience of Mr Lim Wa in the edible oil industry is instrumental to the Group's operation and that it may not be in the best interest of the Group to separate the roles of the chairman and the chief executive officer.

Nonetheless, the Group will review the relevant code provision from time to time and comply with it if the Directors consider it appropriate to do so. On 21 January 2010, Mr. Lim Wa resigned as chief executive officer of the Company and Mr. Dai Xiaobing was appointed as chief executive officer of the Company.

Other than the deviations mentioned above, the Board is of the view that the Company has complied with the code provisions of the CG Code throughout the year ended 31 December 2009.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions.

The Company has made specific enquiry of all Directors of any non-compliance with the Model Code during the financial year ended 31 December 2009, and they have all confirmed their full compliance with the required standard as set out in the Model Code.

The Board

The overall management of the Company's business is vested in the Board. The major responsibilities of the Board include formulation of strategic plans, adoption of corporate strategies, assessment of investment projects, monitoring and controlling the Group's operating and financial performance, assessment and management of risk to which the Group is exposed. The managements of the Group are responsible for the execution of the Board's decisions and day-to-day operation of the Group.

Composition

As at 31 December, 2009, the Board consists of seven Directors, with four executive Directors, namely Mr Lim Wa, Mr Lam Cham, Mr Chang Yim Yang and Mr. Dai Xiaobing, three independent non-executive Directors, namely Professor Xiao Zhuo Ji, Dr Wong Lung Tak, Patrick, J.P. and Mr Chan Kin Sang. Mr Lim Wa is the Chairman and Chief Executive Officer of the Company. Mr. Dai Xiaobing is first appointed on 16 November 2009 as Executive Director of the Company for a term of three years.

The Company has appointed a sufficient number of independent non-executive Directors with suitable professional qualifications, such as expertise in accounting and financial management, in accordance with the requirements of the Listing Rules. They actively bring their valuable experience to the Board for promoting the best interests of the Company and its shareholders. The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

As permitted under its Articles of Association, the Company has arranged Directors' and Officers' Liability Insurance for which Members of the Board and officers of the Company do not have to bear any excess.

In 2009, the Company held ten Board meetings, with an average participation rate of 74%. The attendance of individual Directors at Board meetings during the year was:

Name of Directors	Meetings attended/held
Mr Lim Wa	10/10
Mr Lam Cham	10/10
Mr Chang Yim Yang	6/10
Mr Dai Xiaobing (Appointed on 16 November 2009)	2/2
Professor Xiao Zhuo Ji	0/10
Dr Wong Lung Tak, Patrick, J.P.	9/10
Mr Chan Kin Sang	9/10

Prof. Xiao Zhuo Ji ("Prof. Xiao") has not attended all meetings during the year for the reason of sickness. Prof. Xiao has resigned as independent non-executive Director of the Company for personal health reason on 21 January 2010.

The minutes of Board meetings are prepared by the company secretary of the meeting. The draft minutes are circulated to all Members of the Board for their comments and the final version of the minutes is sent to all Members of the Board for their records within a reasonable time after the meeting. The minutes are also open for inspection by all Members of the Board at the Company's registered office.

The total remuneration of the Directors in 2009 amounted to HK$5,031,200. Independent non-executive Directors are only entitled to receive director's fees but not other salaries or remuneration. The remuneration (including share based payments) of each Director for the year was as follows:

Name of Directors	HK$
Mr Lim Wa	1,703,200
Mr Lam Cham	1,703,200
Mr Chang Yim Yang	1,001,000
Mr Dai Xiaobing (Appointed on 16 November 2009)	127,000
Professor Xiao Zhuo Ji	180,000
Dr Wong Lung Tak, Patrick, J.P.	158,400
Mr Chan Kin Sang	158,400

For the financial year ended 31 December 2009, no share options had been granted to any of the Directors under the Share Option Scheme adopted by the Company on 18 September 2004. Details of the share options exercised and remained outstanding as at 31 December 2009 under the Share Option Scheme are as follows:–

			Number of option Shares		
	Date of grant	Exercise Price HK$	Outstanding at 31 December 2008	Exercised during the year	Outstanding at 31 December 2009
Mr Lam Cham	2 January 2008	0.27	7,200,000	–	7,200,000
Dr Wong Lung Tak, Patrick, J.P.	2 January 2008	0.27	800,000	800,000	–
Mr Chan Kin Sang	2 January 2008	0.27	800,000	–	800,000
Professor Xiao Zhuo Ji	2 January 2008	0.27	800,000	–	800,000
Mr Lim Wa	20 March 2008	0.292	7,800,000	–	7,800,000
Total			17,400,000	800,000	16,600,000

Board Committees

Audit committee

The Group has established an audit committee (the "**Audit Committee**") under the Board. The Audit Committee comprised three independent non-executive Directors, namely Professor Xiao Zhuo Ji, Dr Wong Lung Tak, Patrick, J.P. and Mr Chan Kin Sang. Dr Wong Lung Tak, Patrick, J.P. is the Chairman of the Audit Committee.

The Audit Committee's duties are mainly to review the Company's financial reports, make recommendations on the appointment, removal and remuneration of independent auditors and approve audit and audit-related services, and supervise the Company's internal financial reporting procedures and management policies.

At least two meetings of the Audit Committee will be convened annually to review the accounting policies, internal control and the relevant financial and accounting issues, so as to ensure fairness and accuracy of the Company's financial statements and other relevant information. The minutes of the Audit Committee meetings are prepared by the secretary of the meeting. The draft minutes are circulated to the Committee Members for comments and the final version of the minutes is sent to the Committee Members for their records within a reasonable time after the meeting. The minutes are also open for inspection by the Committee Members at the Company's registered office.

In 2009, the Audit Committee held two meetings with an average participation rate of 67%. Members of the Audit Committee, Dr Wong Lung Tak, Patrick, J.P. and Mr Chan Kin Sang have attended all meetings during the year. Prof. Xiao has not attended all meetings during the year for the reason of sickness. Prof. Xiao has resigned as member of Audit Committee of the Company for the personal health reason on 21 January 2010.

Remuneration committee

The Group has established a remuneration committee (the "**Remuneration Committee**"). The Remuneration Committee consists of two independent non-executive Directors, Dr Wong Lung Tak, Patrick, J.P. and Mr Chan Kin Sang, and one executive Director, Mr Lim Wa. The Company has formulated written terms of reference for the Remuneration Committee in accordance with the requirements of the Listing Rules.

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and in overseeing remuneration packages of the Directors. It takes into consideration factors such as salaries and compensation packages paid by comparable companies, time commitment and responsibilities of Directors. It also takes into account whether the emoluments offered are appropriate to the duties and performance of the respective individuals concerned and whether such emoluments are competitive and sufficiently attractive to retain such individuals.

During the year ended 31 December 2009, one Remuneration Committee meeting has been held for the amendment of terms of directors' service agreements during the year. All members of the Remuneration Committee have attended the meeting.

Independent Board Committee

The independent board committee (the "**IBC**") comprises all the three independent non-executive Directors, namely Professor Xiao Zhuo Ji, Dr Wong Lung Tak, Patrick, J.P. and Mr Chan Kin Sang.

The principal responsibilities of the IBC include advising the Company's independent shareholders as to whether the terms of the refreshment of general mandate are fair and reasonable, whether the refreshment of general mandate is in the interests of the Company and the Shareholders as a whole, and on how to vote after taking into account the recommendations of the independent financial adviser required to be appointed by the Company under the Listing Rules (Please refer to the circular dated 23 December 2009 for details). The refreshment of general mandate has been duly approved by the Independent Shareholders by way of poll at the extraordinary general meeting held on 11 January 2010.

Nomination Procedures and Criteria

The Company has yet to appoint a nomination committee, the establishment of which is a recommended best practice by the Stock Exchange. Current Board practice of appointment of new directors is that all valid nomination of candidates, accompanied with related details of their biographies, for directorships in the Company would be brought before the Board for consideration. Consideration would be given to factors such as the candidate's experience and qualifications relevant to the Company's business. Members of the Board would collectively have the required professional knowledge and skills in discharging the Board's responsibility in identifying, recruiting and evaluating new nominees to the Board and the assessment of qualifications of nominated candidates for directorship.

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements.

The statement of the external auditors of the Company, Messrs CCIF CPA Limited, with regard to their reporting responsibilities on the Company's financial statements is set out in the Auditor's Report on page 27 to 28.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Auditors' Remuneration

For the year ended 31 December 2009, the amounts billed by its external auditors, CCIF CPA Limited in respect of services provided to the Company were as follows:

	2009 HK$'000
Audit services	**950**
Non-audit services	–
	950

Internal Control

The Board has overall responsibilities to maintain a sound and effective internal control system of the Group to safeguard the shareholders' investment and the Company's assets. The Group has established guidelines and procedures for the approval and control of expenditure. Operating expenditures and capital expenditures are subject to the overall budget control and approval process prior to commitment.

The Board has, through the Audit Committee of the company, conducted the annual review of the effectiveness of the Company's system of internal controls for the year ended 31 December 2009. The review covered all material controls including financial, operational and compliance controls and risk management functions. There were no significant control failings, weaknesses or significant areas of concern identified during the year which might affect shareholders.

Communication with Shareholders

The Company's Annual General Meeting is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to question Directors about the Company's performance.

The Company may also communicate with its shareholders through Extraordinary General Meetings ("EGM") if and when appropriate. For example, an EGM was held on 8 September 2009 to consider approving the sale and purchase agreement entered with Harmonie Developments Limited (Please refer to the circular dated 24 August 2009 for details).

Biographical Details of the Directors and the Senior Management

Directors

Executive Directors

Mr. LIM Wa (廉華), aged 49, is the chairman, chief executive officer and an executive Director. Mr. LIM is one of the founders. Mr. LIM obtained a bachelor's degree in economics from Remin University of China (中國人民大學). Mr. LIM has over 20 years of experience in the PRC edible oil industry. Prior to founding the Group in 1999, Mr. LIM had worked at China Foreign Trading Company Limited (中國商業對外貿易總公司) for around 10 years being responsible for the trading of oil, oilseeds and meals. Mr. LIM is responsible for the Group's overall strategic development, planning and policy making. On 21 January 2010, Mr. LIM resigned as chief executive officer of the Company.

Mr. LAM Cham (林杉), aged 51, is the deputy chief executive officer and executive Director. Mr. LAM is one of the founders. Prior to founding the Group with Mr. LIM in 1999, Mr. LAM had worked in two State-owned companies in China engaged in international trading and domestic trading of oil, oilseeds and meals for more than 20 years being responsible for sales and distribution. Mr. LAM is responsible for the Group's overall strategic development and supervising the Group's general operations.

Mr. CHANG Yim Yang (張賢陽), aged 47, was first appointed as executive Director on 19 June 2008 for a term of three years. Mr. CHANG was awarded post-graduate diploma by University of Shenzhen in International Finance. Mr. CHANG is experienced in mergers and acquisitions as well as capital market operations. He is well versed in investment operations in Mainland China and has more than ten years of experience in the industry. Mr. CHANG has not held any directorships in other listed companies in the last three years.

Mr. DAI Xiaobing (戴小兵), aged 42, was first appointed as executive Director on 16 November 2009 for a term of three years. Mr. DAI was awarded a Ph.D in Econometrics by Jilin University School of Business (吉林大學商學院). Mr. DAI is experienced in the corporate finance sector as well as merger and acquisitions and corporate structuring of companies in the PRC. He is also familiar with the capital market in the PRC. Currently, Mr. DAI is the chairman of Beijing Ji Fude Information Technology Co., Ltd. (北京吉芙德信息技術有限公司), which is not a public company and is an independent director of Jiangxi Canneng Co., Ltd. (江西贛能股份有限公司) (Stock code: 000899), a company listed on the stock exchange of Shenzhen. Save as disclosed above, Mr. DAI does not hold any other major appointments or professional qualifications and has not held any position or directorships in any other listed public companies in the last three years. On 21 January 2010, Mr. DAI was appointed as Chief Executive Officer of the Company.

Independent non-executive Directors

Professor XIAO Zhuo Ji (蕭灼基), aged 75 was first appointed as independent non-executive Director on 19 June 2004 and re-appointed as an independent non-executive Director on 19 June 2007 for a term of three years. Professor XIAO is the Professor of the Faculty of Economics of Peking University, China. Professor XIAO is also a general member of the National Committee, Chinese People's Political Consultative Conference. Professor XIAO is an economist in China and has over 10 years of experience in contributing to the liberalisation of the Chinese capital markets. Prof. XIAO has resigned as independent non-executive Director of the Company for personal health reason on 21 January 2010.

Biographical Details of the Directors and the Senior Management

Dr. WONG Lung Tak, Patrick (黃龍德), J.P., aged 62 was first appointed as independent non-executive Director on 19 June 2004 and re-appointed as an independent non-executive Director on 19 June 2007 for a term of three years. Dr. WONG is a practising certified public accountant in Hong Kong and the managing director of Wong Lam Leung & Kwok CPA Limited. He has over 30 years' experience in the accountancy profession. Dr. WONG was accorded Doctor of Philosophy in Business in 2000, was awarded a Badge of Honour by the Queen of England in 1993, and was appointed a Justice of the Peace in 1998. He was appointed Adjunct Professor, School of Accounting and Finance, The Hong Kong Polytechnic University in 2002. Dr. WONG participates in many types of community services, holding posts in various organizations and committees in government and voluntary agencies. Dr. WONG is currently an independent non-executive director of Water Oasis Group Limited, CC Land Holdings Limited, Galaxy Entertainment Group Limited, Ruinian International Limited and Vertex Group Limited. The shares of all these companies are listed on the Stock Exchange.

Mr. CHAN Kin Sang (陳健生), aged 58, was first appointed as independent non-executive Director on 19 June 2004 and re-appointed as an independent non-executive Director on 19 June 2007 for a term of three years. Mr. CHAN is currently the sole proprietor of Messrs. Peter K.S. Chan & Co., Solicitors and Notaries. Mr. CHAN has been a practising solicitor in Hong Kong since 1982. Mr. CHAN graduated from the University of Hong Kong with a bachelor's degree in laws in 1979. Mr. CHAN was admitted as a notary public in 1997 and as a China-appointed attesting officer in 2000. Mr. CHAN is currently a Fellow of the Hong Kong Institute of Directors. Mr. CHAN is currently an independent non-executive director of each of People's Food Holdings Limited, Sunray Holdings Limited and Luxking Group Holdings Limited and non-executive director of Pan Hong Property Group Limited. The shares of all these companies are listed on Singapore Stock Exchange Limited. Mr. CHAN is also an independent non-executive director of each of Dynamic Energy Holdings Limited and Goldmond Holdings Limited. The shares of all of these companies are listed on the Stock Exchange. He was formerly an independent non-executive director of each of Plus Holdings Limited and New Smart Energy Group Limited. The shares of all of these companies are listed on the Stock Exchange, and of CHT (Holdings) Ltd. whose shares are listed on Singapore Stock Exchange Limited.

Senior Management

Mr. SUN Yun Fei (孫雲飛), aged 38, is the general manager of China Force (Zhenjiang). Mr. SUN graduated from East China Shipbuilding Institute (華東船舶工業學院), the PRC and also obtained a Master of Business Administration degree from Nanjing University of Science and Technology (南京理工大學), the PRC. Prior to joining the Group in 2001, Mr. SUN had worked for a PRC food company. Mr. SUN has over 9 years of experience in the management and operation of food and related companies. Mr. SUN is responsible for the day-to-day management of production, logistics, sales and administration of China Force (Zhenjiang).

Mr. ZHU Bin (朱彬), 41, graduated from Jiangsu University (江蘇大學) in China. Mr. ZHU is a qualified accountant in China. Before joining the Group in 2001, Mr. ZHU worked for a Chinese food company. He has over 10 years' management experience in food and related companies. Mr. ZHU is responsible for the formulation of accounting policies of the Group.

Biographical Details of the Directors and the Senior Management

Ms. LAM Hiu Lai (林曉麗), aged 39, is the financial controller, company secretary and qualified accountant of the Group. Ms. LAM graduated from the Shue Yan University and also obtained a Master of Professional Accounting in the Hong Kong Polytechnic University. Prior to joining the Group in 2002, Ms. LAM had worked at a leading accounting firm for 7 years and held the position of accounting manager in the group for four years. Ms. LAM has over 10 years of financial management and accounting experience. Ms. LAM is responsible for the Group's general financial management and accounting. Ms. LAM is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

On 21 January 2010, the Company appointed the following persons to join the Group:

Mr. XIAO Rong Ge (肖榮閣), aged 60, was appointed as independent non-executive Director and member of Audit Committee of the Company. Mr. XIAO obtained his Ph.D in Professional Geology from the China University of Geosciences (Beijing). He is currently a professor of Professional Geology and mentor to doctoral students at the China University of Geosciences (Beijing). Mr. XIAO has long been engaging in research work in the fields of geology, mineral exploration and economic evaluation. He participated in the fieldwork of geological inspection of metal minerals by an integrated exploration team of the geological exploration company of the Ministry of Metallurgical Industry of China, mainly at the regions of Langshan mountain of Inner Mongolia, Bayan Obo, Manzhouli Daxinganling. He also took part in the geological research work of the Three-River Area of Yunnan and the system research of meso-cenozoic geological minerals and sylvite and copper minerals in Yunnan. As a post-doctoral researcher at the Institute of Geochemistry Chinese Academy of Sciences, he engaged in geological geochemistry research, focusing in research on the formation of meso-cenozoic sandstone-type copper minerals. He is currently specialized in gold and silver deposits research, and has splendid achievement in hydrothermal fluid and hydrothermal sedimentary rock research. His monograph named "Mineralization Rule and Anticipation of Gold Minerals in the Innermost Part of Xiao Qin Ling" (《小秦岭深部金礦成礦規律與成礦預測》) was published in 2009. Mr. XIAO had engaged in the projects of the National Science Foundation of China, basic technical research projects of the Department of Technology, Ministry of Land and Resources, national geological inspection projects, open laboratory projects on geochemistry of the Chinese Academy of Sciences and related provincial projects of the Department of Land and Resources and various mining enterprises projects, and was awarded a Third Class Award of Technological Progress by the Ministry of Geology and Mineral Resources, a First Class Award and a Second Class Award of Technological Achievement by the Ministry of Land and Resources. Mr. Xiao had engaged in consultant services for mining investment, valuation for financing, mining rights valuation and technical inspection, and had conducted valuation of mining resources for various mining enterprises.

Mr. WANG John Peter Ben (王志浩), aged 49, was appointed as non-executive Director of the Company. Mr. WANG was awarded Chartered Accountant with The Institute of Chartered Accountants in England and Wales. Currently, he is the Director of Melco PBL Entertainment (Macau) Limited (referred to as "Melco Group"), a company listed on the Nasdaq Global Market. He has over 20 years of experience in the investment banking industry. Mr. Wang previously worked for Deutsche (HK), CLSA (HK), Bear Stearns (HK), Barclays (Singapore), SG Warburgs (London) and Salomon Brothers (London), the London Stock Exchange and Deloitte Haskins & Sells (London). Mr. WANG is a non-executive director of Oriental Ginza Holdings Limited whose shares are listed on the main board of the Stock Exchange. Mr. WANG is also a non-executive director of MelcoLot Limited whose shares are listed on the Growth Enterprise Market of the Stock Exchange.

Biographical Details of the Directors and the Senior Management

Mr. DENG Guoli (鄧國利), aged 44, was appointed as the vice-president and chief engineer of the Mining Operation of the Company. Mr. DENG holds a bachelor's degree in Geology from East China Geological Institute, a Master degree in Business Administration from the Management School of Xi An Jiao Tong University (西安交通大學管理學院). He is currently a senior geological engineer. Mr. DENG worked in Geological Team 211 (Northwestern) of China's Nuclear Industry Authority (中國核工業部西北二一一地質大隊) and had respectively held the positions of Geological Technician, Assistant Engineer, Engineer and Senior Engineer, Project Technology Supervisor and Project Supervisor, etc. He also served as the Assistant to Mine Manager at Shanxi Pangjiahe Gold Mine (陝西龐家河金礦礦長助理). Mr. Deng had long been engaging in the investigations for regional mineral production, surveys, exploration, mine exploitation and gold heap leaching, etc. He has extensive experience and knowledge in the areas of geological evaluation of mines, mine construction, mine selection and production, and operational management, etc.

Mr. MEI Ximin (梅喜民), aged 50, was appointed as the vice-president of Environmental and Governmental Affairs of the Company. Mr. MEI holds a bachelor's degree in Economics from Jilin University and currently is a senior economist. Mr. Mei had served in various administration offices of the PRC Government for almost 20 years respectively as head officer, chief officer, etc. He was also a member of the senior management of a stateowned enterprise, and familiar with the public relations' affairs of the Government. Mr. MEI was in charge of the acquisition of Chifeng Yongfeng Kuangye Co., Ltd. by the Group in 2008, and he was then the general manager of Chifeng Yongfeng Kuangye Co., Ltd. Mr. MEI individually holds 2,000,000 shares of the Company.

Mr. ZENG Xiang Ping (曾祥平), aged 50, was appointed as vice-engineer of Geology of the Company. Mr. ZENG holds a bachelor's degree in Resources Exploration Engineering (資源勘探工程專業) from Kunming University of Science and Technology. He has obtained the PRC recognized qualifications of Senior Engineer and Reserve Valuer, and currently is a member of the Society of Geology of Yunnan Province (雲南省地質學會會員). Mr. ZENG worked in the 1st Geological Team of Geologic Bureau of Yunnan Province (雲南省地質局第一地質大隊) and the Qu Jing Branch of Yunnan Mineral Resources Limited Company (雲南地礦資源股份有限公司) where he was engaged in geological exploration for almost 30 years, as Officer of Geology Exploration Department, Officer of Production Technology and Deputy Chief Engineer, etc. He led the geological exploration and mining development works of Sheng Jing Guan Gold Mine in Fu Yuan, Fu Heng Gold Mine in Yang Pi and Ge Han Gold Mine in Qiu Bei, Yunnan. Mr. ZENG was highly skillful in the technology of geological exploration and evaluation of deposit reserves.

Mr. XIA Bing Jun (夏丙軍), aged 45, was appointed as deputy chief engineer of Mining Operation of the Company. Mr. XIA holds a bachelor's degree in Mining from Shandong Institute of Construction Materials, and possesses the qualifications of Senior Mining Engineer, PRC Registered Safety Engineer (全國註冊安全工程師), PRC Registered Class II Architect (全國註冊二級建造師). Mr. XIA had worked as a Mining Technician, Mining Engineer, Officer of Production Dispatching and Mining Area in the Gold Deposit of Hong Hua Gou of Chifeng City (赤峰市紅花溝金礦), Head of the Production Department in 內蒙古赤峰遼都礦業有限公司, and Head of Production Mine and Mining Engineer in Chifeng Nianzigou Mining Company Limited (赤峰碾子溝礦業有限公司). He is currently the Head of Production Mine and Mining Engineer in Chifeng Yongfeng Kuangye Co., Ltd. of which the shareholding is held by the Group.

Mr. SUN Tim (孫鐵民), aged 49, Chinese Canadian, was appointed as the chief strategic consultant of the Company. Mr. SUN holds a Ph.D in Mining in the Faculty of Mining from Queen's University of Canada. Mr. SUN has extensive experience in mining operation and development, investment and financing. He is a renowned manager of mining operation and investor in Canada. Mr. SUN has worked in the fields of mining and mine exploration in Canada and the PRC for more than 20 years, being the most experienced investor in the joint venture mining industry over the PRC. He had served in Ivanhoe Mining (艾文豪礦業) as Chief Representative for two years. He had also been in charge of and participated in the PRC's first Sino-foreign joint venture gold mine, Dayin' gezhuang gold mine, Shandong province (山東大尹各莊金礦) (a project investment amounted to USD70 million) and the largest copper and gold deposit in the world, 奧雲妥羅蓋銅礦 in Mongolia (a project investment amounted to more than USD5 billion).

Report of the Directors

The Directors hereby submitting the annual report and the audited financial statements for the financial year ended 31 December 2009.

Principal Business Activities

The Company is an investment holding company. The activities of its principal subsidiaries are set forth in note 18 to the financial statements.

Results and Dividend

The results of the Group for the financial year ended 31 December 2009 are set forth in the consolidated income statement on page 29.

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2009.

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 page 106.

Reserves

Details of movement in the reserves of the Group and the Company during the year are set out in note 28 to the financial statements.

Fixed Assets

Particulars of the movements during the financial year in fixed assets of the Group are set forth in note 15 to the financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 28(b) to the financial statements.

Directors

The Directors during the year and up to the date of this report were:–

Executive Directors:–
Mr. LIM Wa
Mr. LAM Cham
Mr. CHANG Yim Yang
Mr. DAI Xiaobing (Appointed on 16 November 2009)

Non-executive Director:–
Mr. WANG John Peter Ben (Appointed on 21 January 2010)

Independent non-executive Directors:–
Professor XIAO Zhuo Ji (Resigned on 21 January 2010)
Dr. WONG Lung Tak, Patrick, J.P.
Mr. CHAN Kin Sang
Professor XIAO Rong Ge (Appointed on 21 January 2010)

The service contracts of Mr. LIM Wa and Mr. LAM Cham as executive Directors of the Company were renewed for a fixed term of three years commencing from 19 June 2007. Mr. CHANG Yim Yang was first appointed as executive Director on 19 June 2008 for a term of three years. Mr. DAI Xiaobing was first appointed as executive Director on 16 November 2009 for a term of three years. Independent non-executive Directors Professor XIAO Zhuo Ji, Dr. WONG Lung Tak, Patrick, J.P. and Mr. CHAN Kin Sang were appointed by the Company for a term of three years commencing from 19 June 2007. Mr. WANG John Peter Ben was first appointed as non-executive Director on 21 January 2010 for a term of three years. Professor XIAO Rong Ge was first appointed as independent non-executive Director on 21 January 2010 for a term of three years.

There is no specific clause in all the service contracts providing for the amount of compensation in case of early termination. Each Director was subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Articles. In accordance with article 86(3) and 87(1) of the Articles, Mr. LIM Wa, Mr. LAM Cham, Mr. DAI Xiaobing, Mr. WANG John Peter Ben and Professor XIAO Rong Ge shall retire at the forthcoming annual general meeting of the Company and shall be eligible for re-election.

Other than as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' and Chief Executives' Interest in Shares

As at 31 December 2009, the interests of the Directors and chief executives in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:–

Long positions in the Shares

Name of Directors	Nature of interest and capacity	Total number of the Shares	Approximate percentage of interest
Mr. LIM Wa and LAM Cham	Corporate (a)	340,196,670	19.94%
Mr. CHANG Yim Yang	Corporate (b)	100,000,000	5.86%
Mr. LAM Cham	Personal	200,000	0.01%

(a) Aswell Group Limited ("Aswell Group") is a company beneficially owned as to approximately 30% by Mr. LIM Wa, as to approximately 29.4% by Mr. LAM Cham and as to approximately 40.6% by the associates of Mr. LIM Wa. Accordingly, Mr. LIM Wa and LAM Cham are taken to be interested in the Shares held by Aswell Group.

(b) Lead Pride Holdings Limited ("Lead Pride") is wholly-owned by Mr. CHANG Yim Yang. Accordingly, Mr. CHANG Yim Yang is taken to be interested in the Shares held by Lead Pride.

All the interests stated above represented long positions. As at 31 December 2009, the Directors and chief executives had no short positions recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Share Options

A share option scheme (the "**Share Option Scheme**") was adopted pursuant to a written resolution of the then Shareholders passed on 18 September 2004.

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to any executive directors, non-executive directors and independent non-executive directors of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers to the Group whom the Board considers, in its sole discretion, have contributed or will contribute to the Group, subject to and in accordance with all applicable laws (the "**Participants**").

The Share Option Scheme will remain in force for a period of 10 years commencing on 18 September 2004, being the date on which the Share Option Scheme was adopted.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue (the "**Scheme Mandate Limit**"), unless the Company obtains a fresh approval from the Shareholders.

Under the Share Option Scheme and any other share option schemes of the Company, the Directors were authorized to grant options to subscribe for up to 80,000,000 Shares, representing 10% of the Shares in issue immediately following completion of the initial public offering of the Company. Prior to 11 February 2008, the Scheme Mandate Limit has been fully utilized.

At the Extraordinary General Meeting held on 11 February 2008, the Company obtained the approval from the Shareholders to refresh the limit in respect of the granting of share options under the Share Option Scheme and all other share option scheme(s) up to 10% of the total number of Shares in issue as at the date of approval of such refreshment by passing of an ordinary resolution by the Shareholders.

Notwithstanding any other provisions of the Share Option Scheme, the maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time.

Unless approved by the Shareholders, the total number of the Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

Offer of an option ("**Offer**") shall be deemed to have been accepted by any Participant (the "Grantee") who accepts an Offer in accordance with the terms of the Share Option Scheme and the option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the Offer duly signed by the Grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the granting thereof is received by the Company within such period as the Board may determine and specify in the Offer.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined by the Board at its absolute discretion and notified by the Board to each Grantee as being the period during which such option may be exercised and in any event, such period shall not be longer than 10 years from the date of offer (the "**Option Period**"). An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the Option Period.

The subscription price for the Shares under the Share Option Scheme will be at least the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made by the Company to the Grantee (which date must be a business day, "**Offer Date**"); (b) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Offer Date; and (c) the nominal value of the Share.

As at 31 December 2009, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 44,900,000, representing 2.63% of the Shares in issue at that date and approximately 2.56% of the enlarged number of shares in issue upon full exercise of the options granted under the Share Option Scheme.

Details of the share options granted and remained outstanding as at 31 December 2009 under the Share Option Scheme are as follows:–

	Date of grant	Exercise Price HK$	Number of option Shares: Outstanding at 31 December 2008	Exercised during the year	Outstanding at 31 December 2009
Mr LAM Cham	2 January 2008	0.27	7,200,000	–	7,200,000
Dr WONG Lung Tak, Patrick, J.P.	2 January 2008	0.27	800,000	800,000	–
Mr CHAN Kin Sang	2 January 2008	0.27	800,000	–	800,000
Mr XIAO Zhuo Ji	2 January 2008	0.27	800,000	–	800,000
Other senior management staff and employees	2 January 2008	0.27	17,570,000	10,370,000	7,200,000
Mr LIM Wa	20 March 2008	0.292	7,800,000	–	7,800,000
Other senior management staff and employees	20 March 2008	0.292	39,000,000	32,900,000	6,100,000
Financial consultants and project investment consultants	18 June 2008	0.35	33,200,000	18,200,000	15,000,000
Total			107,170,000	62,270,000	44,900,000

The above three tranches of share options are of an exercise price of $0.27, $0.292 and $0.35 per share with the exercisable periods from 2 April 2008 to 1 January 2011, 20 June 2008 to 19 June 2011 and 18 September 2008 to 17 September 2011 respectively. All three tranches of share options have the vesting period for three months after the date of grant.

Another share option scheme (the "**Pre-IPO Share Option Scheme**") was adopted pursuant to a written resolution of the then Shareholders passed on 18 September 2004 for the primary purpose of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to our directors and employees and for such other purposes as the Board may approve from time to time.

The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme except that:–

(i) the subscription price for each Share subject to the options granted under the Pre-IPO Share Option Scheme shall be the offer price of HK$1.23 for each Share;

(ii) the total number of the Shares subject to the Pre-IPO Share Option Scheme shall not exceed 64,000,000 Shares; and

(iii) save for the options which have been granted, no further options will be offered or granted, as the right to do so will end upon the listing of the Company.

As at 31 December 2009, the number of Shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Scheme was 3,120,000, representing 0.18% of the Shares in issue at that date and approximately 0.18% of the enlarged number of shares in issue upon full exercise of the options granted under the Pre-IPO Share Option Scheme.

Details of the outstanding share options as at 31 December 2009 which were granted under the Pre-IPO Share Option Scheme are as follows:–

		Number of option Shares			
	Date of grant	Outstanding at 31 December 2008	Exercised during the period	Lapsed during the period	Outstanding at 31 December 2009
Other senior management staff and employees	18 September 2004	3,850,000	–	730,000	3,120,000
Total		3,850,000	–	730,000	3,120,000

The exercise price of each option is HK$1.23. Each of the grantees to whom options have been granted under the Pre-IPO Share Option Scheme will be entitled to exercise (i) 20% of the options so granted at any time after the expiry of 12 months from the listing date, (ii) a further 20% of the options so granted at any time after the expiry of 24 months from the listing date, (iii) a further 20% of the options so granted at any time after the expiry of 36 months from the listing date, (iv) a further 20% of the options so granted at any time after the expiry of 48 months from the listing date, and (v) the remaining options at any time after the expiry of 60 months from the listing date and, in each case, not later than six years from the listing date.

The share options granted are recognised in the financial statements. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at the grant date using the binomial model after taking into accounts the terms and conditions upon which the options were granted. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

Arrangements to Purchase Shares or Debentures

At no time during the financial year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, 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.

Directors' Interests in Contracts of Significance

During the financial year, no contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the financial year.

Substantial Shareholders

As at 31 December 2009, as far as known to the Directors, the following persons (other than the Directors or chief executives of the Company) who had 5% or more interests in the shares or underlying shares in respect of equity derivatives of the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:–

Long position in the Shares

Name of shareholders	Nature of interest and capacity	Approximate total number of shares held	Percentage of interest
Aswell Group	Corporate (a)	340,196,670	19.94%
Harmonie Developments	Corporate (b)	146,370,000	8.58%
Lead Pride	Corporate (c)	100,000,000	5.86%
Mr. Chen Hua	Personal	100,000,000	5.86%

Notes:–

(a) Aswell Group is a company incorporated in the British Virgin Islands with limited liability which is legally and beneficially owned as to approximately 30% by Mr. LIM Wa, as to approximately 29.4% by Mr. LAM Cham and as to approximately 40.6% by the associates of Mr. LIM Wa.

(b) Harmonie Developments Limited ("Harmonie Developments") is a company incorporated in the British Virgin Islands with limited liability which is legally and beneficially owned as to 100% by Mr. WANG Ziming.

(c) Lead Pride is a company incorporated in the British Virgin Islands with limited liability which is legally and beneficially owned as to 100% by Mr. CHANG Yim Yang.

All the interests stated above represented long positions. As at 31 December 2009, the substantial shareholders had no short positions recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance and has complied with the CG Code as set out in Appendix 14 to the Listing Rules except with deviations from the code provisions A.2.1, details of which and other further information on the Company's corporate governance practices are set out in the Corporate Governance Report on pages 8 to 13.

Competing Business Interests of Directors

None of the Directors and their respective associates had any interest in a business which competes or may compete with the business of the Group.

Purchase, Sale or Redemption of Shares

There was no purchase, sale or redemption of the Shares by the Company or any of its subsidiaries during the financial year.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles although there are no restrictions against such rights under the laws in the Cayman Islands.

Employees

As at 31 December 2009, the total number of employees of the Group was approximately 193. The emolument policy of the Group is to ensure that the remuneration packages of its employees are competitive according to market trends and its employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system.

The Group's policy concerning remuneration of the Directors is set forth below:–

– the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, workload and the time devoted to the Group;

– non-cash benefits may be provided to the executive Directors under their remuneration package; and

– the executive Directors may by granted, at the discretion of the Board, share options under the Share Option Scheme, as part of their remuneration package.

Major Customers and Suppliers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:–

Purchases
– the largest supplier 68%
– five largest suppliers combined 80%

Sales
– the largest customer 58%
– five largest customers combined 89%

None of the Directors, their associates or any Shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year.

Litigation and Environmental Contingencies

Details of the litigation and contingencies are set out in note 33 and 34 respectively to the financial statements.

Post Balance Sheet Events

Details of significant events occurring after the balance sheet date are set out in note 38 to the financial statements.

Auditors

The financial statements have been audited by CCIF CPA Limited who retire and, being eligible, offer themselves for reappointment. A resolution for the re-appointment of CCIF CPA Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
LIM Wa
Chairman
23 April 2010

Independent Auditor's Report

CCIF

CCIF CPA LIMITED

34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

Independent Auditor's Report to the Shareholders of
China Precious Metal Resources Holdings Co., Ltd.
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Precious Metal Resources Holdings Co., Ltd (the "Company") and its subsidiaries (collectively the "Group") set out on pages 29 to 105 which comprise the consolidated and Company balance sheets as at 31 December 2009, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made 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.

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 as to whether the financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 23 April 2010

Leung Chun Wa

Practising Certificate Number P04963

Consolidated Income Statement

For the year ended 31 December 2009 (Expressed In Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Turnover	4	**95,148**	139,541
Cost of sales		**(86,115)**	(136,028)
Gross profit		**9,033**	3,513
Other revenue	5	**570**	28,218
Other net income	5	**673**	9,236
Selling and distribution costs		**(4,112)**	(8,780)
Administrative expenses		**(17,437)**	(33,386)
Excess over the cost on a business combination	29	**2,585**	–
Impairment losses for trade and other receivables, deposits and prepayments	6(c)	**(12,031)**	(44,121)
Loss from operations		**(20,719)**	(45,320)
Finance costs	6(a)	**(5,072)**	(6,889)
Loss before taxation	6	**(25,791)**	(52,209)
Income tax	7(a)	**(3,399)**	–
Loss for the year	10	**(29,190)**	(52,209)
Loss per share – basic and diluted	12	**(2.7) cents**	(5.9) cents

The notes on pages 38 to 105 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009 (Expressed In Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Loss for the year		**(29,190)**	(52,209)
Other comprehensive income/(loss) for the year (after tax adjustments)			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		**(625)**	3,562
Reclassification adjustment for amount transferred to profit or loss — realisation of exchange reserves upon deregistration of subsidiaries outside Hong Kong	18(c)	**644**	–
		19	3,562
Total comprehensive loss for the year		**(29,171)**	(48,647)

The notes on pages 38 to 105 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2009 (Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Non-current assets			
Intangible assets	14	**429,671**	–
Property, plant and equipment	15	**77,210**	53,715
Construction in progress	16	**1,485**	316
Other deposits	17	**1,602**	–
Deposits paid for acquisition of fixed assets		**–**	24
		509,968	54,055
Current assets			
Inventories	19	**5,912**	3,762
Trade and other receivables, deposits and prepayments	20	**9,968**	31,793
Deposit for proposed acquisition of equity interests in gold mining rights	21	**–**	46,500
Cash and cash equivalents	22	**189,648**	6,902
		205,528	88,957
Current liabilities			
Trade and other payables	23	**59,540**	28,414
Amount due to a related company	35(a)	**–**	109
Tax payable	27(a)	**2,854**	–
Bank loans	24	**31,802**	37,025
		94,196	65,548
Net current assets		**111,332**	23,409
Total assets less current liabilities		**621,300**	77,464
Non-current liabilities			
Deferred tax liabilities	27(b)	**105,787**	–
Loan from a related company	35(b)	**–**	7,809
		105,787	7,809
NET ASSETS		**515,513**	69,655

Consolidated Balance Sheet

At 31 December 2009 (Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
CAPITAL AND RESERVES	28		
Share capital		**213,215**	117,500
Reserves		**302,298**	(47,845)
TOTAL EQUITY		**515,513**	69,655

Approved and authorised for issue by the board of directors on 23 April 2010.

Lim Wa
Director

Lam Cham
Director

The notes on pages 38 to 105 form part of these financial statements.

Balance Sheet

At 31 December 2009 (Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Non-current assets			
Investments in subsidiaries, net	18	**357,373**	–
Current assets			
Amounts due from subsidiaries	20	**–**	46,606
Other receivables, deposits and prepayments	20	**2,076**	1,463
Cash and cash equivalents	22	**171,368**	72
		173,444	48,141
Current liabilities			
Amounts due to subsidiaries	23	**76,761**	11,364
Other payables	23	**13,545**	4,034
		90,306	15,398
Net current assets		**83,138**	32,743
NET ASSETS		**440,511**	32,743
CAPITAL AND RESERVES	28		
Share capital		**213,215**	117,500
Reserves		**227,296**	(84,757)
TOTAL EQUITY		**440,511**	32,743

Approved and authorised for issue by the board of directors on 23 April 2010.

Lim Wa
Director

Lam Cham
Director

The notes on pages 38 to 105 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009 (Expressed in Hong Kong dollars)

	Share capital $'000 (note 28(b))	Share premium $'000 (note 28(d)(ii))	Statutory surplus reserve $'000 (note 28(d)(v))	Warrants reserve $'000 (note 28(c))	Convertible bond equity reserve $'000 (notes 28(d)(vi)&30)	Capital reserve $'000 (note 28(d)(iii))	Exchange reserve $'000 (note 28(d)(iv))	Accumulated losses $'000	Total equity $'000
At 1 January 2009	117,500	290,040	15,924	1,400	–	11,517	7,685	(374,411)	69,655
Changes in equity for 2009:									
Issue of new shares in placements	35,541	120,424	–	–	–	–	–	–	155,965
New shares issued for acquisition of subsidiaries (note 29)	21,875	107,625	–	–	–	–	–	–	129,500
Issue of convertible bonds	–	–	–	–	25,515	–	–	–	25,515
New shares issued upon conversion of convertible bonds	30,515	140,370	–	–	(25,515)	–	–	–	145,370
New shares issued under share options	7,784	16,609	–	–	–	(5,401)	–	–	18,992
Transaction costs attributable to issue of new shares	–	(363)	–	–	–	–	–	–	(363)
Equity settled share-based transactions									
– Amount recognised during the year	–	–	–	–	–	50	–	–	50
– Forfeiture of share options	–	–	–	–	–	(310)	–	310	–
Transfer to statutory surplus reserve	–	–	871	–	–	–	–	(871)	–
Total comprehensive loss for the year	–	–	–	–	–	–	19	(29,190)	(29,171)
At 31 December 2009	213,215	674,705	16,795	1,400	–	5,856	7,704	(404,162)	515,513

The notes on pages 38 to 105 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009 (Expressed in Hong Kong dollars)

	Share capital $'000 (note 28(b))	Share premium $'000 (note 28(d)(ii))	Statutory surplus reserve $'000 (note 28(d)(v))	Warrants reserve $'000 (note 28(c))	Convertible bond equity reserve $'000 (notes 28(d)(vi)&30)	Capital reserve $'000 (note 28(d)(iii))	Exchange reserve $'000 (note 28(d)(iv))	Accumulated losses $'000	Total equity $'000
At 1 January 2008	100,000	267,223	15,924	–	–	20,457	4,123	(342,952)	64,775
Changes in equity for 2008:									
Issue of new shares in placements	17,500	23,300	–	–	–	–	–	–	40,800
Issue of warrants	–	–	–	1,400	–	–	–	–	1,400
Transaction costs attributable to issue of new shares and warrants	–	(483)	–	–	–	–	–	–	(483)
Equity settled share-based transactions									
– Amount recognised during the year	–	–	–	–	–	11,810	–	–	11,810
– Forfeiture of share options	–	–	–	–	–	(20,750)	–	20,750	–
Total comprehensive loss for the year	–	–	–	–	–	–	3,562	(52,209)	(48,647)
At 31 December 2008	117,500	290,040	15,924	1,400	–	11,517	7,685	(374,411)	69,655

The notes on pages 38 to 105 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009 (Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Operating activities			
Loss before taxation		**(25,791)**	(52,209)
Adjustments for:			
– Amortisation on intangible assets		**1,925**	–
– Amortisation on land lease premium		**256**	426
– Depreciation on property, plant and equipment		**5,202**	5,205
– Finance costs		**5,072**	6,889
– Other payables written off		**–**	(21,612)
– Over-provision of rental written back		**–**	(2,044)
– Excess of net assets over the cost on acquisition of subsidiaries		**(2,585)**	–
– Reversal of impairment loss on other receivables		**(198)**	(1,186)
– Impairment losses for trade and other receivables, deposits and prepayments		**12,031**	44,121
– Reversal of write-down of inventories		**–**	(167)
– Interest income		**(28)**	(2,211)
– Loss/(gain) on disposal of property, plant and equipment		**37**	(7,260)
– Gain on disposal of non-current asset classified as held for sale		**–**	(739)
– Equity-settled share-based payment expenses		**50**	11,810
– Foreign exchange gain, net		**–**	(2,446)
Operating loss before changes in working capital		**(4,029)**	(21,423)
Decrease in long-term receivable		**–**	4,569
Decrease in inventories		**1,645**	720
Decrease/(increase) in trade and other receivables, deposits and prepayments		**84,890**	(4,654)
Decrease in trade and other payables		**(39,082)**	(21,017)
Decrease in amount due to a related company		**(109)**	(197)
Cash generated from/(used in) operations		**43,315**	(42,002)
Tax paid			
– PRC income tax paid		**(16)**	–
Net cash generated from/(used in) operating activities		**43,299**	(42,002)

Consolidated Cash Flow Statement

For the year ended 31 December 2009 (Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Investing activities			
Payment for purchase of property, plant and equipment		**(7,298)**	(927)
Proceeds from disposal of property, plant and equipment		**913**	47,829
Acquisition of subsidiaries	29	**(9,660)**	–
Proceeds from disposal of non-current assets classified as held for sale		**–**	2,410
Payment for construction in progress		**–**	(194)
Increase in other deposits		**(955)**	–
Decrease in deposits paid for acquisition of fixed assets		**24**	–
Deposits paid for proposed acquisition of equity interests in gold mining rights		**–**	(46,500)
Interest received		**28**	90
Net cash (used in)/generated from investing activities		**(16,948)**	2,708
Financing activities			
Proceeds from bank loans		**42,026**	85,028
Repayment of bank loans		**(47,249)**	(90,468)
Proceeds from issue of warrants		**–**	1,400
Proceeds from issue of new shares		**155,965**	40,800
Expenses on issue of new shares and warrants		**(363)**	(483)
Proceeds from shares issued under share options		**18,992**	–
Repayment of loan from a related company		**(7,809)**	(6,473)
Interest paid		**(5,072)**	(3,572)
Net cash generated from financing activities		**156,490**	26,232
Net increase/(decrease) in cash and cash equivalents		**182,841**	(13,062)
Cash and cash equivalents at 1 January		**6,902**	18,968
Effect of foreign exchange rate changes		**(95)**	996
Cash and cash equivalents at 31 December	22	**189,648**	6,902

The notes on pages 38 to 105 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1. General Information

China Precious Metal Resources Holdings Co., Ltd. (the "Company") is a company incorporated in the Cayman Islands with limited liabilities. The address of its registered office and principal place of business are disclosed in the corporate information section of the annual report. The Company and its subsidiaries (collectively the "Group") are principally engaged in mining and processing of gold mines and sale of gold, production and sale of small pack edible oils, trading of edible oil and related products in the People's Republic of China ("PRC").

2. Significant accounting policies

a) Statement of compliance

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

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

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 included the financial statements of the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that derivative financial instruments (see note 2(h)) are stated at fair value. Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. The functional currency of the Company and its subsidiaries in the PRC are Hong Kong dollars and Renminbi ("RMB") respectively. For the purposes of presenting the consolidated financial statements, the Group adopted Hong Kong dollars as its presentation currency.

2. Significant accounting policies (Continued)

b) Basis of preparation of the financial statements (Continued)

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 36.

c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, investments in a subsidiaries are stated at cost less impairment losses (see note 2(j)), unless the investment is classified as held for sale.

d) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

2. Significant accounting policies (Continued)

d) Goodwill (Continued)

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On disposal of a cash generating unit, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

e) Intangible assets (other than goodwill)

i) Mining rights

Mining rights with definite useful lives are carried at cost less accumulated amortisation and any accumulated impairment loss (see note 2(j)). Amortisation is provided using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the ore mines.

ii) Exploration and evaluation assets and mining development assets

Exploration and evaluation assets are stated at cost less impairment losses (see note 2(j)). Exploration and evaluation assets include exploration and development costs.

Exploration costs include expenditures incurred in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource and demonstrable and expenditures incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure during the initial exploration stage is written off as incurred.

When it can be reasonably ascertained that a mining property is capable of commercial production, exploration costs capitalised are transferred to mining development assets and amortised using the units of production method based on the proven and probable reserves of the ore mines. If any project is abandoned during the exploration and evaluation stage, the related exploration and evaluation assets are written off to profit or loss.

2. Significant accounting policies (Continued)

f) Property, plant and equipment

Property, plant and equipment, other than mining structures and construction in progress, are stated in the balance sheet at historical cost less accumulated depreciation and impairment losses, if any (see note 2(j)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the cost of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowings costs (see note 2(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion.

–	Machinery and equipment	5 – 10 years
–	Motor vehicles	5 – 8 years
–	Office equipment, fixtures and fittings	5 years

Depreciation on mining structures is provided to write off the cost of the mining structures using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the ore mines.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

g) Construction in progress

Construction in progress represents buildings, mining structures and plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is stated at cost less any identified impairment loss (see note 2(j)). Cost comprises construction expenditure and other direct costs attributable to such projects, if the amount of capital expenditures and the time involved to complete the construction are significant. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use.

2. Significant accounting policies (Continued)

g) Construction in progress (Continued)

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

h) Derivative financial instruments

Commodity derivative contracts, which are entered into to protect the Group from the impact of price fluctuations in gold and oil commodities, are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to income statement.

i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases except for land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

2. Significant accounting policies (Continued)

j) Impairment of assets

i) Impairment of trade and other receivables

For trade and other receivables and other financial assets carried at cost or amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- intangible assets;
- property, plant and equipment and construction in progress;
- interests in leasehold land held for own use under operating leases; and
- investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its net selling price 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2. Significant accounting policies (Continued)

j) Impairment of assets (Continued)

ii) Impairment of other assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2. Significant accounting policies (Continued)

k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

n) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. Significant accounting policies (Continued)

o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

p) Convertible bonds

(i) Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liabilities component is recognised as the equity component. Transaction costs that relate to the issue of components financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bond equity reserve until either the convertible bond is converted or redeemed.

If the bond is converted, the convertible bond equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the share issued. If the bond is redeemed, the capital reserve is released directly to retained profits.

2. Significant accounting policies (Continued)

p) Convertible bonds (Continued)

(ii) Other convertible bonds

Convertible bonds which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivate component is recognised as the liability component. Transaction costs that relate to the issue of the convertible bond are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivate component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured. The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the bond is converted, the carrying amounts of the derivate and liability components are transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

q) Employee benefits

i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2. Significant accounting policies (Continued)

q) Employee benefits (Continued)

ii) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

iii) 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.

r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2. Significant accounting policies (Continued)

r) Income tax (Continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2. Significant accounting policies (Continued)

r) Income tax (Continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not off set. Current tax assets are off set against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

s) Provisions and contingent liabilities

(i) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(s)(ii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 2(s)(ii).

(ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a 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 of economic benefits 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 of economic benefits is remote.

2. Significant accounting policies (Continued)

t) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in income statement as follows:

i) Sale of goods

Revenue is recognised when the title to the goods and the related risks and rewards of ownership are passed to customers, the Group will not execute the right of supervision and control over the goods, either the proceeds are received or entitlement of proceeds is evidenced, and the cost of sale of goods can be estimated reliably. Revenue excludes value added tax and is after deduction of any trade discounts.

ii) Service income

Service income is recognised when the related service is rendered.

iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in income statement in equal instalments over the periods covered by the lease term. Contingent rentals are recognised as income in the accounting period in which they are earned.

u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using foreign exchange rates ruling at the dates the fair value was determined.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity reserve.

2. Significant accounting policies (Continued)

u) Translation of foreign currencies (Continued)

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

v) Borrowing costs

Borrowing costs are expensed in income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

w) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

ii) the Group and the party are subject to common control;

iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

vi) the party is a post-employment benefit plan which is for the benefit or employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(Expressed in Hong Kong dollars unless otherwise indicated)

2. Significant accounting policies (Continued)

x) Segment reporting

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

3. Changes in accounting policies

Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has where applicable applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the HKICPA which are or have become effective.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly-controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 19 and HKAS 39 (Amendments)	Embedded Derivatives
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 which is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Excepted as described below, the adoption of the new and revised HKFRS has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

3. Changes in accounting policies (Continued)

The amendments to Improvements to HKFRSs (2008), HKAS 23 and HKFRS 2 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the Group's financial statements. The impact of the remainder of these developments is as follows:

– HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's management and has resulted in additional reportable segments being identified and presented (see note 13). Corresponding amounts have also been provided on a basis consistent with the revised segment information.

– As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in the financial statements and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

– The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the subsidiary will not be reduced unless that carrying amount is assessed to be impaired as a result of the subsidiary declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4. Turnover

Turnover represents the sales value of gold, edible oils and related products to customers net of value added tax and surcharges. The amount of each significant category of revenue recognised in turnover during the year is analysed as follows:

	2009 $'000	2008 $'000
Sales of		
– Gold products	**19,370**	–
– Small pack edible oils	**67,789**	136,874
– Edible oils and related products	**7,989**	2,667
	95,148	139,541

5. Other revenue and other net income

	2009 $'000	2008 $'000
Other revenue		
Total interest income on financial assets not at fair value through profit or loss		
– Interest income	**28**	2,211
Other payables written off (note (a))	**–**	21,612
Over-provision of rentals written back	**–**	2,044
Rental income	**344**	395
Reversal of impairment loss on other receivables	**198**	1,186
Reversal of write-down on inventories	**–**	167
Subcontracting service income	**–**	603
	570	28,218
Other net income		
Exchange gain, net	**6**	1,097
(Loss)/gain on disposal of property, plant and equipment	**(37)**	7,260
Gain on disposal of non-current assets classified as held for sale	**–**	739
Miscellaneous sundry income	**704**	140
	673	9,236

Note:

(a) The other payables during the year ended 31 December 2008 related to imports of crude palm and soyabean oils incurred in the prior years. The Group sought PRC legal opinion that these balances can be credited to the income statement according to the applicable PRC laws and regulations.

6. Loss before taxation

Loss before taxation is arrived at after charging:

	2009 $'000	2008 $'000
a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	**2,414**	4,333
Interest on loan from a related company (note 35(b))	**2,658**	2,556
Total interest expenses on financial liabilities not at fair value through profit or loss	**5,072**	6,889
b) Staff costs (including directors' emoluments)		
Salaries, wages and bonuses	**10,542**	7,769
Staff welfare	**82**	222
Contributions to retirement benefit schemes	**890**	1,034
Equity-settled share-based payment expenses	**50**	11,810
Termination benefits	**299**	1,236
	11,863	22,071
c) Other items		
Amortisation of intangible assets	**1,925**	–
Amortisation of land lease premium	**256**	426
Auditor's remuneration		
– audit service	**950**	850
Cost of inventories sold (note 6(c)(i))	**86,115**	136,028
Depreciation	**5,202**	5,205
Impairment losses		
– trade receivables (note 20(b))	**1,627**	1,111
– other receivables (note 20(e))	**10,404**	5,208
– loan receivables (note 6(c)(ii))	**–**	37,802
	12,031	44,121
Operating lease charges in respect of		
– land and buildings	**1,154**	1,255
– machinery and equipment	**3**	–

6. Loss before taxation (Continued)

Notes:

(i) Cost of inventories includes $8,492,000 (2008: $4,136,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

(ii) This represents an impairment loss on loan receivable from a former subsidiary, China Force Oils & Grains (Tianjin) Industrial Co., Ltd. ("China Force (Tianjin)"), which was disposed in 2007. In the opinion of the Company's directors, China Force (Tianjin) was in financial difficulties, in view of the uncertainty of recovery of the amount in full, an impairment of the amount of $37,802,000 was recognised in the Group's financial statements for the year ended 31 December 2008.

7. Taxation

a) Taxation in the consolidated income statement represents

	2009 $'000	2008 $'000
Current tax	**2,941**	–
Deferred tax (note 27(b))	**458**	–
Total income tax expense	**3,399**	–

b) Reconciliation between tax expense and accounting loss at applicable tax rates

	2009 $'000	2008 $'000
Loss before tax	**(25,791)**	(52,209)
Notional tax on loss before tax, calculated at the rates applicable to the tax jurisdiction concerned	**(5,743)**	(11,043)
Non-deductible expenses	**11,124**	14,250
Non-taxable income	**(4,758)**	(2,576)
Unrecognised timing differences	**448**	–
Utilisation of previously unrecognised tax losses	**(2,090)**	(5,686)
Unused tax losses not recognised	**3,490**	5,055
	2,471	–
Withholding tax (note 7(d))	**928**	–
	3,399	–

7. Taxation (Continued)

c) (i) No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profit subject to Hong Kong Profits Tax during the years ended 31 December 2009 and 2008.

(ii) The provision for PRC income tax is calculated on the assessable profit of the Group's subsidiaries incorporated in the PRC at 25% during the year ended 31 December 2009, except for China Force Oils (Zhenjiang) Co., Ltd. ("China Force Oils (Zhenjiang)").

China Force Oils (Zhenjiang) is entitled to exemption from the PRC income tax for two years from their first profit making year, followed by a 50% tax relief for the next three years. It had not generated any assessable profit since its date of incorporation. Under the PRC Corporate Income Tax Law with effective from 1 January 2008, China Force Oils (Zhenjiang) was forcibly to commence the tax holidays from 1 January 2008.

No provision for PRC income tax has been provided for the Group's subsidiaries in the PRC for the year ended 31 December 2008 as they did not have any assessable profits or they had respective tax losses brought forward which exceeded the assessable profits during the year ended 31 December 2008.

(iii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is exempted from any income tax in the Cayman Islands and the British Virgin Islands.

d) Pursuant to the new PRC Corporate Income Tax Law which took effect from 1 January 2008, a 10% withholding tax was levied on dividends declared to foreign enterprise investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign enterprise investors.

On 22 February 2008, Caishui (2008) No.1 was promulgated by the PRC tax authorities to specify that dividends declared and remitted out of the PRC form the retained earnings as at 31 December 2007 determined based on the relevant PRC tax laws and regulations are exempted from the withholding tax.

As at 31 December 2009, deferred tax liabilities of $928,000 (2008: $nil) have been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's PRC subsidiaries.

8. Directors' emoluments

Details of directors' emoluments are as follows:

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments (note (a)) $'000	2009 Total $'000
Executive directors						
Mr. Lim Wa	–	1,691	12	1,703	–	1,703
Mr. Lam Cham	–	1,691	12	1,703	–	1,703
Mr. Chang Yim Yang	–	1,000	1	1,001	–	1,001
Mr. Dai Xiaobing (note b)	–	125	2	127	–	127
Independent non-executive directors						
Professor Xiao Zhuo Ji (note c)	180	–	–	180	–	180
Dr. Wong Lung Tak, Patrick	158	–	–	158	–	158
Mr. Chan Kin Sang	158	–	–	158	–	158
Total	496	4,507	27	5,030	–	5,030

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payments (note (a)) $'000	2008 Total $'000
Executive directors						
Mr. Lim Wa	–	1,267	12	1,279	633	1,912
Mr. Lam Cham	–	1,267	12	1,279	675	1,954
Mr. Chang Yim Yang	–	–	–	–	–	–
Independent non-executive directors						
Professor Xiao Zhuo Ji	180	–	–	180	83	263
Dr. Wong Lung Tak, Patrick	120	–	–	120	83	203
Mr. Chan Kin Sang	120	–	–	120	83	203
Total	420	2,534	24	2,978	1,557	4,535

Notes:

(a) These represent the estimated value of share options granted to the directors pursuant to the Company's share option schemes. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(q). Details of these benefits in kind are disclosed in note 26.

(b) Mr. Dai Xiaobing appointed at 16 November 2009.

(c) Professor Xiao Zhuo Ji resigned on 21 January 2010.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

9. Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2008: two) are directors of whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2008: three) individual are as follows:

	2009 $'000	2008 $'000
Salaries and other emoluments	735	821
Share-based payments	40	585
Retirement scheme contributions	24	19
Termination benefits	–	–
	799	1,425

The emoluments of the two (2008: three) individuals with the highest emoluments are within the following bands:

	2009 Number of individuals	2008 Number of individuals
Nil – $1,000,000	2	3

10. Loss attributable to equity holders of the Company

The consolidated loss attributable to equity holders of the Company includes a loss of $7,664,000 (2008: $20,533,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's loss for the year:

	2009 $'000	2008 $'000
Amount of loss attributable to equity holders dealt with in the Company's financial statements	(7,664)	(20,533)
Impairment losses on amounts due from subsidiaries (note 20(d))	(73,141)	(1,329)
Reversal of impairment losses on amounts due from subsidiaries (note 20(d))	13,544	1,348
Loss for the year (note 28(a))	(67,261)	(20,514)

11. Dividend

The directors do not recommend the payment of any dividend for the years ended 31 December 2009 and 2008.

12. Loss per share

a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of $29,190,000 (2008: $52,209,000) and on the weighted average number of 1,079,342,000 ordinary shares in issue during the year (2008: 882,520,000).

Weighted average number of ordinary shares:

	2009 Weighted average number of ordinary shares '000	2008 Weighted average number of ordinary shares '000
Issued ordinary shares at 1 January	**940,000**	800,000
Effect of issue of new shares in placements (note 28 (b)(i))	**67,822**	82,520
Effect of issue of new shares for acquisition of subsidiaries (note 28 (b)(ii))	**47,945**	–
Effect of issue of new shares upon conversion of convertible bonds (note 28 (b)(iii))	**18,737**	–
Effect of issue of new shares under share options (note 28 (b)(iv))	**4,838**	–
Weighted average number of ordinary shares at 31 December	**1,079,342**	882,520

b) Diluted loss per share

The calculation of diluted loss per share does not assume the exercise of the Company's share options as the exercise of the share options would result in a reduction in loss per share during the years ended 31 December 2009 and 2008. Therefore, the diluted loss per share is same as basic loss per share during the years ended 31 December 2009 and 2008.

13. Segment Reporting

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the chief operating decision-maker for the purposes of resource allocation and performance assessment.

The chief operating decision-maker considers the business from product perspective. The Group is principally engaged in mining and processing of gold mines and sale of gold, production and sale of small pack edible oils, trading of edible oil and related products in the PRC. For financial reporting purposes, the trading of edible oils and related products segment combines with the small pack oils segment as its reported revenue, results and assets are less than 10% of the Group's consolidated revenue, results and assets. The Group's reportable business segments are as follows:

(i) Gold mining: mining and processing of gold mines and sale of gold; and

(ii) Edible oils: small pack edible oils and trading of edible oils and related product.

The Group's turnover and results from operations mainly derived from activities in the PRC. The principal assets of the Group are located in the PRC. Accordingly, the management considers that no analysis by geographical segment is provided.

a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2(x). Segment profit/(loss) represents the profit earned by/(loss from) each segment without allocation of central administration costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Sales between segments are carried out on arm's length basis. The revenue from external parties reported to the chief operating decision makers is measured in a manner consistent with that in the income statement.

All assets and liabilities are allocated to reportable segments.

Information regarding the Group's reportable segments as provided to the Group's management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

13. Segment Reporting (Continued)

a) Segment results, assets and liabilities (Continued)

	Gold mining		Edible oils		Total	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Revenue from external customers	19,370	–	75,778	139,541	95,148	139,541
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	19,370	–	75,778	139,541	95,148	139,541
Reportable segment profit/(loss) before taxation	10,372	(309)	(15,505)	(32,713)	(5,133)	(33,022)
Interest revenue	2	–	26	2,211	28	2,211
Interest expenses	–	–	(5,072)	(6,889)	(5,072)	(6,889)
Depreciation and amortisation	(2,269)	–	(5,114)	(5,631)	(7,383)	(5,631)
Equity-settled share-based transactions	–	–	(50)	(11,810)	(50)	(11,810)
Excess over the cost on a business combination	2,585	–	–	–	2,585	–
Impairment losses on trade and other receivables, deposits and prepayments	–	–	(12,031)	(44,121)	(12,031)	(44,121)
Reportable segment assets	477,496	46,597	238,000	96,415	715,496	143,012
Reportable segment liabilities	(132,564)	–	(67,419)	(73,357)	(199,983)	(73,357)
Additions to intangible assets from business combination	431,452	–	–	–	431,452	–
Additions to fixed assets and construction in progress	5,082	–	2,216	1,121	7,298	1,121
Additions to fixed assets and construction in progress from business combination	23,767	–	–	–	23,767	–

13. Segment Reporting (Continued)

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

	2009 $'000	2008 $'000
Revenue		
Total reportable segments' revenues	**95,148**	139,541
Elimination of inter-segment revenue	**–**	–
Consolidated turnover	**95,148**	139,541
Loss		
Total reportable segments' loss	**(5,133)**	(33,022)
Elimination of inter-segment loss	**–**	–
Reportable segment loss derived from the Group's external customers	**(5,133)**	(33,022)
Other revenue and net income	**1,243**	37,454
Depreciation and amortisation	**(7,383)**	(5,631)
Finance costs	**(5,072)**	(6,889)
Excess over the cost on a business combination	**2,585**	–
Impairment losses on trade and other receivables, deposits and prepayments	**(12,031)**	(44,121)
Consolidated loss before taxation	**(25,791)**	(52,209)
Assets		
Total reportable segments' assets	**715,496**	143,012
Elimination of inter-segment receivables	**–**	–
Consolidated total assets	**715,496**	143,012
Liabilities		
Total reportable segments' liabilities	**(199,983)**	(73,357)
Elimination of inter-segment payables	**–**	–
Consolidated total liabilities	**(199,983)**	(73,357)

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(Expressed in Hong Kong dollars unless otherwise indicated)

13. Segment Reporting (Continued)

c) Revenues from customers contributing 10% or more of the total sales of the Group are as follows:

	2009 $'000	2008 $'000
Customer A – revenue from edible oils	**54,778**	24,522
Customer B – revenue from gold mining	**19,370**	–
Customer C – revenue from edible oils	**–**	23,032
Customer D – revenue from edible oils	**–**	17,621
Customer E – revenue from edible oils	**–**	16,654

14. Intangible Assets

The Group

	Mining rights $'000
Cost	
At 1 January 2008, 31 December 2008 and 1 January 2009	–
Acquisition of subsidiaries (note 29)	431,452
Exchange adjustments	146
At 31 December 2009	431,598
Accumulated amortisation	
At 1 January 2008, 31 December 2008 and 1 January 2009	–
Charge for the year	1,925
Exchange adjustments	2
At 31 December 2009	1,927
Carrying value	
At 31 December 2009	429,671
At 31 December 2008	–

(Expressed in Hong Kong dollars unless otherwise indicated)

14. Intangible Assets (Continued)

The Group (Continued)

(a) During the year, the Group acquired the subsidiaries which hold the mining rights for seven gold mines in Chifeng, Inner Mongolia in the PRC with an aggregate fair value of $431,452,000 (note 29).

(b) At 31 December 2009, the fair value of the mining rights was HK$445,227,000 (RMB392,000,000), which is based on the valuation performed by BMI Appraisals Limited, an independent firm of professionally qualified valuers, using excess earning method under income approach. In the opinion of the Company's directors, no impairment of the carrying value of the mining rights at 31 December 2009 is required.

(c) The amortisation charge during the year is included in the consolidated income statement.

(d) The Group's mining rights at 31 December 2009 are as follows:

	Mining rights (note (i))	Location	Expiry date
1.	大綫梁采區	紅花溝鎮大綫梁	6 December 2010
2.	何家溝4號脈	松山區紅花溝鎮	16 September 2010
3.	6號脈	松山區	16 September 2010
4.	柳家梁采區9號脈	赤峰松山區	22 June 2010
5.	柳家梁采區10號脈 ("the Mine Number 10") (note (ii))	赤峰松山區紅花溝鎮	6 December 2009
6.	石頭采區67號脈	赤峰紅山區城郊鄉	6 December 2010
7.	張家窯子69號脈	赤峰紅山區城郊鄉	6 December 2010

Notes:

(i) As at 31 December 2009, all of the Group's mining rights for gold mines will expire in the period between June 2010 and December 2010, except the Mine Number 10 that expired in December 2009. The Group has obtained the PRC legal opinion that, in accordance with the relevant PRC laws and regulations, the Group is entitled to renew all of the mining rights when any of them have expired or will expire. The Company's directors are of the opinion that there is no foreseeable legal obstacle for the Group to obtain the renewal of all of the mining rights when any of them have expired or will expire. Regarding the duration of validity of the mining rights, the PRC legal opinion indicated that there is no relevant stipulation under the PRC laws governing such duration.

(ii) The mining right of the Mine Number 10 is undergoing the renewal process. On 22 April 2010, the Group has received a notice from the Department of Land and Resources in Chifeng, Inner Mongolia in the PRC as acknowledgement of its application for renewal for the mining right of the Mine Number 10 in accordance with the PRC laws and regulations. The Company's directors are of the opinion and according to the PRC legal opinion that the right of the Group to carry on the gold mining business in the PRC will not be affected.

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(Expressed in Hong Kong dollars unless otherwise indicated)

15. Property, plant and equipment

The Group

	Buildings held for own use $'000	Machinery and equipment $'000	Motor vehicles $'000	Office equipment, furniture and fixtures $'000	Mining structures $'000	Sub-total $'000	Interests in leasehold land held for own use under operating lease $'000	Total $'000
Cost								
At 1 January 2008	47,090	31,088	1,290	3,243	–	82,711	23,713	106,424
Exchange adjustments	2,808	1,854	77	176	–	4,915	1,415	6,330
Additions	–	326	537	54	–	917	10	927
Transfer from construction in progress (note 16)	668	–	–	–	–	668	–	668
Disposals	(26,174)	(6,862)	–	(272)	–	(33,308)	(12,843)	(46,151)
At 31 December 2008	24,392	26,406	1,904	3,201	–	55,903	12,295	68,198
At 1 January 2009	24,392	26,406	1,904	3,201	–	55,903	12,295	68,198
Exchange adjustments	2	3	1	–	5	11	1	12
Additions	–	388	2,037	27	4,846	7,298	–	7,298
Acquisition of subsidiaries (note 29)	1,820	4,041	552	562	13,846	20,821	681	21,502
Transfer from construction in progress (note 16)	–	–	–	–	1,096	1,096	–	1,096
Disposals	–	(423)	(1,426)	(65)	–	(1,914)	–	(1,914)
At 31 December 2009	26,214	30,415	3,068	3,725	19,793	83,215	12,977	96,192
Accumulated amortisation and depreciation								
At 1 January 2008	4,152	5,398	755	1,693	–	11,998	1,516	13,514
Exchange adjustments	286	385	52	97	–	820	100	920
Charge for the year	1,665	2,715	296	529	–	5,205	426	5,631
Written back on disposal	(2,837)	(1,632)	–	(124)	–	(4,593)	(989)	(5,582)
At 31 December 2008	3,266	6,866	1,103	2,195	–	13,430	1,053	14,483
At 1 January 2009	3,266	6,866	1,103	2,195	–	13,430	1,053	14,483
Exchange adjustments	1	3	–	1	–	5	–	5
Charge for the year	1,264	2,675	692	483	88	5,202	256	5,458
Written back on disposal	–	(32)	(882)	(50)	–	(964)	–	(964)
At 31 December 2009	4,531	9,512	913	2,629	88	17,673	1,309	18,982
Carrying values								
At 31 December 2009	21,683	20,903	2,155	1,096	19,705	65,542	11,668	77,210
At 31 December 2008	21,126	19,540	801	1,006	–	42,473	11,242	53,715

15. Property, plant and equipment (Continued)

The Group (Continued)

a) An analysis of carrying values of properties is as follows:

	2009 $'000	2008 $'000
Outside Hong Kong		
– Medium-term leases	**33,351**	32,368
Representing:		
Buildings held for own use carried at cost	**21,683**	21,126
Interests in leasehold land held for own use under operating leases	**11,668**	11,242
	33,351	32,368

Medium-term leases represent leases with an unexpired period less than fifty years but more than ten years.

Certain interests in leasehold land held for own use under operating leases and buildings held for own use with a total carrying value of $31,246,000 (2008: $32,368,000) at 31 December 2009 were mortgaged to banks for certain banking facilities granted to the Group (note 24).

b) The interests in leasehold land held for own use under operating leases and buildings held for own use of the Group situated in the PRC represent land use rights together with the buildings thereon situated in Chifeng and Zhenjiang, the PRC.

c) Property, plant and equipment

During the years ended 31 December 2009 and 2008, the Group leased out certain building areas situated in Zhenjiang, the PRC under operating leases. The leases typically run for an initial period of eight years (2008: eight to ten years). The leases do not include contingent rentals.

At 31 December 2009, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2009 $'000	2008 $'000
Within one year	**72**	306
After one year but within five years	**168**	1,172
After five years	**–**	375
	240	1,853

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(Expressed in Hong Kong dollars unless otherwise indicated)

16. Construction in progress

	The Group	
	2009	2008
	'000	'000
Cost		
At 1 January	**316**	746
Exchange adjustment	**–**	44
Additions	**–**	194
Acquisition of subsidiaries (note 29)	**2,265**	–
Transfer to property, plant and equipment (note 15)	**(1,096)**	(668)
At 31 December	**1,485**	316

The construction in progress at 31 December 2009 and 2008 primarily relates to the additional production premises, mining structures and facilities of subsidiaries in the PRC.

17. Other deposits

These represent deposits paid for environmental protection during the course of the Group's exploitation of gold mines in Chifeng, Inner Mongolia in the PRC. The deposits are refundable upon the Group's termination of exploitation of gold mines.

18. Investments in subsidiaries

	The Company	
	2009	2008
	$'000	$'000
Unlisted shares, at cost	**495,362**	137,989
Less: Impairment loss (note (a))	**(137,989)**	(137,989)
	357,373	–

a) An impairment on investment in a subsidiary of $137,989,000 (2008: $137,989,000) has been recognised as the recoverable amount of investment in a subsidiary was less than its investment cost.

(Expressed in Hong Kong dollars unless otherwise indicated)

18. Investments in subsidiaries (Continued)

b) The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group for the year ended 31 December 2009. The class of shares held is ordinary unless otherwise stated.

Name of Company	Place of incorporation/ operations	Issued and fully paid-up/ registered capital	Proportion of ownership interest: Group's effective interest %	Held by the Company %	Held by a subsidiary %	Principal activities
China Force Oils & Grains Industrial Limited	BVI/ Hong Kong	US$12,000,000	100	100	–	Investment holding
China Precious Metal Resources Co., Limited	BVI/ Hong Kong	US$2	100	100	–	Investment holding
Able Supplement Limited	BVI/ Hong Kong	US$50,000	100	–	100	Investment holding
China Force Oils & Grains Industrial (Hong Kong) Co., Ltd.	Hong Kong	$1,000,000	100	–	100	Investment holding
Hongkong Realking Mining Industry Ltd.	Hong Kong	$10,000	100	–	100	Investment holding
深圳市瑞金礦業有限公司 Shenzhen City Ruijin Kuangye Co., Ltd. (note (i))	The PRC	RMB30,000,000	100	–	100	Investment holding
赤峰永豐礦業有限責任公司 Chifeng Yonfeng Kuangye Co., Ltd. (note (i))	The PRC	RMB20,000,000	100	–	100	Mining and processing of gold mines and sale of gold
中盛食用油(鎮江)有限公司 China Force Oils (Zhenjiang) Co., Ltd. (note (i))	The PRC	US$15,034,000	100	–	100	Production and sale of small pack edible oils and trading of edible oil and related products

Note: (i) All subsidiaries incorporated in the PRC are wholly foreign-owned enterprises.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

18. Investments in subsidiaries (Continued)

(c) During the year, the Group had deregistered two subsidiaries, China Force Oils (Tianjin) Co., Ltd. and Shanghai China Force Huaxu Management Consultant Co., Ltd. The net assets/(liabilities) of these subsidiaries at their respective dates of deregistration are as follows:

	$'000
Other payables	(644)
Net liabilities	(644)
Release of exchange reserves	644
Gain on deregistration of subsidiaries	–

19. Inventories

a) Inventories in the consolidated balance sheet comprise:

	The Group	
	2009 **$'000**	2008 $'000
Edible oils		
Small pack edible oils	**202**	427
Packing materials	**941**	1,160
Other edible oils	**1,503**	2,030
Other materials	**144**	145
	2,790	3,762
Gold mining		
Raw materials	**272**	–
Work-in-progress	**2,850**	–
Finished goods	**–**	–
	3,122	–
	5,912	3,762

b) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2009 **$'000**	2008 $'000
Carrying amount of inventories sold	**86,115**	136,195
Reversal of write-down of inventories	**–**	(167)
	86,115	136,028

20. Trade and other receivables, deposits and prepayments

		The Group		The Company	
	Note	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Trade debtors		**8,661**	23,755	**–**	–
Less: Allowance for doubtful debts	(b)	**(4,693)**	(5,891)	**–**	–
	(a) & (c)	**3,968**	17,864	**–**	–
Amounts due from subsidiaries	(d)	**–**	–	**–**	46,606
Deposits, prepayment and other receivables, net allowance for doubtful debts	(e)	**5,990**	13,919	**2,076**	1,463
Other deposit	(f)	**10**	10	**–**	–
		9,968	31,793	**2,076**	48,069

All of the trade and other receivables, deposits and prepayments are expected to be recovered or recognised as expenses within one year.

a) Ageing analysis

The ageing analysis of the trade debtors (net of allowance for doubtful debts) at the balance sheet date is as follows:

	The Group	
	2009 $'000	2008 $'000
Current	**3,781**	5,642
Less than one month past due	**–**	9,163
More than one month but less than three months past due	**–**	1,878
More than three months but less than twelve months past due	**187**	1,181
Amounts past due	**187**	12,222
	3,968	17,864

Trade debtors are due within one month from the date of billing.

20. Trade and other receivables, deposits and prepayments (Continued)

b) The movement in the allowance for doubtful debts on trade debtors during the year, including both specific and collective loss components, is as follows:

	The Group	
	2009 $'000	2008 $'000
At 1 January	**5,891**	4,532
Exchange adjustment	**1**	248
Impairment losses recognised (note 6(c))	**1,627**	1,111
Released upon deregistration of subsidiaries	**(2,826)**	–
At 31 December	**4,693**	5,891

During the year, the Group's trade debtors of $1,627,000 (2008: $1,111,000) were individually determined to be impaired. In the opinion of the Company's directors, these receivables have been outstanding over a long period and are considered not to be recovered, therefore, specific allowances for doubtful debts of $1,627,000 (2008: $1,111,000) were recognised in the consolidated income statement. The Group does not hold any collateral over these balances.

c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2009 $'000	2008 $'000
Neither past due nor impaired	**3,781**	5,642
Less than one month past due	**–**	9,163
More than one month but less than three months past due	**–**	1,878
More than three months but less than twelve months past due	**187**	1,181
	187	12,222
	3,968	17,864

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

20. Trade and other receivables, deposits and prepayments (Continued)

d) Amounts due from subsidiaries

	2009 $'000	2008 $'000
Amounts due from subsidiaries at 31 December	**451,196**	438,205
Less: Allowance for impairment losses		
At 1 January	**391,599**	391,618
Impairment losses recognised (note 10)	**73,141**	1,329
Reversal of impairment losses (note 10)	**(13,544)**	(1,348)
At 31 December	**451,196**	391,599
Balance at 31 December, net allowance for impairment losses	**–**	46,606

During the year, the Company recognised an aggregate impairment losses on amounts due from subsidiaries of $73,141,000 (2008: $1,329,000) as these subsidiaries had net liabilities at 31 December 2009 and 2008.

During the year, impairment losses on amounts due from subsidiaries of $13,544,000 (2008: $1,348,000) were reversed as these amounts were recovered.

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

e) At 31 December 2009, the Group's deposits, prepayments and other receivables include the allowance of doubtful debts of $22,577,000 (2008: $12,362,000), including both specific and collective loss components, as follows:

	2009 $'000	2008 $'000
At 1 January	**12,362**	8,341
Exchange adjustments	**9**	(1)
Impairment losses recognised (note 6(c))	**10,404**	5,208
Reversal of impairment losses	**(198)**	(1,186)
At 31 December	**22,577**	12,362

During the year, the Group's other receivables of $10,404,000 (2008: $5,208,000) were individually determined to be impaired. In the opinion of the Company's directors, these other receivables have been outstanding over a long period and are considered not to be recovered, therefore, specific allowances for doubtful debts of $10,404,000 (2008: $5,208,000) were recognised in consolidated income statement for the year. The Group does not hold any collateral over these balances. During the year, the Group reversed impairment losses on other receivables of $198,000 (2008: $1,186,000) as these other receivables were recovered.

f) The Group has placed deposits of $10,000 (2008: $10,000) with independent futures trading agents for commodity derivative contracts entered into in the normal course of business primarily to protect the Group from the impact of price fluctuations in oil commodities. At 31 December 2009 and 2008, there were no outstanding commodity derivative contracts or commitments.

21. Deposit for proposed acquisition of equity interests in gold mining rights

On 23 September 2008, China Precious Metal Resources Co., Limited ("CPM(BVI)"), a directly wholly owned subsidiary of the Company, entered into a conditional letter of intent with Harmonie Developments Limited ("Harmonie"), an independent third party, pursuant to which the Group acquired the entire equity interests in Able Supplement Limited ("Able Supplement") and its subsidiaries (collectively "Able Supplement Group"), which holds mining rights for seven gold mines located in Chifeng, Inner Mongolia in the PRC, subject to terms and consideration to be agreed and results of the due diligences conducted by the Group. The Group paid a deposit of $46,500,000 to the Harmonie and entered into a share mortgage agreement with Able Supplement, pursuant to which Able Supplement pledged the entire equity interest in its subsidiary as collateral of the deposit paid by the Group. The acquisition was completed on 17 September 2009 and the deposit was applied as settlement of part of the acquisition consideration (note 29).

22. Cash and cash equivalents

Analysis of the balances of cash and cash equivalents in the balance sheet and consolidated cash flow statement is set out below:

	The Group		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Cash at bank	**189,241**	6,870	**171,328**	72
Cash in hand	**407**	32	**40**	–
Cash and cash equivalents in the consolidated balance sheet and cashflow statement	**189,648**	6,902	**171,368**	72

Cash and cash equivalents are denominated in:

	The Group		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
RMB	**18,165**	5,500	**–**	–
USD	**21**	1,272	**16**	16
HK$	**171,462**	130	**171,352**	56
	189,648	6,902	**171,368**	72

23. Trade and other payables

		The Group		The Company	
	Note	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Trade creditors	(a)	**9,423**	9,850	**–**	–
Amounts due to subsidiaries	(b)	**–**	–	**76,761**	11,364
Accrued charges and other payables		**39,078**	17,196	**13,545**	4,034
Receipts in advance	(c)	**11,039**	1,368	**–**	–
		59,540	28,414	**90,306**	15,398

23. Trade and other payables (Continued)

a) The ageing analysis of trade creditors at the balance sheet date is as follows:

	2009 $'000	2008 $'000
Due within three months	**858**	1,231
Due within six months	**124**	55
Due after one year	**8,441**	8,564
	9,423	9,850

b) The amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

c) As at 31 December 2009, the receipts in advance included an amount of $10,800,000 (2008:$nil) received from a warrant holder to exercise 30,000,000 warrants into 30,000,000 new ordinary shares of the Company at an exercise price of $0.36 each. The Company issued the 30,000,000 new ordinary shares to this warrant holder subsequent to 31 December 2009 (note 38(c)(i)).

24. Bank loans

At 31 December 2009, the bank loans were repayable within one year or on demand and analysed as follows:

	The Group					
	2009			2008		
	Book value of pledged assets $'000	Interest rate %	Bank loans $'000 note (a)	Book value of pledged assets $'000	Interest rate %	Bank loans $'000
Bank loans secured by						
Property, plant and equipment	**31,246**	**5.31-6.903**	**31,802**	32,368	6.66-9.71	37,025

a) As at 31 December 2009 and 2008, all of the Group's bank loans were secured by the Group's property, plant and equipment with a total carrying value of $31,246,000 (2008: $32,368,000) (note 15(a)).

25. Retirement benefits

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in the PRC whereby the Group is required to make contributions to the Schemes at a rate ranging from 20% to 22% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

26. Equity settled share-based transactions

The Company has two share option schemes namely, the Pre-IPO Share Option Scheme and the Share Option Scheme (collectively the "Share Option Schemes") as defined in the Prospectus dated 28 September 2004 (the "Prospectus") issued by the Company, which were adopted on 18 September 2004 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company to a maximum of 160,000,000 shares. The Share Option Schemes shall be valid and effective for a period of 10 years ending on 17 September 2014 after which no further options will be granted. The exercise price of options will be at least the highest of:

i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an offer of an option is made by the Company to the grantee (which date must be a business day);

ii) a price being the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and

iii) the nominal value of the shares.

26. Equity settled share-based transactions (Continued)

a) Pre-IPO Share Option Scheme

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

	Number of options '000	Vesting conditions and exercisable percentage condition	Up to (%)	Contractual life of options
Options granted to directors:				
– on 18 September 2004	12,400	First anniversary of the listed date	20	5 years from exercisable date
		Second anniversary of the listed date	40	
		Third anniversary of the listed date	60	
		Fourth anniversary of the listed date	80	
		Fifth anniversary of the listed date	100	
Options granted to employees:				
– on 18 September 2004	51,600	First anniversary of the listed date	20	5 years from exercisable date
		Second anniversary of the listed date	40	
		Third anniversary of the listed date	60	
		Fourth anniversary of the listed date	80	
		Fifth anniversary of the listed date	100	
Total share option granted	64,000			

The consideration paid by each individual for options granted was HK$1. Each option gives the holder the right to subscribe for an ordinary share of HK$0.125 each of the Company.

26. Equity settled share-based transactions (Continued)

a) Pre-IPO Share Option Scheme (Continued)

ii) The number and exercise price of share options are as follows:

	2009		2008	
	Exercise price $	**Number of options '000**	Exercise price $	Number of options '000
Outstanding at 1 January	**1.23**	**3,850**	1.23	52,830
Forfeited during the year	**1.23**	**(730)**	1.23	(48,980)
Outstanding at 31 December	**1.23**	**3,120**	1.23	3,850
Exercisable at 31 December	**1.23**	**3,120**	1.23	3,080

iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a binomial model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

Fair value of share options and assumptions for share options granted in 2004

Fair value at measurement date	$0.44
Share price	$1.23
Exercise price	$1.23
Expected volatility	47%
Option life (expressed as weighted average life used in the modelling under binomial model)	5.14 years
Expected dividends	3.37%
Risk-free interest rate (based on Exchange Fund Notes)	3.30%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. The condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share options grants.

26. Equity settled share-based transactions (Continued)

b) Share Option Scheme

i) The terms and conditions of the grants that existed during the year ended 31 December 2008 are as follows, whereby all options are settled by physical delivery of shares:

	Number of options '000	Vesting conditions	Contractual life of options
Tranche 1			
– Options granted on 2 January 2008			
– Directors	9,600	3 months from date of grant	3 years
– Employees	17,570	3 months from date of grant	3 years
	27,170		
Tranche 2			
– Options granted on 20 March 2008			
– Directors	7,800	3 months from date of grant	3.2 years
– Employees	39,000	3 months from date of grant	3.2 years
	46,800		
Tranche 3			
– Options granted on 18 June 2008			
– Consultants	33,200	3 months from date of grant	3.2 years
Total share options granted	107,170		

26. Equity settled share-based transactions (Continued)

b) Share Option Scheme (Continued)

ii) The number and weighted average exercise prices of share options issued in 2008 are as follows:

	2009		2008	
	Exercise price $	Number of options '000	Exercise price $	Number of options '000
Outstanding at 1 January	–	–	–	–
Tranche 1	0.270	27,170	–	–
Tranche 2	0.292	46,800	–	–
Tranche 3	0.350	33,200	–	–
		107,170		–
Granted during the year				
Tranche 1	0.270	–	0.270	27,170
Tranche 2	0.292	–	0.292	46,800
Tranche 3	0.350	–	0.350	33,200
		–		107,170
Exercised during the year				
Tranche 1	0.270	(11,170)		–
Tranche 2	0.292	(32,900)		–
Tranche 3	0.350	(18,200)		–
		(62,270)		–
Outstanding at 31 December				
Tranche 1	0.270	16,000	0.270	27,170
Tranche 2	0.292	13,900	0.292	46,800
Tranche 3	0.350	15,000	0.350	33,200
		44,900		107,170
Exercisable at 31 December				
Tranche 1	0.270	16,000	0.270	27,170
Tranche 2	0.292	13,900	0.292	46,800
Tranche 3	0.350	15,000	0.350	33,200
		44,900		107,170

(Expressed in Hong Kong dollars unless otherwise indicated)

26. Equity settled share-based transactions (Continued)

b) Share Option Scheme (Continued)

iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

Fair value of share options and assumptions for share options granted in 2008

	Tranche 1	Tranche 2	Tranche 3
Fair value at measurement date	$0.080	$0.064	$0.142
Share price	$0.270	$0.255	$0.35
Exercise price	$0.270	$0.292	$0.35
Expected volatility	62%	64%	65%
Option life (expressed as weight average life used in the modelling under the binomial model)	3 years	3.2 years	3.2 years
Expected dividends	0%	0%	0%
Risk-free interest rate (based on Exchange Fund Notes)	2.739%	1.342%	3.342%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on public available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. The condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share options grants.

c) The Group recognised the fair value of the share options granted under the Share Option Schemes during the year in equity settled share-based payment expenses and the capital reserve of the Group of $50,000 (2008: $11,810,000) during the year.

d) No options were granted during the year ended 31 December 2009.

e) Subsequent to the balance sheet date, 2,800,000 options and 38,800,000 options under the Pre-IPO Share Option Scheme and the Share Option Scheme respectively were exercised to subscribe for 2,800,000 ordinary shares and 38,800,000 ordinary shares of the Company (note 38(d)).

27. Income Tax in the Balance Sheet

a) Current taxation in the balance sheet represents:

	The Group 2009 $'000	2008 $'000
Provision for PRC Income Tax for the year	**2,941**	–
Tax paid	**(16)**	–
Acquisition of subsidiaries (note 29)	**(71)**	–
	2,854	–
Balance of tax provision relating to prior years	**–**	–
	2,854	–

b) Deferred tax liabilities recognised

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax arising from:

	The Group		
	Withholding tax $'000	Intangible assets $'000	Total $'000
At 1 January 2008, 31 December 2008 and 1 January 2009	–	–	–
Acquisition of subsidiaries (note 29)	–	105,293	105,293
Exchange adjustments	–	36	36
Charged/(credited) to consolidated income statement (note 7(a))	928	(470)	458
At 31 December 2009	928	104,859	105,787

c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(r), the Group and the Company have not recognised deferred tax assets in respect of cumulative tax losses of $352,826,000 (2008: $369,437,000) and $18,779,000 (2008: $11,158,000) respectively as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses of the Group and the Company will expire in the coming two to five years, except for an amount of $150,450,000 (2008: $145,979,000) and $18,779,000 (2008: $11,158,000) respectively which do not expire under current tax legislation.

28. Capital and reserves

a) The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of change in equity. Details of the change in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital $'000 (note (b))	Share premium $'000 (note(d)(ii))	Contributed surplus $'000 (note (d)(i))	Warrants reserve $'000 (note (c))	Convertible bond equity reserve $'000 (notes (d)(vi)&30)	Capital reserve $'000 (note (d)(iii))	Accumulated losses $'000	Total $'000
At 1 January 2009	117,500	290,040	91,457	1,400	–	11,517	(479,171)	32,743
Changes in equity for 2009:								
Issue of new shares in placements	35,541	120,424	–	–	–	–	–	155,965
New shares issued for acquisition of subsidiaries (note 29)	21,875	107,625	–	–	–	–	–	129,500
Issue of convertible bonds	–	–	–	–	25,515	–	–	25,515
New shares issued upon conversion of convertible bonds	30,515	140,370	–	–	(25,515)	–	–	145,370
Issue of new shares under share options	7,784	16,609	–	–	–	(5,401)	–	18,992
Transaction costs attributable to issue of new shares	–	(363)	–	–	–	–	–	(363)
Equity settled share-based transactions								
– Amount recognised during the year	–	–	–	–	–	50	–	50
– Forfeiture of share options	–	–	–	–	–	(310)	310	–
Total comprehensive loss for the year	–	–	–	–	–	–	(67,261)	(67,261)
At 31 December 2009	213,215	674,705	91,457	1,400	–	5,856	(546,122)	440,511
At 1 January 2008	100,000	267,223	91,457	–	–	20,457	(479,407)	(270)
Changes in equity for 2008:								
Issue of new shares in placements	17,500	23,300	–	–	–	–	–	40,800
Issue of warrants	–	–	–	1,400	–	–	–	1,400
Transaction costs attributable to issue of new shares and warrants	–	(483)	–	–	–	–	–	(483)
Equity settled share-based transactions								
– Amount recognised during the year	–	–	–	–	–	11,810	–	11,810
– Forfeiture of share options	–	–	–	–	–	(20,750)	20,750	–
Total comprehensive loss for the year	–	–	–	–	–	–	(20,514)	(20,514)
At 31 December 2008	117,500	290,040	91,457	1,400	–	11,517	(479,171)	32,743

28. Capital and reserves (Continued)

b) Share capital

Authorised and issued share capital

	2009 Number of shares '000	2009 $'000	2008 Number of shares '000	2008 $'000
Authorised:				
Ordinary shares of HK$0.125 each	**3,200,000**	**400,000**	3,200,000	400,000
Ordinary shares, issued and fully paid:				
At 1 January	**940,000**	**117,500**	800,000	100,000
Issue of new shares in placements (note (i))	**284,330**	**35,541**	140,000	17,500
Issue of new shares for acquisition of subsidiaries (note (ii))	**175,000**	**21,875**	–	–
Issue of new shares upon conversion of convertible bonds (note (iii))	**244,120**	**30,515**	–	–
Issue of new shares under share options (note(iv))	**62,270**	**7,784**	–	–
At 31 December	**1,705,720**	**213,215**	940,000	117,500

28. Capital and reserves (Continued)

b) Share capital (Continued)

i) During the year, the Company issued and allotted totally 284,330,000 new ordinary shares of $0.125 each and recognised the share capital and share premium of $35,541,000 and $120,424,000 respectively. These shares rank pari passu in all respects with the then existing shares in issues. The details of the Company's new shares issued are as follows:

– On 31 March 2009, 30,330,000 ordinary shares of $0.125 each at the issue price of $0.35 each were issued and allotted to Aswell Group Limited, a substantial shareholder of the Company;

– On 27 May 2009, 50,000,000 ordinary shares of $0.125 each at the issue price of $0.405 each were issued and allotted to an independent third party;

– On 30 November 2009, 150,000,000 ordinary shares of $0.125 each at the issue price of $0.6 each were issued and allotted to two independent third parties; and

– On 15 December 2009, 54,000,000 ordinary shares of $0.125 each at the issue price of $0.65 each were issued and allotted to five independent third parties.

ii) During the year, the Company issued and allotted 175,000,000 ordinary shares of $0.125 each as part of the consideration for the acquisition of the subsidiaries (note 29). The fair value of these consideration shares was $129,500,000 which was based on the closing published price of the shares of the Company of $0.74 each at the date of exchange.

iii) On 17 November 2009 and 24 December 2009, convertible bonds with a principal amount of $97,056,000 and $73,828,000, (note 30) were fully converted into 244,120,000 ordinary shares of the Company of $0.125 each at the conversion price of $0.7 each, which included 138,651,428 and 105,468,572 ordinary shares of $0.125 issued on 17 November 2009 and 24 December 2009 respectively.

iv) During the year, 62,270,000 options were exercised to subscribe for 62,270,000 ordinary shares of $0.125 each of the Company at an aggregate consideration of $18,992,000, of which $7,784,000 and $11,208,000 were credited to the share capital and the share premium respectively, and the credit balance of $5,401,000 attributable to these share options was transferred from the capital reserve to the share premium.

v) The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

28. Capital and reserves (Continued)

c) Warrants

Warrant reserve represents the net proceeds received from the issue of warrants of the Company. The reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants.

On 26 September 2008, the Company entered into a warrant subscription agreement with three independent parties (the "Subscribers") pursuant to which the Subscribers agreed to subscribe 140,000,000 warrants at the issue price of $0.01 per each warrant. Each warrant holder is entitled the right to subscribe for one new ordinary share of the Company at an exercise price of $0.36 per share for a period of two years commencing from the date of the warrants issued.

During the year ended 31 December 2009 and 2008, no new share was issued on the warrants. Subsequent to balance sheet date, 133,200,000 warrants were exercised to subscribe for 133,200,000 new ordinary shares of the Company (note 38(c)).

d) Nature and purpose of reserves

i) Contributed surplus

Pursuant to a group reorganisation of the Group, the Company became the holding company of the Group on 19 June 2004. The excess of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange under the reorganisation was transferred to contributed surplus.

ii) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands.

Under the Companies Law of the Cayman Islands, the funds in the share premium account 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.

iii) Capital reserve

The capital reserve comprises 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 2(q)(ii). Details of the share option schemes of the Company are disclosed in note 26.

iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of subsidiaries outside Hong Kong.

28. Capital and reserves (Continued)

d) Nature and purpose of reserves (Continued)

v) Statutory surplus reserves

The subsidiaries in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting rules and regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of their registered capital.

vi) Convertible bond equity reserve

The convertible bond equity reserve comprises the value of the unexercised equity component of convertible bonds issued by the Group recognised in accordance with the accounting policy adopted for convertible bonds in note 2(p).

e) Distributability of reserves

At 31 December 2009, the aggregate amount of reserves available for distribution to equity holders of the Company was $220,040,000 (2008: $nil).

f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

At 31 December 2009, the Group had bank loans amounting to $31,802,000 (2008: $37,025,000) which is repayable within one year. The gearing ratio, representing the ratio of total borrowings and long-term payable net of cash and cash equivalents to the total share capital and reserves of the Group was 0% at 31 December 2009 (2008: 54%).

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements in either the current or prior year.

29. Business combination - 2009

On 28 June 2009, CPM(BVI) and Harmonie entered into a sale and purchase agreement, pursuant to which CPM(BVI) agreed to purchase and Harmonie agreed to dispose the entire equity interest in Able Supplement Group at the consideration that was satisfied by (i) cash of $50,500,000; (ii) 175,000,000 ordinary shares of the Company of $0.125 each at an issue price of $0.5635 and; (iii) two tranches of convertible bonds of principal amount of $97,056,000 and $73,828,000 respectively, with an aggregate amount of $170,884,000. The acquisition was completed on 17 September 2009.

The net assets acquired in the transaction and the excess over the cost of the business combination are as follows:

	Acquiree's carrying amount immediately before combination	Fair value adjustment	Acquiree's fair value recognised on acquisition date
	$'000	$'000	$'000
Net assets acquired:			
Intangible assets (notes 14 & 29(a))	431,452	–	431,452
Fixed Assets (note 15)	21,502	–	21,502
Construction in progress (note 16)	2,265	–	2,265
Non-current deposits	647	–	647
Inventories	3,795	–	3,795
Trade and other receivables	74,898	–	74,898
Cash and cash equivalents	829	–	829
Trade and other payables	(70,208)	–	(70,208)
Tax recoverable (note 27(a))	71	–	71
Deferred tax liabilities (note 27(b))	(105,293)	–	(105,293)
	359,958		359,958
Excess over the cost of a business combination			(2,585)
Total cost of acquisition			357,373

29. Business combination - 2009 (Continued)

	$'000
Consideration is satisfied by:	
Cash	4,000
Add: Deposit paid in 2008 (note 21)	46,500
	50,500
Convertible bonds issued (note 30)	170,884
Issue of 175,000,000 ordinary shares	
Shares issued at issue price of $0.5635 each	98,613
Increase in fair value	30,887
Shares issued at fair value at the date of exchange (note 28(b)(ii))	129,500
Total consideration	350,884
Incidental costs on the acquisition	6,489
Total cost of acquisition	357,373
Net cash outflow arising from acquisition	
Cash consideration paid	(4,000)
Cash and cash equivalents acquired	829
Incidental costs on the acquisition	(6,489)
	(9,660)

(a) In the opinion of the directors of the Company, there was no material difference between the carrying amount and the fair value of the individual assets and liabilities at the acquisition date.

(b) At 17 September 2009, the carrying value of the intangible assets of mining rights was $431,452,000 (RMB380,000,000), which is based on the valuation performed by BMI Appraisals Limited, an independent firm of professionally qualified valuers, using excess earning method under income approach.

(c) Able Supplement Group contributed turnover and net profit of $19,370,000 and $7,759,000 respectively to the Group for the period between the date of acquisition and the balance sheet date.

If the acquisitions had been completed on 1 January 2009, total revenue and loss of the Group for the year ended 31 December 2009 would have been $109,305,000 and $27,094,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is it intended to be a projection of future results.

30. Convertible Bonds

Pursuant to the sale and purchase agreement of acquisition of Able Supplement Group (note 29), the Group issued two tranches of convertible bonds in the principle amount of $97,056,000 and $73,828,000 on 17 November 2009 and 24 December 2009 respectively as part of the consideration of the acquisition of subsidiaries. Both tranches of convertible bonds entitle the holder to convert the bonds into ordinary shares of the Company at the conversion price of $0.7 per share at any time from the date of issue of the convertible bonds. The convertible bonds are non-interest bearing and will be matured on the second anniversary from the date of issue of the convertible bonds.

The holder of convertible bonds has fully converted the two tranches of convertible bonds into 138,651,428 and 105,468,572 ordinary shares of the Company on the same date of convertible bonds issued on 17 November 2009 and 24 December 2009 respectively.

The movements of the convertible bonds during the year are as follows:

	Liability Component $'000	Equity Component $'000	Total $'000
At 1 January 2008, 31 December 2008 and 1 January 2009	–	–	–
Principal amount of convertible bonds issued (note 29)	145,369	25,515	170,884
Conversion of convertible bonds (note 28(b)(iii))	(145,369)	(25,515)	(170,884)
At 31 December 2009	–	–	–

The liability component and equity component of the convertible bonds are determined based on the valuation performed by Vigers Appraisal & Consulting Limited, an independent firm of professionally qualified valuers. The effective interest rate of liability component is 8% per annum.

31. Financial Instruments

Exposures to credit, liquidity, interest rate and currency risks arise in the normal course of the Group's business. The Group is also exposed to price risk arising from any unexpected changes in price of gold and oil commodities. These risks are limited by the Group's financial management policies described below.

a) Credit risk

The Group's credit risk is primarily attributable to trade debtors. Management has a credit policy in place and the exposure to the credit risk is monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. These debtors are due within one month from the date of billing. Occasionally, credit terms up to one month from the date of billing may be granted to customers, depending on the credit worthiness of individual customers.

At the balance sheet date, there is certain concentration of credit risk as 95% (2008: 59%) of the total trade debtors was due from the Group's five largest customers. While the amount due from the Group's largest customer represented 95% of the total trade debtors at 31 December 2009 (2008: 18%).

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

b) Liquidity risk

At 31 December 2009, the Group has net current assets of approximately $111,332,000 (2008: $23,409,000). To manage liquidity risk, the Group regularly monitors its current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks to meet its liquidity requirements in the short term and long term. At 31 December 2009, the Group had total committed bank facilities of $31,802,000 (2008: $37,025,000), and the undrawn facilities at that date were $nil (2008: $1,704,000).

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

31. Financial Instruments (Continued)

b) Liquidity risk (Continued)

The Group

	2009					2008				
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000
Trade and other payables	59,540	59,540	59,540	–	–	28,414	28,414	28,414	–	–
Amount due to a related company	–	–	–	–	–	109	109	109	–	–
Bank loans	31,802	33,762	33,762	–	–	37,025	38,421	38,421	–	–
Loan from a related company	–	–	–	–	–	7,809	10,468	–	–	10,468
	91,342	93,302	93,302	–	–	73,357	77,412	66,944	–	10,468

The Company

	2009					2008				
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000
Amounts due to subsidiaries	76,761	76,761	76,761	–	–	11,364	11,364	11,364	–	–
Other payables	13,545	13,545	13,545	–	–	4,034	4,034	4,034	–	–
	90,306	90,306	90,306	–	–	15,398	15,398	15,398	–	–

31. Financial Instruments (Continued)

c) Interest rate risk

The Group's interest rate risk arises primarily from its fixed rate borrowings. The Group's interest rate profile as monitored by management is set out in (i) below.

i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings at the balance sheet date.

	The Group			
	2009		2008	
	Effective interest rate	**Amount**	Effective interest rate	Amount
	%	**$'000**	%	$'000
Fixed rate borrowings:				
Bank loans	**6.11**	**31,802**	8.18	37,025
Loan from a related company	**–**	**–**	8.32	7,809
		31,802		44,834

ii) Sensitivity analysis

At 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss after tax by approximately $318,000 (2008: $448,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for fixed rate borrowings in existence at that date. The 100 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2008.

31. Financial Instruments (Continued)

d) Commodity price risk

The Group is exposed to price risks arising from the market price fluctuation on gold and oil commodities.

To protect the Group from the impact of price fluctuations in gold and oil commodities, the management may consider to use commodity derivative contracts. Changes in the fair value of commodity derivative contracts that economically hedge the price fluctuations in gold and oil commodities and for which no hedge accounting is applied are recognised in income statement.

e) Currency risk

The Company and certain subsidiaries have foreign currency bank balances and cash, which expose the Group to foreign currency risk. The currency giving rise to this risk is primarily United States Dollars ("USD"). The directors do not expect any significant movement in the USD/RMB and USD/HKD exchange rates. Given the foreign currency exposure is only to USD, sensitivity analysis to changes in foreign exchange rates is not presented thereof.

Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	The Group		The Company	
	2009 United States Dollars '000	2008 United States Dollars '000	**2009 United States Dollars '000**	2008 United States Dollars '000
Cash and cash equivalents	**3**	163	**2**	2
Overall net exposure	**3**	163	**2**	2

f) Fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

i) Bank loans

The carrying amounts of bank loans are estimated to approximate their fair value as all the bank loans are due within one year or on demand.

ii) Save as disclosed in (i) above, all other financial instruments are carried at amounts not materially different from their fair values as at 31 December 2009 and 2008.

32. Commitments

At 31 December 2009, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2009 $'000	2008 $'000
Within 1 year	**588**	175
After 1 year but within 5 years	**107**	25
	695	200

Significant leasing arrangements in respect of land and buildings classified as being held under finance leases and land held under operating leases are described in note 15. Apart from these leases, the Group is the lessee in respect of a number of properties and items of machinery and equipment for an initial period of one to five years. None of the leases includes contingent rent.

The Company did not have any commitments as at 31 December 2009 and 2008.

33. Litigation

On 13 January 2009, a PRC independent third party filed a claim in a court in Tianjin, the PRC ("天津經濟開發區人民法院") against of the Group in connection with a claim against the subsidiary for a payable of construction of plant and machinery $517,000 (equivalent to RMB455,000) plus overdue interest. The subsidiary filed a counterclaim against the plaintiff. A provision of $517,000 was included in other payables in the consolidated balance sheet as at 31 December 2009.

Based on the available information to date, the directors are of the opinion that no further provision for legal claim is considered necessary.

34. Environmental Contingencies

The Group has not incurred any significant expenditure for environment remediation and is currently not involved in any environmental remediation. In addition, the Group has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved and may move further towards more rigorous enforcement of applicable laws and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to mines, concentrators and smelting plants whether they are operating, closed and sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future costs is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot be reasonably estimated at present, and could be material.

35. Material Related Party Transactions

During the year, transactions with the following party are considered as related party transactions.

Name of party	Relationship
江蘇正豐油脂倉儲有限公司 Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd. ("Jiangsu Zheng Feng Oils")	Mr. Lam Cham (note (i))

Note:

(i) Mr. Lam Cham is an executive director of the Company and the legal representive of Jiangsu Zheng Feng Oils.

Particulars of transactions between the Group and the related party during the year are as follows:

a) Amount due to a related company

	2009 $'000	2008 $'000
Jiangsu Zheng Feng Oils	–	109

Amount due to a related company was unsecured, interest free and repayable within one year.

b) Loan from a related company

The loan was unsecured and repayable on 31 August 2012. During the year, the Group settled the entire loan.

	2009 $'000	2008 $'000
Jiangsu Zheng Feng Oils, at fair value	–	7,809

The fair value of the loan was based on cash flows discounted at a rate of 8.32%, which was determined by reference to the relevant borrowing rate of the People's Bank of China plus appropriate credit rating. The interest on loan from a related company is $2,658,000 (2008:$2,556,000) during the year.

35. Material Related Party Transactions (Continued)

c) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2009 $'000	2008 $'000
Short-term employee benefits	**5,699**	3,955
Post-employment benefits	**73**	94
Equity compensation benefits	**40**	1,945
Termination benefits	**–**	–
	5,812	5,994

36. Accounting estimates and judgements

The method, estimates and judgements the directors use in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. In addition to note 26 which contains information about the assumptions and the risk factors relating to fair value of share options granted, certain critical accounting judgements in applying the Group's accounting policies are described below.

a) Mining rights and mining structures

Mining rights and mining structures are amortised or depreciated using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the ore mines. The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgements and decisions 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. Reserve estimates are based on current production forecasts, prices and economic conditions. The directors exercise their judgement in estimating the total proved and probable reserves of the ore mines.

36. Accounting estimates and judgements (Continued)

(b) Mining rights

As disclosed in note 14(d) to the financial statements, all of the Group's mining rights for gold mines will expire in the period between June 2010 and December 2010, except the Mine Number 10 that expired in December 2009. Application for renewal of the mining right of the Mine Number 10 is still in process. The Company's directors have considered, after having sought a PRC legal opinion, that in accordance with the relevant PRC laws and regulations, the Group is entitled to lawfully renew all of the mining rights, including the Mine Number 10. On 22 April 2010, the Department of Land and Resources in Chifeng, Inner Mongolia in the PRC confirmed that the Group has duly submitted the prescribed documents for application of renewal of mining right of the Mine Number 10 in accordance with the relevant PRC laws and regulations. The Company's directors are of the opinion that there is no foreseeable legal obstacle for the Group to obtain the renewal of all of the mining rights when any of them have expired or will expire.

c) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. Interests in leasehold land held for own use under operating leases are amortised on a straight-line basis over the shorter of the estimated useful lives of the leased assets and the lease term. Both the period and methods of amortisation are reviewed annually. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

d) Valuation of inventories

Inventories are stated at the lower of cost and net realisable value at the balance sheet date. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The directors estimate the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. In addition, the directors perform an inventory review on a product-by-product basis at each year end date and assess the need for write down of inventories.

36. Accounting estimates and judgements (Continued)

e) Impairments

In considering the impairment losses that may be required for the Group's mining rights, mining structures and property, plant and equipment, recoverable amounts of the assets need to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling price and amount of operating costs.

Impairment losses for bad and doubtful debts are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectively. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment losses would affect the net profit of the Group in future years.

f) Income tax

Determining income tax provision involves judgement on the future tax treatment of certain transactions. The directors carefully evaluate tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all change in tax legislations. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, the directors' judgement is required to assess the probability of future taxable profits. The directors' assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

g) Functional currency of the Company

The Company is carrying out its operating activities and making management decisions in Hong Kong, that is, raising finance in Hong Kong dollars and has a significant degree of autonomy from its subsidiaries in the PRC in the way its business is managed. In the opinion of the directors of the Company, its functional currency is Hong Kong dollars.

37. Comparative Figures

As a result of the application of "HKAS 1 (revised 2007), Presentation of financial statements", and "HKFRS 8, Operating segments", certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 3.

38. Events after the reporting period

The Group and the Company had the following events after the reporting period:

(a) Issue of shares

(i) On 11 February 2010, 90,000,000 ordinary shares of the Company of $0.125 each at the issue price of $1.94 each were issued and allotted to five independent third parties.

(ii) On 31 March 2010, 65,000,000 ordinary shares of the Company of $0.125 each at the issue price of $1.98 each were issued and allotted to three independent third parties.

(iii) On 21 April 2010, the Group and two independent placing agents ("the Share Placing Agents") entered into an agreement, pursuant to which the Share Placing Agents will procure together with more than six placees for subscribing up to an aggregate of 200 million new ordinary shares of the Company of $0.125 at the issue price of $2.08 each. As the date of this report, the share placing transaction has not been completed. Further details are set out in the Company's announcement dated 22 April 2010.

(b) Issue and conversion of convertible bonds

On 11 February 2010, the Company issued convertible bonds with an aggregate principal amount of $225,000,000 to three independent third parties. The convertible bonds entitle the holder to convert the bonds into ordinary shares of the Company at the conversion price of $0.75 per share at any time from the date of issue of the convertible bonds. The convertible bonds are non-interest bearing and will be matured on the second anniversary from the date of issue of the convertible bonds. All these convertible bonds were converted into 300,000,000 ordinary shares of the Company of $0.125 on the same date of convertible bonds issued.

(c) Issue and conversion of warrants

(i) In January 2010, 130,200,000 warrants were exercised to subscribe for 130,200,000 new ordinary shares of the Company of $0.125 each at the exercise price of $0.36 each. The Company received the aggregate considerations of $10,800,000 and $36,072,0000 in December 2009 (note 23(c)) and January 2010, respectively.

(ii) In February 2010, 3,000,000 warrants were exercised to subscribe for 3,000,000 new ordinary shares of the Company of $0.125 each at the exercise price of $0.36 each. The Company received the consideration of $1,080,000 in February 2010.

38. Events after the reporting period (Continued)

(c) Issue and conversion of warrants (Continued)

(iii) On 21 April 2010, the Group and an independent placing agent ("the Warrant Placing Agent") entered into a letter of intent, pursuant to which the Warrant Placing Agent will place to not fewer than six independent parties of 150 million non-listed warrants of the Company, which include two tranches of 100 million warrants ("Warrant A") and 50 million warrants ("Warrant B") at the issue price of $0.01 and $0.005 each respectively. The holder of each Warrant A and Warrant B will be entitled the right to subscribe for one new ordinary share of the Company at an exercise price of $2.6 and $3.2 each respectively at any time and from three months following the date of issue of the warrant and ending on the fourth anniversary of the issue date of the warrant. As the date of this report, the warrant placing transaction has not been completed. Further details are set out in the Company's announcement dated 21 April 2010.

(d) Exercise of options

(i) In January 2010, 23,800,000 options under the Share Option Scheme (note 26(e)) were exercised to subscribe for 23,800,000 ordinary shares of the Company of $0.125 each at the exercise price ranging from $0.27 to $0.35 with an aggregate consideration of $7,626,000.

(ii) In February 2010, 15,000,000 options under the Share Option Scheme (note 26(e)) were exercised to subscribe for 15,000,000 ordinary shares of the Company of $0.125 each at the exercise price ranging from $0.27 to $0.292 with an aggregate consideration of $4,222,000.

(iii) In March 2010, 2,800,000 options under the Pre-IPO Share Option Scheme (note 26(e)) were exercised to subscribe for 2,800,000 ordinary shares of the Company of $0.125 each at the exercise price of $1.23 with an aggregate consideration of $3,444,000.

(e) Acquisitions of subsidiaries

(i) On 1 February 2010, the Group and Mojiang County Mining Co., Ltd. (墨江縣礦業有限責任公司) ("Mojiang County Mining"), an independent third party, entered into a conditional letter of intent, pursuant to which the Group will acquire the entire equity interest in Mojiang County Mining, which holds certain exploitation rights for gold mines located in Mojiang in the PRC, and both parties agreed that there will be a restructuring of Mojiang County Mining under which all the assets and liabilities not related to the gold mining business will be transferred out of Mojiang County Mining. The proposed consideration will not exceed RMB257 million ($292 million). As at the date of this report, the acquisition transaction has not been completed and the Group has not paid any deposit on the acquisition. Further details are set out in the Company's announcement dated 1 February 2010.

38. Events after the reporting period (Continued)

(e) Acquisitions of subsidiaries (Continued)

(ii) On 4 February 2010, the Group and Mr. King Hap Lee ("Mr. King"), an independent third party, entered into a conditional letter of intent, pursuant to which the Group will acquire the entire equity interest in Decent Connection Overseas Limited ("Decent"), which is wholly owned by Mr. King, together with its subsidiaries, which holds certain exploitation rights for gold mines located in Henan in the PRC. The proposed consideration will not exceed $1,000 million, which will be satisfied by cash, ordinary shares and convertible bonds of the Company. On 9 February 2009, the Group paid a refundable deposit of $200 million to Mr. King and obtained the entire shares of Decent as a pledge of the deposit paid. As at the date of this report, the acquisition transaction has not been completed. Further details are set out in the Company's announcement dated 4 February 2010.

(iii) On 20 April 2010, the Group and Eastgold Capital Limited ("Eastgold"), an independent third party, entered into a conditional letter of intent, pursuant to which the Group will acquire the entire equity interest in Wah Heeh Holdings Limited ("Wah Heeh"), which is wholly owned by Eastgold, together with its subsidiaries, which holds certain exploitation rights for gold mines located in Henan in the PRC. The proposed consideration will not exceed $900 million, which will be satisfied by cash, ordinary shares and convertible bonds of the Company. As the date of this report, the acquisition transaction has not been completed and the Group has not paid any deposit on the acquisition. Further details are set out in the Company's announcement dated 21 April 2010.

(f) Acquisition of listed securities

On 1 March 2010, the Group and Norton Gold Fields Limited ("Norton Gold"), which is a limited company incorporated in Australia and its shares are listed in the Australian Securities Exchange Limited, entered into a share subscription agreement, pursuant to which the Group will subscribe 14.63% of the issued share capital of Norton Gold (representing 12.76% of the enlarged issued share capital of Norton Gold after completion of the share subscription) for a consideration of Australia dollar 19.9 million ($138 million). Norton Gold and its substantial shareholders are independent third parties not connected with the Group. Norton Gold holds certain gold mines in Australia. The acquisition completed on 3 March 2010. Further details are set out in the Company's announcement dated 1 March 2010.

(g) Acquisitions of properties

On 29 March 2010, the Group acquired two properties in Hong Kong from two independent third parties for a total consideration of $78 million. The properties are held by the Group for own use.

(Expressed in Hong Kong dollars unless otherwise indicated)

38. Events after the reporting period (Continued)

(h) Bank loans

On 25 March 2010, the Group renewed a bank loan of $6,815,000 (RMB6,000,000). The loan is secured by certain fixed assets of the Group, bear interest at rate of 6.318% per annum and will be repayable in March 2011.

39. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2009

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and Interpretations which are not yet effective for the year ended 31 December 2009.

The Group has not early applied any of the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 January 2011.
6 Effective for annual periods beginning on or after 1 July 2010.
7 Effective for annual periods beginning on or after 1 January 2013.

39. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2009 (Continued)

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. In addition, under HKFRS 9, changes in fair value of equity investments are generally recognised in other comprehensive income, with only dividend income recognised in profit or loss. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated balance sheet. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land at revalued amount.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

Five Years Summary

(Expressed in Hong Kong dollars)

	2005 $'000	2006 $'000	2007 $'000	2008 $'000	**2009 $'000**
Assets and liabilities					
Total assets	1,746,808	715,823	206,521	143,012	**715,496**
Total liabilities	(1,487,852)	(773,611)	(141,746)	(73,357)	**(199,983)**
NET ASSETS/(LIABILITIES)	258,956	(57,788)	64,775	69,655	**515,513**
Share capital	100,000	100,000	100,000	117,500	**213,215**
Reserves	158,956	(157,788)	(35,225)	(47,845)	**302,298**
TOTAL EQUITY	258,956	(57,788)	64,775	69,655	**515,513**
Results					
Turnover					
Continuing operations	412,763	329,320	150,729	139,541	**95,148**
Discontinued operations	3,227,000	1,306,332	19,863	–	**–**
	3,639,763	1,635,652	170,592	139,541	**95,148**
Profit/(loss) before taxation					
Continuing operations	(122,198)	(50,684)	(18,830)	(52,209)	**(25,791)**
Discontinued operations	(243,558)	(224,454)	154,588	–	**–**
	(365,756)	(275,138)	135,758	(52,209)	**(25,791)**
Income tax					
Continuing operations	4,431	(4,375)	–	–	**(3,399)**
Discontinuing operations	49,152	(43,871)	–	–	**–**
	53,583	(48,246)	–	–	**(3,399)**
Profit/(loss) for the year					
Continuing operations	(117,767)	(55,059)	(18,830)	(52,209)	**(29,190)**
Discontinued operations	(194,406)	(268,325)	154,588	–	**–**
	(312,173)	(323,384)	135,758	(52,209)	**(29,190)**

Corporate Information

Board of Directors

Executive Directors

LIM Wa *(Chairman)*
LAM Cham *(Deputy Chief Executive Officer)*
DAI Xiaobing *(Chief Executive Officer)*
CHANG Yim Yang

Non-executive Director

WANG John Peter Ben

Independent Non-executive Directors

WONG Lung Tak, Patrick, J.P.
CHAN Kin Sang
XIAO Rong Ge

Company Secretary and Qualified Accountant

LAM Hiu Lai *(Financial Controller)*
(CPA, FCCA, MPA)

Authorised Representatives

LIM Wa
LAM Cham

Audit Committee

WONG Lung Tak, Patrick, J.P. *(Chairman)*
CHAN Kin Sang
XIAO Rong Ge

Remuneration Committee

LIM Wa *(Chairman)*
WONG Lung Tak, Patrick, J.P.
CHAN Kin Sang

Registered Office

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

Principal Place of Business in Hong Kong

Room 3107-9,
Shun Tak Centre West Tower
200 Connaught Road
Central, Hong Kong

Auditors

CCIF CPA Limited
Certified Public Accountants
34th Floor, The Lee Gardens,
33 Hysan Avenue
Causeway Bay
Hong Kong

Legal Advisers

As to Hong Kong law:
Angela Ho & Associates

As to PRC law:
Bastion Law Firm

Principal Bankers

In Hong Kong:
Standard Chartered Bank
Bank of China (Hong Kong) Limited

In the PRC:
China Construction Bank Zhenjiang Jianbi Sub-Branch
Industrial & Commercial Bank of China Zhenjiang Branch
Bank of Communications Zhenjiang Branch
Bank of Communications Tianjin Economic and Technological Development Area Branch
Agricultural Bank of China Tianjin Port Free Trade Zone Branch
Industrial & Commercial Bank of China Tianjin Port Free Trade Zone Branch

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Room 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Corporate Information

Website of the Company

http://cpm.etnet.com.hk

Share Information

Place of listing	:	Main board of The Stock Exchange of Hong Kong Limited
Listing date	:	12 October 2004
Stock code	:	1194
Board lot	:	2,000 Shares
Financial year end	:	31 December
Share price as at 31 December 2009	:	HK$1.99
Market capitalization as at 31 December 2009	:	HK$3,394,382,800

Shareholders' Reference

Financial Calendar

Annual general meeting	1 June 2010

Shareholders' Enquiry

For any matters as to shareholdings (such as transfer of Shares, changes of address and loss of share certificates), you should contact the Hong Kong branch share registrar and transfer office, details of which are as follows:–

Computershare Hong Kong Investor Services Limited
Room 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong
Tel: (852) 2862 8628
Fax: (852) 2865 0990