CHINA PRECIOUS METAL RESOURCES HOLDINGS CO., LTD.

Incorporated in the Cayman Islands with limited liability

Stock Code: 1194

Blaze new trails and forge ahead

Annual Report 2010

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 (collectively the "**Group**") was 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 reorganisation, the directors of the Company ("the **Directors**") considered that it was beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio and to broaden its sources of income. In light of the increase in gold prices over the past years, the Directors are optimistic about the future prospects of gold. Therefore, the Group decided to diversify its business portfolio into the precious metals industry in the People's Republic of China (the "PRC").

In mid-September 2009, the Group successfully acquired gold mining assets in Song Shan Qu and Hong Shan Qu, Chifeng City, Inner Mongolia, the PRC, with an aggregate exploitation area of approximately 0.926 square kilometers.

The acquisition of the gold mine in Inner Mongolia has paved the way for the Group to enter the gold mining industry with the aim of broadening the income base of the Group, and thereby enhancing the Group's future financial performance and profitability.

This was followed by a number of major acquisitions during 2010 to enable the Group to further expand its asset portfolio. During the year, the Group acquired the exploitation rights to a gold mine with an area of approximately 7.2241 square kilometers in Mojiang Hani Minority Autonomous Prefecture in Yunnan Province. The Group further acquired two gold mines in Henan Province with an aggregate area of approximately 21.5823 square kilometers.

Upon the completion of the additional acquisitions in Mojiang and Henan, the Group has successfully established mining bases in three well endowed fold belts of gold in the PRC. Together with the 12.55% equity interest it holds in Australian gold mining company, Norton Gold Fields Limited, the Group is striding confidently towards its goal of growing into a sizeable player in terms of gold resources and reserves in the foreseeable future.

In view of the vulnerability of the oil and grains processing business in the face of financial risks and its poor results, the Group has resolved to completely transform its principal business activities to gold mining, processing and sales, which have demonstrated resilience and satisfactory operating results since the commencement of operations in mid-September 2009.

Financial Highlights

Operating Figures

For the financial years ended 31 December	Gold Mining (Continuing Operations) 2010 $'000	2009 $'000	Edible Oils (Discontinued Operations) 2010 $'000	2009 $'000
Turnover	**168,154**	19,370	**4,880**	75,778
Gross profit/(loss)	**73,780**	12,223	**(2,338)**	(3,190)
Profit/(loss) for the year	**56,975**	(3,206)	**(35,045)**	(25,984)
Reportable segment profit/(loss) ("Adjusted EBITDA")	**109,924**	830	**(6,482)**	(4,698)
Earnings/(loss) per share				
Basic	**2.3 cents**	(0.3 cent)	**(1.4 cents)**	(2.4 cents)
Diluted	**2.3 cents**	(0.3 cent)	**(1.4 cents)**	(2.4 cents)

Sales Volume and Average Selling Price

Gold mining:	2010	2009
Sales volume	**('000 gram)**	('000 gram)
– Gold products	**493**	69
Average selling price per gram	**(HK$)**	(HK$)
– Gold products	**328**	281

Edible oils:	2010	2009
Sales volume	**tonnes**	tonnes
– Small pack oil	**561**	8,004
Average selling price per tonne	**(HK$)**	(HK$)
– Small pack oil	**7,368**	8,185

Consolidated Balance Sheet

As at 31 December	2010 $'000	2009 $'000
Total assets	**4,484,736**	715,496
Non-current assets	**4,319,456**	509,968
Current assets	**165,280**	205,528
Total liabilities	**1,463,385**	199,983
Current liabilities	**314,900**	94,196
Net current (liabilities)/assets	**(149,620)**	111,332
Net assets	**3,021,351**	515,513

Financial Indicators

For the financial year ended 31 December	2010	2009
Average inventory turnover (days)	**24.9**	20.5
Average trade receivable turnover (days)	**15.6**	41.9
Average trade payable turnover (days)	**12.0**	40.8
Net gearing ratio#	**17%**	0%

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,

I am pleased to report that the profit attributable to shareholders during the year ended 31 December 2010 amounted to HK$29,190,000, while turnover from continuing operations surged 7.68 times to HK$168,154,000. This turnaround in the Group's results was mainly attributable to the contribution from our newly injected gold mining operations.

During the year, the Group wound down its operations in the production and sale of small-pack edible oils and the trading of edible oils and related products so as to formally complete the transition into a company specializing exclusively in gold mining operations.

As announced, the Group acquired a gold mine in Chifeng, Inner Mongolia, in September 2009. Since then it has successfully developed its gold mining operations in China, with the operation rapidly making a very positive contribution to the Group. In 2010, the Group also acquired gold mines in Mojiang in Yunnan Province and in Kongshan and Luanling in Henan, thereby achieving its development target for the year of ownership and control of gold resources amounting to 152 tonnes. The acquisition of gold mines in these three regions has established a solid foundation for the Group's future developments. Thanks to proven quality gold reserves, our activities in these mining zones located in three major fold belts of the PRC, namely Chifeng in Inner Mongolia, Ailao Shan in Yunnan, and Xiaoqinling in Henan, enjoy substantially lower costs of production compared with the average costs borne by other local and multinational gold mining companies. In addition, the Group's strategy of acquiring existing gold mines that are already in production helps to generate a positive profit contribution within a short period of time to support faster growth in both the scale and profitability of the Group.

By leveraging the success of the acquisitions as described above and the satisfactory operational performance achieved as planned, and with the active support of the local governments, the Group subsequently purchased two additional mining licences, for Inner Mongolia and Henan, to further expand the gold resources under its control. On 21 December 2010, the Group signed a sale and purchase agreement to acquire another mining zone in Tantou Zhen of Henan with total gold resources and reserves of 64.2 tonnes, for a consideration of HK$1.18 billion. On completion of the acquisition, the Group's gold resources and reserves amounted to an aggregate of 152 tonnes. This expansion in the scale of its reserves will further improve the cost efficiency of the Group as well as operational efficiencies.

According to statistics published by Surbiton Associates, an Australian resources consulting firm, the PRC is currently the world's largest gold-producing country. According to its "Report on Demand for Gold 2010", global demand for gold in 2010 amounted to 3,812 tonnes, equivalent to some US$150 billion in value for the full year, the highest amount for the last ten years and clear evidence of a robust gold market. The report also indicated that the gold and jewelry and physical investment demands from the PRC and India were the major reasons for this historical demand peak. In 2010, the PRC was the market with the fastest growth in investment demand, consuming 180 tonnes of gold bars and gold coins during the year, which represented a 70% increase over the previous year. Currently, gold accounts for less than 2% of the PRC's foreign exchange reserves, which is substantially less than the world average of 10% and of over 70% in the US. It is expected that the PRC will continue to purchase gold to constitute a more significant proportion of its currency reserves.

The continuous growth and development of the gold mining industry in the PRC, coupled with the strong demand for gold from within the PRC and from overseas, present the Group with promising development prospects going forward. The satisfactory results for the year have justified our management strategy of actively expanding the Group's gold reserves and striving for profitability within a short period of time through mergers and acquisitions.

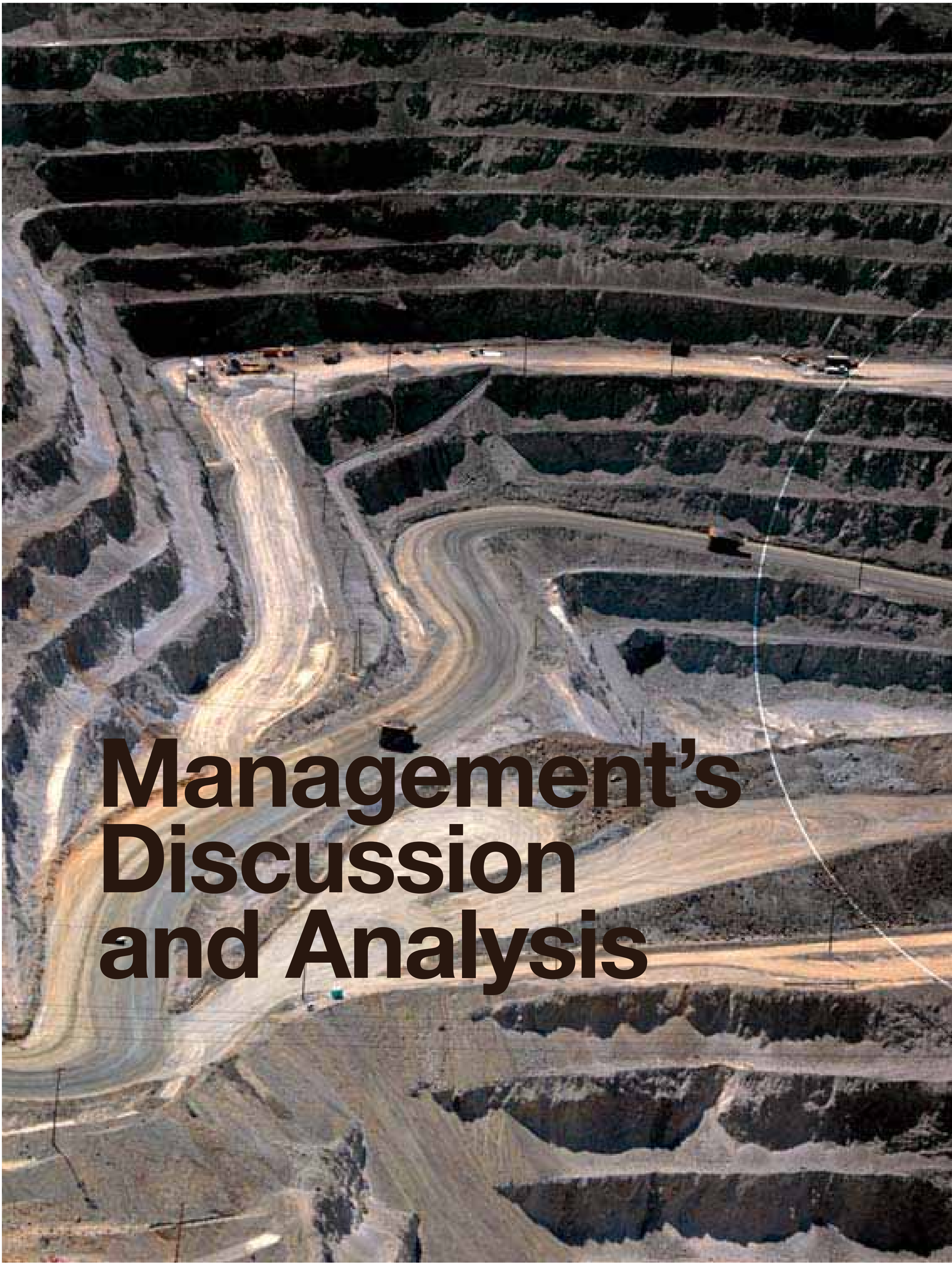
Chairman's Statement

The Hong Kong Stock Exchange's newly promulgated Listing Rules on mining enterprises went into effect on 3 June 2010. The new rules require submission of internationally recognised valuation reports by all listed companies acquiring significant mining or resources projects, plus subsequent disclosure of the updated exploitation, development and mining status of mineral assets and related expenses for these activities in their respective interim and annual reports. The acquisition of the Mojiang and Kangshan gold mines, completed by the Group in November 2010 as the first among other significant acquisitions under the new rules, were fully complied with the newly strict requirements set up by the Hong Kong Stock Exchange.

The Group will continue to identify gold mines in the three major fold belts of the PRC that are undervalued but have potential to generate additional value through expansion of extraction scale, further cost cutting, technology innovation, and continual exploration, among other initiatives. Our target for the next two years is to become one of the best performing Hong Kong listed gold mining companies with gold reserves of 500 tonnes.

Lastly, on behalf of the Board, I would like to extend our gratitude to all our shareholders, clients, business partners and staff for their support and contribution to the Group. The management will work closely with our staff to continue to enhance the Group's performance in the years ahead.

Lam Cham
Chairman
Hong Kong, 30 March 2011



Management's Discussion and Analysis

The Group aims to increase its gold reserves and resources to approximately 300 tonnes by 2011, as part of its mission of becoming one of the best performed gold mining enterprises listed in Hong Kong.

FINANCIAL REVIEW

Group results

For the financial year ended 31 December 2010, the Group's turnover from continuing operations was approximately HK$168,154,000 (2009: HK$19,370,000) representing an increase of approximately 768% over the last year. Profit from continuing operations attributable to the owners of the Company was approximately HK$56,975,000 (2009: loss of HK$3,206,000). The Group recorded an increase in turnover and succeeded to achieve a turnaround, primarily attributable to the first full-year of contributions from Chifeng gold mining business, and the contributions of newly-acquired gold mines of Mojiang Gold Mine in Yunnan and Kangshan Gold Mine in Henan in the fourth quarter.

During the current year, the Group generated an earnings before interest, tax, depreciation and amortisation ("EBITDA") of approximately HK$109,924,000 (2009: HK$830,000) from the gold mining — continuing operations, which surged significantly by about 132 times as compared with last year. Also, the discontinuation of the loss-making business of the production and sale of small pack edible oils, trading of edible oils and related products has improved the financial performance of the Group. Earnings per share amounted to HK0.9 cent (2009: loss per share of HK2.7 cents).

Selling and distribution costs

During the year, the Group's selling and distribution costs from continuing operations amounted to approximately HK$1,141,000 (2009: HK$480,000), increasing by approximately 138% over the last year in line with the expansion of the gold mining operations.

Administrative expenses

During the year, administrative expenses from continuing operations increased to approximately HK$30,791,000 (2009: HK$14,067,000), representing an increase of 119% as compared with the last year. This increase was mainly due to the expansion of the Group's scale of operation.

Finance costs

The Group's finance costs from continuing operations for the financial year amounted to approximately HK$5,827,000 (2009: HK$nil), mainly comprising interest expenses on bank and other loans. The increase in finance costs was mainly due to imputed interest on convertible bonds.

Liquidity and financial resources

As at 31 December 2010, the Group's cash and bank deposits were HK$98,117,000 (31 December 2009: HK$189,648,000). Net assets were HK$3,021,351,000 (31 December 2009: HK$515,513,000) and net current liabilities were HK$149,620,000 (31 December 2009: net current assets of HK$111,332,000).

As at 31 December 2010, the Group had total available banking facilities amounting to HK$175,546,000, of which HK$166,811,000 had been utilised as at that date.

Capital structure

The Company issued and allotted 90,000,000 ordinary shares at the issue price of HK$1.94 per share on 11 February 2010 to five independent parties pursuant to the respective subscription agreements entered into with each party on 13 January 2010.

The Company issued and allotted 65,000,000 ordinary shares at the issue price of HK$1.98 per share on 31 March 2010 to three independent parties pursuant to the respective subscription agreements entered into with each party on 28 January 2010.

The Company issued and allotted 200,000,000 ordinary shares at the issue price of HK$2.08 per share on 29 April 2010 through placing agents to six independent placees pursuant to a placing agreement entered into on 21 April 2010.

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

During the year, the Company issued and alloted 342,857,142 ordinary shares and 328,185,328 ordinary shares of HK$0.125 each as part of the consideration for the acquisition of Decent Connection Overseas Limited and its subsidiaries and Wah Heen Holdings Limited and its subsidiaries respectively. The fair value of these consideration shares of HK$661,714,000 and HK$561,197,000 respectively were based on the quoted closing price of the shares of the Company on the date of exchange.

During the year, 47,920,000 options and 140,000,000 warrants were exercised to subscribe for 47,920,000 and 140,000,000 ordinary shares of the Company.

As at 31 December 2010, the total number of issued ordinary shares of the Company was 3,331,587,232 shares (31 December 2009: 1,705,720,000 shares) of HK$0.125 each. As at 31 December 2010, the Group's net debts (total bank borrowings less cash and bank balances) were HK$68,694,000 (31 December 2009: HK$nil).

Pledge of assets

As at 31 December 2010, all of the Group's bank loans of approximately HK$166,809,000 (31 December 2009: HK$31,802,000) were secured by the Group's fixed assets with a net book value of HK$79,874,000 (31 December 2009: HK$31,246,000).

Foreign currency exposure

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

DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: HK$nil).

INVESTMENTS AND ACQUISITIONS

On 1 March 2010, the Group entered into an agreement with Norton Gold Fields Limited ("Norton Gold"), a company listed in Australia, to subscribe for 79,830,585 new shares issued by Norton Gold, representing approximately 12.76% of its issued ordinary share capital as enlarged by the subscription shares, at a total consideration of AUD19,957,000. Norton Gold owns the Paddington Gold Mines located in well-known Kalgoorlie metallogenic belt of gold in western Australia and gold mining assets at Mt. Morgan in Queensland. It possesses over 1,050 square kilometers of region that is subject to mining licences with 5,800,000 oz of resources and 1,200,000 oz of reserves, according to the definition of JORC. In 2010, Norton Gold produced 140,000 oz of gold and it is expected that the amount of production will reach 155,000 to 160,000 oz in 2011. The expansion of high grade, underground mine under current production and the development and construction of a new mining zone is underway, with mining term of over ten years.

On 2 June 2010, the Group signed a sale and purchase agreement which was approved by resolution at the extraordinary general meeting held on 16 August 2010, pursuant to which the Group would acquire the exploitation rights to a gold mine with an area of approximately 7.2241 square kilometers and the related gold mining assets within the Mojiang Hani Minority Autonomous Prefecture in Yunnan Province, the PRC (the "Mojiang Gold Mine"), for a total consideration of RMB335,000,000 (equivalent to approximately HK$388,379,000). The Mojiang Gold Mine has proven gold reserves and resources of 16.7 tonnes with an annual output of 1,000 kilograms. Going forward, the Group aims to further increase the annual output of the Mojiang Gold Mine by 30% to 1,300 kilograms.

On 2 September 2010, the Group signed a sale and purchase agreement regarding the acquisition of gold mining assets in Henan, the PRC for a total consideration of HK$1.38 billion, of which HK$200,000,000 was settled by cash, HK$720 million was settled by issuing 342,857,142 consideration shares at the issue price of HK$2.10, and the balance of HK$460 million was settled by issuing convertible bonds at the conversion price of HK$2.10. The acquired assets are two gold mines located at Kangshan Village of Baitu Town of Luanchuan County, Henan Province. Mine I has an aggregate area of mine field of approximately 4.5323 square kilometers. The exploration activity had been completed and Mine I is currently at the exploitation and production stage. According to the definition of the JORC Code, there are 48.7 tonnes of reserves and resources at Mine I, with an average grade of 3.88 g/t. With an aggregate area of mine field of approximately 17.05 square kilometers, Mine II has already completed the exploration stage, and mining licences were obtained subsequent to the end of the reporting period.

On 23 November 2010, the Group signed a sale and purchase agreement regarding the acquisition of a mining licence of a block adjacent to the Group's existing Chifeng Gold Mine located in Inner Mongolia for a consideration of RMB26 million. The mining area has gold resources of approximately 1.78 tonnes (in accordance with the China Solid Mineral Resource Classification Standards 112b and 333).

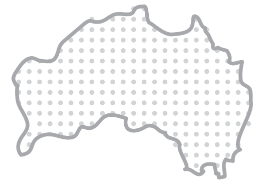
On 23 November 2010, the Group signed a sale and purchase agreement regarding the acquisition of a mining licence of a block adjacent to the Group's existing Luanchuan Gold Mine located in Henan Province for a consideration of RMB90 million. The mining area has gold resources of approximately 5.23 tonnes (in accordance with the China Solid Mineral Resource Classification Standards 332 and 333). An exploitation licence has been obtained subsequent to the end of the reporting period.

On 21 December 2010, the Group signed a sale and purchase agreement regarding the acquisition of another gold mining asset located in Henan Province, the PRC for a consideration of HK$1.18 billion. The gold mine is located at Zhifang Village of Tantou Zhen of Luanchuan County, Henan Province, with an aggregate area of mine field of approximately 8.994 square kilometers. According to an estimated JORC resources summary of the gold mine submitted to the shareholders on 3 March 2011 by the Company, there are reserves and resources of approximately 64.23 tonnes in total in the gold mine. The total consideration shall be settled as to HK$500 million by cash by utilising the internal resources of the Group and as to the balance of HK$680 million by issuing 328,185,328 consideration shares at a price of HK$2.072 per share.

Resources/Reserves

The following is a statement of Resources/Reserves of the Group as at 31 December 2010 (as defined under rules 18.14 and 18.18 of Chapter 18 of the Listing Rules):

Subsidiary	Mine Field	Area km^2	Completion Date	Type of Mining	Gold Resources (Tonne)	Gold Reserves (Tonne)	Standard	Classification	Gold Grade (g/t)
Chifeng Yongfeng Kuangye Co., Ltd.	Chifeng I Inner Mongolia	0.9261	17 September 2009	Underground	2.177		JORC Equivalent	Indicated	6.8
				Underground	2.587		JORC Equivalent	Indicated	9.73
				Underground	10.767		JORC Equivalent	Inferred	11.07
				Grand Total:	15.531		JORC Equivalent	Indicated + Inferred	9.72
Mojiang County Mining Co., Ltd.	Mojiang, Yunnan	7.2241	5 November 2010	Open Pit	6.418		JORC Equivalent	Indicated	1.95
				Open Pit	10.342		JORC Equivalent	Inferred	2.62
				Grand Total:	16.76		JORC Equivalent	Indicated + Inferred	2.32
Luanchuan County Jinxing Mining Co., Ltd.	Kangshan I Henan	4.5323	8 November 2010	Underground	14.9		JORC	Indicated	6.08
				Underground	33.8		JORC	Inferred	3.34
				Underground		13.4	JORC	Probable	5.33
				Grand Total:	48.7		JORC	Indicated + Inferred + Probable	3.88
Luanchuan County Jinxing Mining Co., Ltd.	Kangshan II Henan	17.05	8 November 2010	Underground	0.259		JORC Equivalent	Indicated	2.95
				Underground	0.187		JORC Equivalent	Inferred	3.01
				Grand Total:	0.45		JORC Equivalent	Indicated + Inferred	2.98
Luanling County Luanling Gold Mine Co., Ltd.	Zhifang Henan	8.994	28 December 2010	Open Pit/Underground	19.3		JORC	Indicated	2.65
				Open Pit/Underground	44.92		JORC	Inferred	3.43
				Grand Total:	64.23		JORC	Indicated + Inferred	3.15



EMPLOYEES

As at 31 December 2010, the total number of employees of the Group was approximately 576 (2009: 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.

OPERATIONAL REVIEW

During the year, the Group has resolved to discontinue and dispose of its existing loss-making edible oil businesses and completed a number of major acquisitions of gold mining assets, over-accomplishing its target of gold reserves and resources of 100 tonnes. As at 31 December 2010, the Group owned and controlled gold reserves and resources of 152 tonnes in total in Inner Mongolia, Yunnan and Henan, and held 12.55% interest in an Australian gold mining company.

During the year, the Group's turnover from the gold mining business was approximately HK$168,154,000, with a gross profit of HK$73,780,000.

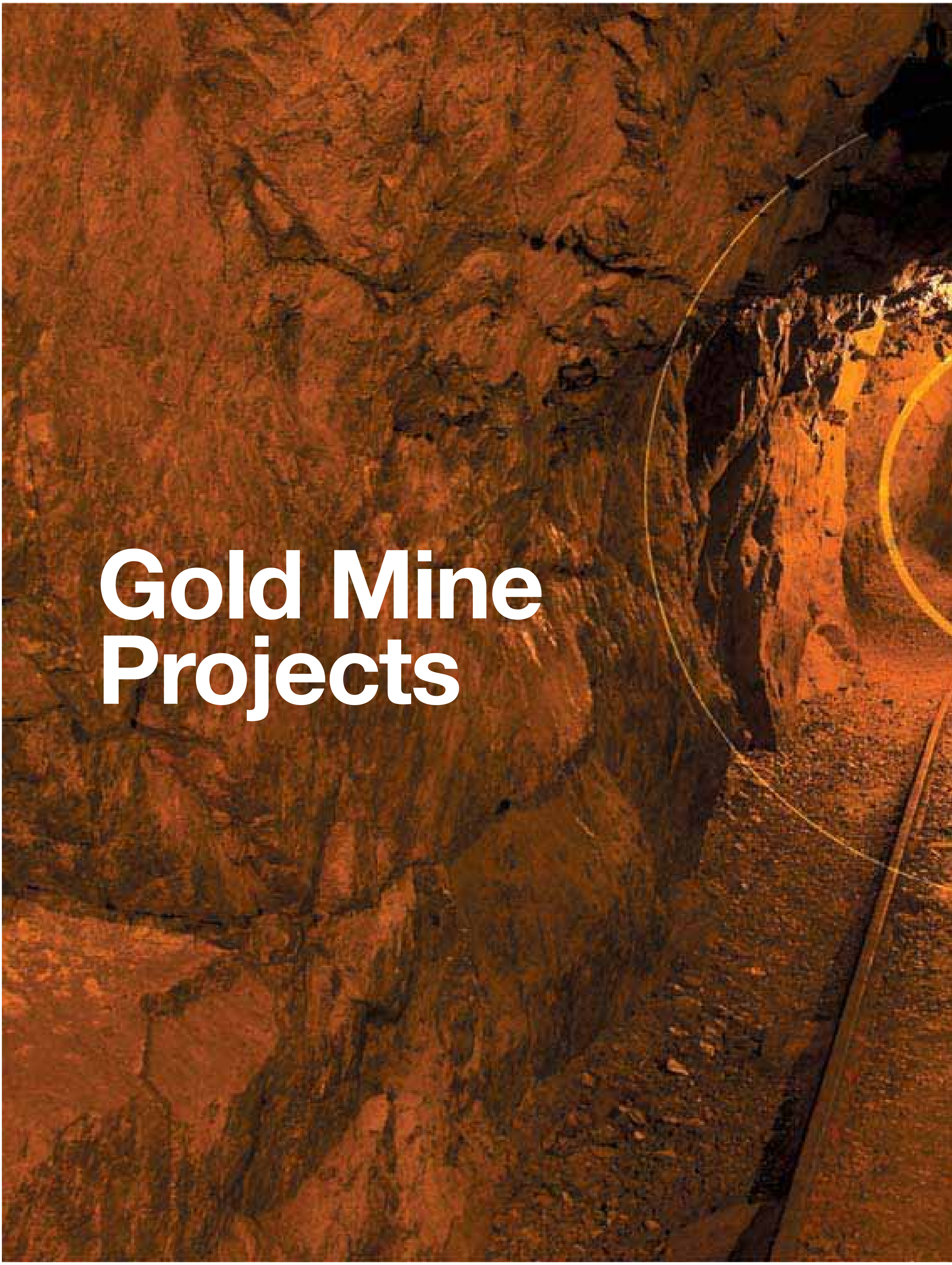
The current operations of the Group compose of mining, processing and sales of gold. The Group has successfully developed gold mining assets strategically in three major fold belts in the PRC. The management has been working intensively to consolidate the management and operational resources of the various mining blocks with an aim of further improving its operational efficiency.

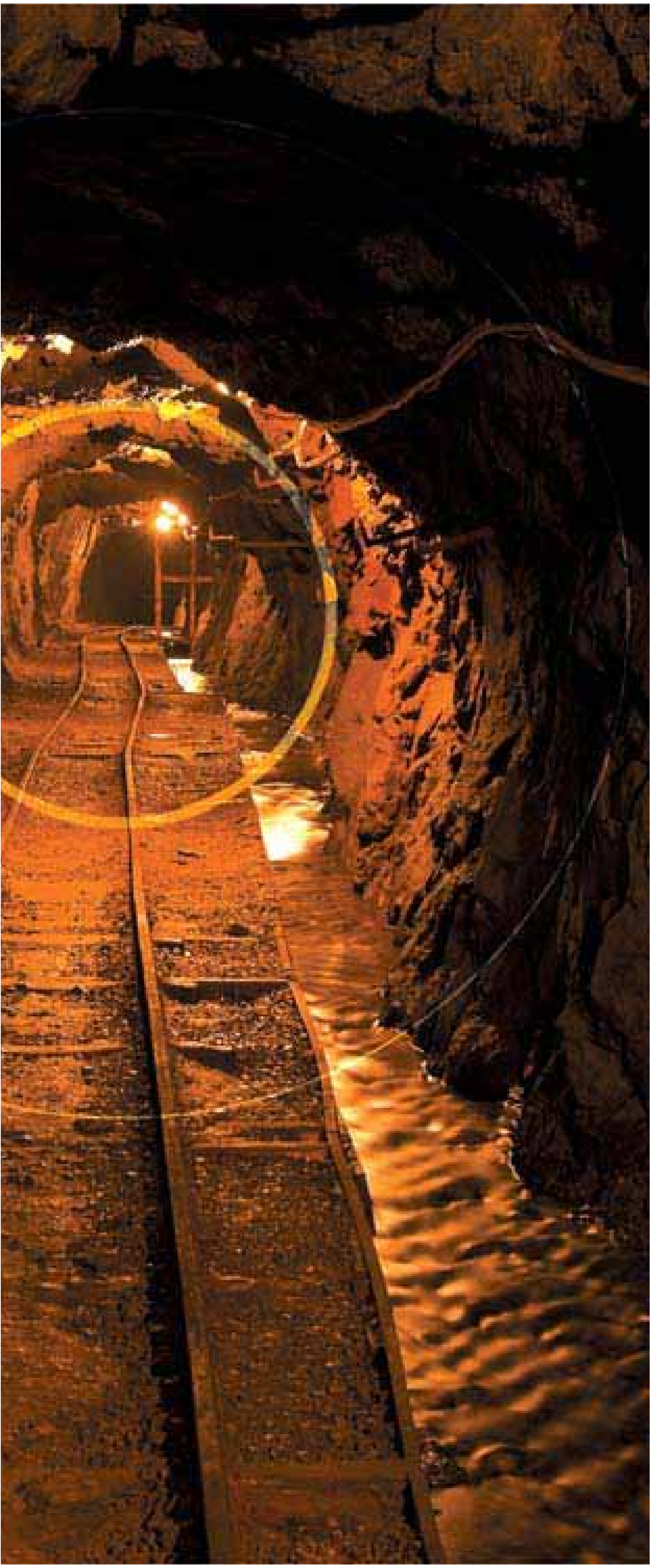
PROSPECTS

The global economy is steadily recovering during the year under review. The implementation of the quantitative easing policy in the US aiming at mitigating the financial crisis triggered by real estate mortgage loans seems to have shown initial success. However, these remedial measures inevitably result in low interest rates, depreciation of currencies and an inflationary pressure worldwide. Gold has therefore increasingly been used as a defensive investment tool. Also against a backdrop of a relatively well performed Chinese economy, the demand for gold has increased significantly with the gold price driven from US$1,100/oz at the beginning of 2010 to more than US$1,400 by the end of 2010. The management expects that the demand for gold will remain robust in the short-to-medium run, which will underpin the Group's further enhancement of earnings in the years ahead.

The production expansion and merger and acquisition plans undertaken by the Group in the second half of the year have made satisfactory progress. Given the current scale of its gold reserves, it is anticipated that both the output and the profitability of the Group will strengthen substantially in the coming year. The Group has already established production bases in three metallogenic belts of gold in the PRC. With its outstanding management and technical team, the Group has succeeded in achieving beneficial returns from its businesses within a short period of operation. The Group has therefore gained the support and assistance of local governments. Looking to the future, the Group will continue to identify high quality gold mining projects at peripheral blocks close to these three production bases. The Group aims to increase its gold reserves and resources to approximately 300 tonnes by 2011, as part of its mission of becoming one of the best performed gold mining enterprises listed in Hong Kong.

Gold Mine Projects





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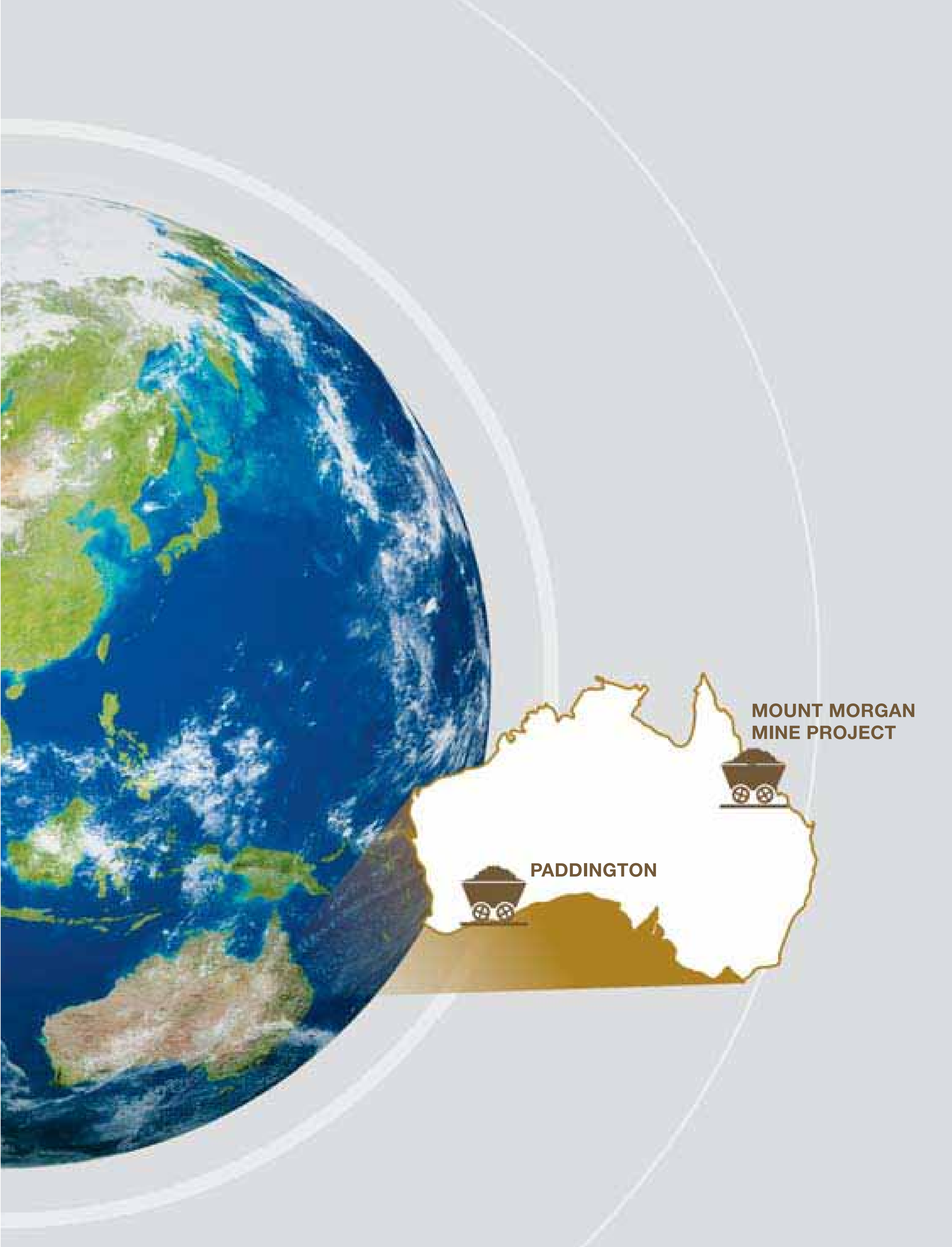
Locations of Our Mines


MOUNT MORGAN
MINE PROJECT
PADDINGTON

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.

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 2010.

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 2010, 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 2010, the Board consists of eight 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 Wong Lung Tak, Patrick, *BBS, PhD, J.P.*, Mr. Chan Kin Sang and Professor Xiao Rong Ge, and one non-executive Director, namely Mr. Wang John Peter Ben. Mr. Lim Wa was the Chairman and resigned on 3 March 2011 whereas Mr. Lam Cham was appointed as Chairman on the same day. Professor Xiao Rong Ge and Mr. Wang John Peter Ben were first appointed on 21 January 2010 as independent non-executive Director and non-executive Director respectively with 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 2010, the Company held 21 Board meetings, with an average participation rate of 78%. The attendance of individual Directors at Board meetings during the year was:

Name of Directors	Meetings attended/held
Mr. Lim Wa	10/21
Mr. Lam Cham	21/21
Mr. Chang Yim Yang	17/21
Mr. Dai Xiaobing	19/21
Professor Wong Lung Tak, Patrick, *BBS, PhD, J.P.*	18/21
Mr. Chan Kin Sang	18/21
Professor Xiao Rong Ge (Appointed on 21 January 2010)	15/21
Mr. Wang John Peter Ben (Appointed on 21 January 2010)	12/21
Professor Xiao Zhuo Ji (Resigned on 21 January 2010)	0/21

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 2010 amounted to HK$7,899,000. Independent non-executive Directors are only entitled to receive director's fees but no 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	2,028,000
Mr Lam Cham	2,028,000
Mr Chang Yim Yang	2,073,000
Mr Dai Xiaobing	1,012,000
Professor Wong Tak, Patrick, *BBS, PhD, J.P.*	192,000
Mr. Chan Kin Sang	192,000
Professor Xiao Rong Ge (Appointed on 21 January 2010)	182,000
Mr. Wang John Peter Ben (Appointed on 21 January 2010)	182,000
Professor Xiao Zhuo Ji (Resigned on 21 January 2010)	10,000

For the financial year ended 31 December 2010, 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 2010 under the Share Option Scheme are as follows:–

			Number of option Shares		
	Date of grant	**Exercise Price** HK$	**Outstanding at 31 December 2009**	**Exercised during the year**	**Outstanding at 31 December 2010**
Mr. Lam Cham	2 January 2008	0.27	7,200,000	7,200,000	–
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			16,600,000	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 Wong Lung Tak, Patrick, *BBS, PhD, J.P.*, Mr. Chan Kin Sang and Professor Xiao Rong Ge. Professor Wong Lung Tak, Patrick, *BBS, PhD, 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 2010, the Audit Committee held two meetings with an average participation rate of 100%. Members of the Audit Committee have attended all meetings during the year.

Remuneration committee

The Group has established a remuneration committee (the "**Remuneration Committee**"). The Remuneration Committee consists of two independent non-executive Directors, Professor Wong Lung Tak, Patrick, *BBS, PhD, J.P.* and Mr. Chan Kin Sang, and one executive Director, Mr. Lim Wa, who resigned on 3 March 2011, and Mr. Lam Cham was appointed as member of the Remuneration Committee on the same day. 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 2010, 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 Wong Lung Tak, Patrick, *BBS, PhD, J.P.,* Mr. Chan Kin Sang and Professor Xiao Zhuo Ji, who resigned on 21 January 2010, and Professor Xiao Rong Ge was appointed independent non-executive Director on the same date.

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 1 June 2010.

Nomination Procedures and Criteria

The Company has established a nomination committee of the Company (the "Nomination Committee") on 3 March 2011. Members of the Nomination Committee comprise Mr. Lam Cham, Professor Wong Lung Tak, Patrick, *BBS, PhD, J.P.* and Mr. Chan Kin Sang. Mr. Lam Cham was appointed as chairman of the Nomination Committee.

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 39 to 40.

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 2010, the amounts billed by its external auditors, CCIF CPA Limited in respect of services provided to the Company were as follows:

	2010 HK$'000
Audit services	**1,470**
Non-audit services	**2,180**
	3,650

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 2010. 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, such as, EGMs were held on 16 August 2010 and 27 October 2010 to consider approving the sale and purchase agreements regarding the acquisitions of gold mines at Mojiang and Kangshan Village of Baitu Town of Luanchuan County, Henan Province *(河南省欒川縣白土鄉康山村), details of which are referred to the circulars dated 29 July 2010 and 10 October 2010 respectively.

Biographical Details of the Directors and the Senior Management

Directors

Executive Directors

Mr. LIM Wa (廉華), aged 50, resigned as chairman and executive Director of the Company on 3 March 2011 due to personal health reasons. On the same date, Mr. LIM was appointed as the non-executive honorary chairman of the Company. In addition, Mr. LIM also intended to resign as the legal representative of Mojiang County Mining Co., Ltd., a wholly-owned subsidiary of the Company. Mr. LIM is not a director or an officer of the Company by his appointment as the non-executive honorary chairman of the Company. He is not required to participate in meetings of the Board. Upon his intended resignation as the legal representative of Mojiang County Mining Co., Ltd. becoming effective, Mr. LIM is also not a director or an officer of any subsidiary of the Company, and does not have any management role in the Company or any of its subsidiaries. As the non-executive honorary chairman, Mr. LIM may be consulted on corporate affairs if necessary. Mr. LIM is one of the main founders of the Company and provided sincere, valuable and professional advice to the Board on the development of the Company. Mr. LIM's invaluable contributions to the Company over the past years are deeply appreciated.

Mr. LAM Cham (林杉), aged 52, 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. On 3 March 2011, Mr. LAM was appointed as chairman of the Company.

Mr. CHANG Yim Yang (張賢陽), aged 48, 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 43, was first appointed as executive Director on 16 November 2009 for a term of three years. On 21 January 2010, Mr. DAI was appointed as Chief Executive Officer of the Company. Mr. DAI was awarded a PhD 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. On 1 May 2010, Mr. DAI was appointed as executive director of Sino Oil and Gas Holdings Limited (Stock Code: 702). 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.

Mr. DENG Guoli (鄧國利), aged 45, was first appointed as executive Director on 3 March 2011. 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. 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. He has extensive experience and knowledge in the areas of geological evaluation of mines, mine construction, mine selection and production, and operational management. He was appointed as the vice-president and chief engineer of the Mining Operation of the Company on 21 January 2010 and as the deputy general manager of technology of the China Operation Center ("Operation Center").

Independent non-executive Directors

Professor WONG Lung Tak, Patrick (黃龍德) *BBS, J.P.*, aged 63, was appointed independent non-executive Director on 19 June 2004. Professor WONG is a Certified Public Accountant (Practising) in Hong Kong and the Managing Practising Director of Patrick Wong C.P.A. Limited, Wong Lam Leung & Kwok C.P.A. Limited and Hong Kong Pengcheng C.P.A. Limited. He has over 30 years' experience in the accountancy profession. Professor WONG was awarded a Badge of Honour by the Queen of England in 1993; was appointed a Justice of the Peace in 1998 and also awarded a Bronze Bauhinia Star by the Government of the HKSAR in 2010. He has been appointed Adjunct Professor, School of Accounting and Finance of the Hong Kong Polytechnic University since 2002. Professor WONG participates in many types of community services and is holding posts in various organisations and committees in government and voluntary agencies. Professor WONG is an independent non-executive director of C C Land Holdings Limited; Water Oasis Group Limited; Sino Oil and Gas Holdings Limited; Galaxy Entertainment Group Limited; Guangzhou Pharmaceutical Company Limited and Ruinian International Limited, all of which are listed on the Main Board of the Stock Exchange. Professor WONG has been appointed as an independent non-executive director of National Arts Holdings Limited (listed on the Growth Enterprise Market of the Stock Exchange) with effect from 3 February 2010.

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 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 Combest Holdings Limited, International Taifeng Holdings Limited, Pacific Polywood Holdings Limited, United Pacific Industries Limited and a non-executive director of Mayer Holdings Limited. The shares of all of these companies are listed on the Stock Exchange. He was formerly an independent non-executive director of Dynamic Energy Holdings Limited, Plus Holdings Limited and New Smart Energy Group Limited, of which, the shares are also listed on the Stock Exchange, and of Sunray Holdings Limited, of which, the shares are listed on Singapore Stock Exchange Limited.

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 50, was first appointed as non-executive Director on 21 January 2010. Mr. WANG is currently a director of Melco Crown Entertainment Limited, a company listed on the Nasdaq Global Market. He is also chairman and executive director of Arnhold Holdings Limited, a company listed on the Stock Exchange. He also holds non-executive directorships in Oriental Ginza Holdings Limited, a company listed on the Stock Exchange and Melcolot Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. Mr WANG has over 20 years of experience in the investment banking industry. He 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 qualified as a Chartered Accountant with The Institute of Chartered Accountants in England and Wales in 1985.

Senior Management

Mr. ZHANG Shuguang (張曙光), aged 41, was appointed as vice-president of the Company. Mr. ZHANG holds a master degree in Engineering from Nippon Institute of Technology and possesses the professions in mining field. Mr. ZHANG's primary responsibility is the acquisition and operation of mineral resources, has taken in charge of acquisitions of gold mines in Chifeng, Yunan and Henan. On 1 March 2011, Mr. ZHANG was appointed as general manager of the Operation Center of the Company.

Mr. MEI Ximin (梅喜民), aged 51, was appointed as 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 state-owned 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. and currently the general manager of Mojiang County Mining Co., Ltd. On 1 March 2011, Mr. MEI was appointed as deputy general manager of administration of the Operation Center of the Company.

Mr. ZHOU Yuliang (周宇良), aged 40, was appointed as vice president of the Company. Mr. ZHOU holds a master's degree in finance from Hunan University. Prior to joining the Company, he worked in financing departments for a few leading banks based in Shenzhen. Prior to this he served for 6 years in a fund company specialised in mining sector. Mr. ZHOU joined the company in 2008 and has been responsible for mining acquisitions and operation work. On 1 March 2011, Mr. ZHOU was appointed as deputy general manager of operation of the Operation Center of the Company.

Ms. LEE Kit Tuen (李潔端) aged 43, holds a bachelor's degree in accounting and is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Prior to joining the Company, Ms. LEE had worked with an international accounting firm for over 10 years. Ms. LEE has over 20 years of professional experiences in financial management, accounting and auditing, and currently takes charge of financial and accounting management of the Company. Ms. LEE joined the Company on 1 September 2010 as Company Secretary.

The Directors hereby submitting the annual report and the audited financial statements for the financial year ended 31 December 2010

Principal Business Activities

The Company is an investment holding company. The activities of its principal subsidiaries are set forth in note 22 to the financial statements.

Results and Dividend

The results of the Group for the financial year ended 31 December 2010 are set forth in the consolidated income statement on pages 41 to 42.

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2010.

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 154.

Reserves

Details of movement in the reserves of the Group and the Company during the year are set out in the consolidated statement of change in equity and in note 31 to the financial statements respectively.

Fixed Assets

Particulars of the movements during the financial year in fixed assets of the Group are set forth in note 16 to the financial statements.

Bank Loans

Particulars of bank loans of the Group as at 31 December 2010 are set out in note 27 to the financial statements.

Convertible Bonds

Particulars of convertible bonds of the Group and the Company as at 31 December 2010 are set out in note 34 to the financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 31(b) to the financial statements.

Directors

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

Executive Directors:–
Mr. LAM Cham
Mr. CHANG Yim Yang
Mr. DAI Xiaobing
Mr. DENG Guoli (Appointed on 3 March 2011)
Mr. LIM Wa (Resigned on 3 March 2011)

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

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

The service contract 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 2010. 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. Mr. DENG Guoli was first appointed as executive Director on 3 March 2011 for a term of three years. Independent non-executive Directors Professor Wong Lung Tak, Patrick, *BBS, PhD, J.P.* and Mr. CHAN Kin Sang were appointed by the Company for a term of three years commencing from 19 June 2010. 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 articles 86(3) and 87(1) of the Articles, Mr. DENG Guoli, Professor Wong Lung Tak, Patrick, *BBS, PhD, J.P.* and Mr. CHAN Kin Sang 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 2010, 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 Mr. LAM Cham	Corporate (a)	340,196,670	10.21%
Mr. CHANG Yim Yang	Corporate (b)	100,000,000	3.00%
Mr. LIM Wa	Personal	7,800,000	0.23%
Mr. LAM Cham	Personal	7,400,000	0.22%
Mr. CHANG Yim Yang	Personal	19,172,000	0.57%
Mr. DAI Xiaobing	Personal	11,000,000	0.33%
Professor WONG Lung Tak, Patrick, *BBS, PhD, J.P.*	Personal	800,000	0.02%
Mr. CHAN Kin Sang	Personal	800,000	0.02%

Name of Senior Management	Nature of interest and capacity	Total number of the Shares	Approximate percentage of interest
Mr. MEI Ximin	Personal	2,000,000	0.06%

(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 Mr. 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 2010, 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 authorised 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 utilised.

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 2010, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 100,000, representing 0.003% of the Shares in issue at that date and approximately 0.003% 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 2010 under the Share Option Scheme are as follows:–

			Number of Shares issued under options granted		
	Date of grant	**Exercise Price** HK$	**Outstanding at 31 December 2009**	**Exercised during the year**	**Outstanding at 31 December 2010**
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	7,200,000	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	6,100,000	6,000,000	100,000
Financial consultants and project investment consultants	18 June 2008	0.35	15,000,000	15,000,000	–
Total			44,900,000	44,800,000	100,000

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.

During the year ended 31 December 2010, 3,120,000 Shares were allotted in respect of which options were granted and exercised and no other options remained outstanding under the Pre-IPO Share Option Scheme, representing 0.09% of the Shares in issue at that date.

Details of the outstanding share options as at 31 December 2010 which were granted under the Pre-IPO Share Option Scheme are as follows:–

		Number of Shares issued under options granted		
	Date of grant	**Outstanding at 31 December 2009**	**Exercised during the period**	**Outstanding at 31 December 2010**
Other senior management staff and employees	18 September 2004	3,120,000	3,120,000	–
Total		3,120,000	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 or any of its 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 or any of its 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 2010, 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	10.21%
Simple Best	Corporate (b)	404,761,904	12.15%
Eastgold Capital	Corporate (c)	328,185,328	9.85%

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) Simple Best Limited ("Simple Best") is a company incorporated in the British Virgin Islands with limited liability which is legally and beneficially owned as to 40% by Mr. King Hap Lee, as to 42% by Mr. Hua Dong Fan and as to 18% by Ms. Wang Jing.

(c) Eastgold Capital Limited ("Eastgold Capital") is a company incorporated in the British Virgin Islands with limited liability which is legally and beneficially owned as to 33.5% by Mr. Fang Jin Guo, as to 30% by Mr. Yang Guo Liang, as to 25% by Mr. Chen Ming Jie and as to 11.5% by Mr. Li Zheng.

All the interests stated above represented long positions. As at 31 December 2010, 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 20 to 25.

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 2010, the total number of employees of the Group was approximately 576. 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 14%
– five largest suppliers combined 40%

Sales

– the largest customer 35%
– five largest customers combined 95%

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.

Commitments

Details of commitments of the Group are set out in note 37 to the financial statements.

Litigations and Environmental Contingencies

Details of the litigations and contingencies are set out in notes 38 and 39 respectively to the financial statements.

Events after the Reporting Period

Details of significant events occurring after the reporting period are set out in note 45 to the financial statements.

Auditor

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 auditor of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
LAM Cham
Chairman

30 March 2011

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 (together the "Group") set out on pages 41 to 153 which comprise the consolidated and Company statements of financial position as at 31 December 2010 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 the 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2010 and of the Group's profit 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, 30 March 2011

Leung Chun Wa

Practising Certificate Number P04963

Consolidated Income Statement

For the year ended 31 December 2010 (Expressed in Hong Kong dollars)

	Note	**2010 $'000**	2009 $'000 (Restated)
Continuing operations			
Turnover	4	**168,154**	19,370
Cost of sales		**(94,374)**	(7,147)
Gross profit		**73,780**	12,223
Other revenue	5	**2,467**	8
Other net loss	5	**(293)**	(71)
Selling and distribution costs		**(1,141)**	(480)
Administrative expenses		**(30,791)**	(14,067)
Impairment losses on other receivables	6(c)	**(294)**	(5)
Acquisition-related costs	32(e)	**(21,546)**	–
Gain on bargain purchase of subsidiaries	32(e)	**63,058**	2,585
Profit from operations		**85,240**	193
Finance costs	6(a)	**(5,827)**	–
Profit before taxation	6	**79,413**	193
Income tax	7(a)	**(22,438)**	(3,399)
Profit/(loss) for the year from continuing operations		**56,975**	(3,206)
Discontinued operations			
Loss for the year from discontinued operations	8(a)	**(35,045)**	(25,984)
Profit/(loss) for the year		**21,930**	(29,190)
Attributable to owners of the Company	11	**21,930**	(29,190)

The notes on pages 51 to 153 form part of these financial statements.

For the year ended 31 December 2010 (Expressed in Hong Kong dollars)

	Note	2010 HK cents	2009 HK cents (Restated)
Earnings/(loss) per share	13		
From continuing and discontinued operations			
Basic		**0.9**	(2.7)
Diluted		**0.9**	(2.7)
From continuing operations			
Basic		**2.3**	(0.3)
Diluted		**2.3**	(0.3)
From discontinued operations			
Basic		**(1.4)**	(2.4)
Diluted		**(1.4)**	(2.4)

The notes on pages 51 to 153 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010 (Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000 (Restated)
Profit/(loss) for the year		**21,930**	(29,190)
Other comprehensive income/(loss) for the year			
Exchange differences on translation of financial statements of foreign operations		**34,456**	(625)
Decrease in fair value of available-for-sale financial asset	19	**(17,483)**	–
Reclassification adjustment for amount transferred to profit or loss – realisation of exchange reserves upon deregistration of subsidiaries outside Hong Kong	22(c)	**–**	644
		16,973	19
Total comprehensive income/(loss) for the year (net of tax)		**38,903**	(29,171)
Attributable to owners of the Company		**38,903**	(29,171)

The notes on pages 51 to 153 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2010 (Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Non-current assets			
Intangible assets	15	**3,806,111**	429,671
Fixed assets	16	**266,900**	77,210
Construction in progress	17	**42,743**	1,485
Deposits paid for gold mining rights	18	**41,133**	–
Available-for-sale financial asset	19	**129,894**	–
Deposits paid for fixed assets	20	**25,225**	–
Other deposits	21	**7,450**	1,602
		4,319,456	509,968
Current assets			
Inventories	23	**7,923**	5,912
Trade and other receivables, deposits and prepayments	24	**25,891**	9,968
Cash and cash equivalents	25	**98,117**	189,648
		131,931	205,528
Assets of a disposal group classified as held for sale	8(c)	**33,349**	–
		165,280	205,528
Current liabilities			
Trade and other payables	26	**102,382**	59,540
Tax payable	30(a)	**29,373**	2,854
Bank loans and bank overdrafts	27	**166,811**	31,802
		298,566	94,196
Liabilities of a disposal group classified as held for sale	8(c)	**16,334**	–
		314,900	94,196

The notes on pages 51 to 153 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2010 (Expressed in Hong Kong dollars)

	Note	**2010 $'000**	2009 $'000
Net current (liabilities)/assets		**(149,620)**	111,332
Total assets less current liabilities		**4,169,836**	621,300
Non-current liabilities			
Deferred tax liabilities	30(b)	**704,961**	105,787
Convertible bonds	34	**215,100**	–
Non-current payable	35	**228,424**	–
		1,148,485	105,787
NET ASSETS		**3,021,351**	515,513
CAPITAL AND RESERVES	31		
Share capital		**416,448**	213,215
Reserves		**2,604,903**	302,298
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**3,021,351**	515,513

Approved and authorised for issue by the board of directors on 30 March 2011.

Lam Cham
Director

Dai Xiaobing
Director

The notes on pages 51 to 153 form part of these financial statements.

Statement of Financial Position

As at 31 December 2010 (Expressed in Hong Kong dollars)

	Note	**2010** **$'000**	2009 $'000
Non-current assets			
Investments in subsidiaries, net	22	**3,049,847**	357,373
Current assets			
Amounts due from subsidiaries	24	**53,707**	–
Other receivables, deposits and prepayments	24	**103**	2,076
Cash and cash equivalents	25	**52,532**	171,368
		106,342	173,444
Current liabilities			
Amounts due to subsidiaries	26	**76,753**	76,761
Other payables	26	**4,360**	13,545
		81,113	90,306
Net current assets		**25,229**	83,138
Total assets less current liabilities		**3,075,076**	440,511
Non-current liabilities			
Convertible bonds	34	**215,100**	–
NET ASSETS		**2,859,976**	440,511
CAPITAL AND RESERVES	31		
Share capital		**416,448**	213,215
Reserves		**2,443,528**	227,296
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**2,859,976**	440,511

Approved and authorised for issue by the board of directors on 30 March 2011.

Lam Cham
Director

Dai Xiaobing
Director

The notes on pages 51 to 153 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010 (Expressed in Hong Kong dollars)

	Share capital $'000 (note 31(b))	Share premium $'000 (note 31(d)(ii))	Statutory surplus reserve $'000 (note 31(d)(v))	Warrants reserve $'000 (note 31(c))	Fair value reserve $'000 (note 31(d)(vii))	Convertible bond equity reserve $'000 (notes 31(d)(vi)&34)	Capital reserve $'000 (note 31(d)(iii))	Exchange reserve $'000 (note 31(d)(iv))	Accumulated losses $'000	Total equity $'000
At 1 January 2010	213,215	674,705	16,795	1,400	–	–	5,856	7,704	(404,162)	515,513
Changes in equity for 2010:										
Issue of new shares by placements	44,375	674,925	–	–	–	–	–	–	–	719,300
New shares issued for acquisition of subsidiaries	83,880	1,139,031	–	–	–	–	–	–	–	1,222,911
Issue of convertible bonds	–	–	–	–	–	71,295	–	–	–	71,295
New shares issued upon conversion of convertible bonds	51,488	410,090	–	–	–	(58,917)	–	–	–	402,661
New shares issued under share options	5,990	17,293	–	–	–	–	(5,846)	–	–	17,437
Issue of warrants	–	–	–	1,250	–	–	–	–	–	1,250
New shares issued upon exercise of warrant subscription rights	17,500	34,300	–	(1,400)	–	–	–	–	–	50,400
Transaction costs attributable to issue of new shares and warrants	–	(18,319)	–	–	–	–	–	–	–	(18,319)
Transfer to statutory surplus reserve	–	–	9,769	–	–	–	–	–	(9,769)	–
Total comprehensive income for the year	–	–	–	–	(17,483)	–	–	34,456	21,930	38,903
At 31 December 2010	416,448	2,932,025	26,564	1,250	(17,483)	12,378	10	42,160	(392,001)	3,021,351

The notes on pages 51 to 153 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010 (Expressed in Hong Kong dollars)

	Share capital $'000 (note 31(b))	Share premium $'000 (note 31(d)(ii))	Statutory surplus reserve $'000 (note 31(d)(v))	Warrants reserve $'000 (note 31(c))	Fair value reserve $'000 (note 31(d)(vii))	Convertible bond equity reserve $'000 (notes 31(d)(vi)&34)	Capital reserve $'000 (note 31(d)(iii))	Exchange reserve $'000 (note 31(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 by placements	35,541	120,424	–	–	–	–	–	–	–	155,965
New shares issued for acquisition of subsidiaries	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 51 to 153 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010 (Expressed in Hong Kong dollars)

	Note	**2010 $'000**	2009 $'000
Operating activities			
Profit/(loss) before taxation (including discontinued operations)		**44,368**	(25,791)
Adjustments for:			
– Amortisation of intangible assets	6(c)	**59,407**	1,925
– Depreciation and amortisation of fixed assets	6(c)	**11,970**	5,458
– Finance costs	6(a)	**6,589**	5,072
– Interest income	5	**(937)**	(28)
– Acquisition-related costs	32(e)	**21,546**	–
– Gain on bargain purchase of subsidiaries	32(e)	**(63,058)**	(2,585)
– Reversal of impairment loss on other receivables	6(c)	**–**	(198)
– Impairment losses on trade and other receivables	6(c)	**423**	12,031
– Impairment losses on fixed assets	6(c)	**22,910**	–
– Impairment losses on construction in progress	6(c)	**224**	–
– Loss on disposal of fixed assets	5	**174**	37
– Write-down of inventories	23(b)	**577**	–
– Equity-settled share-based payment expenses	6(b)	**–**	50
Changes in working capital			
Decrease in inventories		**4,932**	1,645
Decrease in trade and other receivables, deposits and prepayments		**44,308**	84,890
Decrease in trade and other payables		**(28,988)**	(39,082)
Decrease in amount due to a related company		**–**	(109)
Cash generated from operations		**124,445**	43,315
Tax paid			
– PRC income tax paid		**(17,644)**	(16)
Net cash generated from operating activities		**106,801**	43,299

The notes on pages 51 to 153 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010 (Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Investing activities			
Payment for purchase of fixed assets		**(91,668)**	(7,298)
Proceeds from disposal of fixed assets		**349**	913
Net cash outflow from acquisitions of subsidiaries	32 & 33	**(782,905)**	(9,660)
Payment for acquisition-related costs		**(21,546)**	–
Payment for purchase of available-for-sale financial asset		**(147,377)**	–
Payment for construction in progress		**(55,399)**	–
Payment for other non-current deposits		**(312)**	(955)
Deposits paid/(refunded) for fixed assets		**(17,334)**	24
Deposits paid for gold mining rights		**(41,133)**	–
Interest received		**937**	28
Net cash used in investing activities		**(1,156,388)**	(16,948)
Financing activities			
Proceeds from bank loans		**46,051**	42,026
Repayment of bank loans		**(73,226)**	(47,249)
Proceeds from issue of new shares in placements		**719,300**	155,965
Proceeds from issue of convertible bonds		**225,000**	–
Proceeds from issue of warrants		**1,250**	–
Proceeds from new shares issued upon exercise of warrants		**50,400**	–
Proceeds from shares issued under share options		**17,437**	18,992
Expenses on issue of new shares and warrants		**(18,319)**	(363)
Repayment of loan from a related company		**–**	(7,809)
Interest paid		**(1,925)**	(5,072)
Net cash generated from financing activities		**965,968**	156,490
Net (decrease)/increase in cash and cash equivalents		**(83,619)**	182,841
Cash and cash equivalents at 1 January		**189,648**	6,902
Effect of foreign exchange rate changes		**2,517**	(95)
Cash and cash equivalents at 31 December	25	**108,546**	189,648

The notes on pages 51 to 153 form part of these financial statements.

1. General Information

China Precious Metal Resources Holdings Co., Ltd. (the "Company") was incorporated in the Cayman Islands with limited liability. 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 products in The People's Republic of China (the "PRC") during the year. The Group discontinued the production and sale of small pack edible oils, trading of edible oil and related products in the PRC during the year, details of which are referred to note 8.

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 year 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 years reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise 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 available-for-sale financial asset that is carried 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 Hong Kong is Hong Kong dollars ($) and that of its subsidiaries in the PRC is Renminbi ("RMB"). For the purposes of presenting the consolidated financial statements, the Group has 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 amounts 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 41.

In preparing the financial statements, the directors have considered the future liquidity of the Group. The Group generated a consolidated net profit from continuing operations attributable to owners of the Company of $56,975,000 for the year ended 31 December 2010, and as at that date, the Group had net current liabilities of $149,620,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors are of the opinion that the Group will be able to finance its future working capital and financial requirements given that:

(i) subsequent to the reporting period, the Group obtained a three-year loan of RMB270 million from an independent third party in the PRC, details of which are referred to note 45(a);

(ii) the Company's two substantial shareholders have agreed to provide financial support as is necessary to enable the Group to meet its liabilities as they fall due; and

(iii) based on a cash flow forecast prepared by the Group's management for the twelve months ending 31 December 2011, the Group will be able to generate adequate cash flows from its continuing operations.

Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements for the year ended 31 December 2010 on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write-down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

2. Significant accounting policies (Continued)

(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 statement of financial position, investments in a subsidiaries are stated at cost less impairment losses (see note 2(j)(ii)).

(d) (i) Business combinations

Business combinations on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for the control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition-date fair values, except that:

- deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carryforwards of an acquiree that exist at the acquisition date or arise as a result of acquisition are recognised and measured in accordance with HKAS 12, Income Tax;

- liabilities or assets relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 Employee Benefits;

- liabilities or equity instruments relating to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

2. Significant accounting policies (Continued)

(d) (i) Business combinations (Continued)

Business combinations on or after 1 January 2010 (Continued)

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that HKFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

2. Significant accounting policies (Continued)

(d) (i) Business combinations (Continued)

Business combinations on or after 1 January 2010 (Continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e., the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if those interests were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

2. Significant accounting policies (Continued)

(d) (i) Business combinations (Continued)

Business combinations prior to 1 January 2010 (Continued)

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for by separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

(ii) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), this excess is recognised immediately in profit or loss as a gain on bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to each of the cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination.

2. Significant accounting policies (Continued)

(ii) Goodwill (Continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a cash generating unit during the year, 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 finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment loss (see note 2(j)(ii)). Amortisation is provided using the unit of production method based on the actual production volume over the estimated total indicated and proved and probable reserves of the gold 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)(ii)). 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 proved 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) Fixed assets

Fixed assets, other than construction in progress, are stated in the statement of financial position at cost less accumulated amortisation and depreciation and impairment losses, if any (see note 2(j)(ii)).

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as interests in leasehold lands held for own use under operating leases and included in fixed assets in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

The cost of self-constructed items of fixed assets 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 fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of fixed assets, 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.

– leasehold land classified as held for finance lease is depreciated over the unexpired term of lease.

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

Depreciation of 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 indicated and proved and probable reserves of the gold mines.

Where parts of an item of fixed assets 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.

2. Significant accounting policies (Continued)

(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)(ii)). 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 fixed assets when completed and ready for its intended use.

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

(h) Available-for-sale financial asset

Available-for-sale equity securities are initially recognised at fair value plus transaction costs. At the end of each reporting period, the fair value is remeasured, with any resultant gain or loss being recognised directly in equity. Dividend income from these investments is recognised in profit or loss, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

(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 the following exception:

– 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.

2. Significant accounting policies (Continued)

(i) Leased assets (Continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Company or Group will obtain ownership of the asset, the life of the asset, as set out in note 2(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(j)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) 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 profit or loss 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.

(j) Impairment of assets

(i) Impairment of investments in equity securities, trade and other receivables

Investments in equity securities (other than investments in subsidiaries, see note 2(j)(ii)) and other trade and other receivables that are stated at cost or amortised cost or are classified as available-for-sale equity securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2. Significant accounting policies (Continued)

(j) Impairment of assets (Continued)

(i) Impairment of investments in equity securities, trade and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other receivables and other financial assets carried at amortised cost, 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.

– For available-for-sale equity securities which are stated at fair value, when a decline in the fair value has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

2. Significant accounting policies (Continued)

(j) Impairment of assets (Continued)

(i) Impairment of investments in equity securities, trade and other receivables (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period 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;

– fixed assets and construction in progress;

– deposits paid for gold mining rights and fixed assets;

– other non-current deposits;

– available-for-sale financial asset; 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 fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 amount 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)(i)), 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 profit or loss 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 derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible bonds 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 derivative 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 derivative 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.

(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.

2. Significant accounting policies (Continued)

(q) Employee benefits (Continued)

(ii) Share-based payments (Continued)

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 profit or loss 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 end of the reporting period, and any adjustment to tax payable in respect of previous years.

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.

2. Significant accounting policies (Continued)

(r) Income tax (Continued)

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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period 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.

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

2. Significant accounting policies (Continued)

(r) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset 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) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(s)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

2. Significant accounting policies (Continued)

(s) Financial guarantees issued, provisions and contingent liabilities (Continued)

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition 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)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(s)(iii).

(iii) 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.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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 profit or loss as follows:

(i) Sale of gold products, small pack edible oil products and edible oils and related products

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 and returns.

(ii) Interest income

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

2. Significant accounting policies (Continued)

(t) Revenue recognition (Continued)

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss 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 end of the reporting period. Exchange gains and losses are recognised in profit or loss.

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. Statement of financial position items are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

(v) Borrowing costs

Borrowing costs are expensed in profit or loss 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.

2. Significant accounting policies (Continued)

(w) Related parties

For the purposes of these financial statements, a party is 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.

(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 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.

2. Significant accounting policies (Continued)

(y) Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

2. Significant accounting policies (Continued)

(y) Non-current assets held for sale and discontinued operations

(ii) Discontinued operations

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

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated income statement, which comprises:

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

(Expressed in Hong Kong dollars unless otherwise indicated)

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 (the "new and revised HKFRSs") issued by the HKICPA which are or have become effective.

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (revised 2008)	Business combinations
HKAS 27 (revised 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Financial instruments: Recognition and measurement – eligible hedged items
HK(Int) 5	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008

Except as described below, the application of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting years.

HKFRS 3 (revised 2008), Business combinations

As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the requirements under HKFRS 3 (revised 2008). Its application has affected the accounting for business combinations in the current year.

– HKFRS 3 (revised 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition either at fair value or at the non-controlling interests' share of the recognised identifiable net assets of the acquiree. Consequently, the goodwill recognised in respect of the acquisition reflects the impact of the difference between the fair value of the non-controlling interests and their share of the recognised amount of the identifiable net assets of the acquiree.

– HKFRS 3 (revised 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised standard, contingent consideration is measured at fair value at the acquisition date. Subsequent adjustments, if any, to the consideration are recognised against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

3. Changes in accounting policies (Continued)

Application of new and revised Hong Kong Financial Reporting Standards (Continued)

HKFRS 3 (revised 2008), Business combinations (Continued)

– HKFRS 3 (revised 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

– HKFRS 3 (revised 2008) requires acquisition-related costs to be accounted for separately from the business combination, with those costs being recognised as an expense in profit or loss as incurred. Previously, they were accounted for as part of the cost of the acquisition.

HKFRS 3 (revised 2008) requires that where the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying amounts of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

Amendments to HKAS 17 Leases, as part of Improvements to HKFRSs issued in 2009

HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

The application of the amendments to HKAS 17 has had no significant impact on the Group's financial statements.

3. Changes in accounting policies (Continued)

Application of new and revised Hong Kong Financial Reporting Standards (Continued)

Hong Kong Interpretation 5, Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK (Int) 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK (Int) 5 for the first time in the current year. HK (Int) 5 required retrospective application. As at 31 December 2010, a bank loan that is repayable more than one year after the end of the reporting period but contains a repayment on demand clause with a carrying amount of $37,534,000 (2009: $nil) has been classified as current liabilities. The application of HK (Int) 5 has had no impact on the Group's financial statements for prior year.

Amendments to HKFRS 5, Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKFRS 5 clarify that the disclosure requirements in HKFRSs other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of HKFRS 5 and the disclosures are not already provided in the consolidated financial statements.

4. Turnover and revenue

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

	2010 **$'000**	2009 $'000 (Restated)
Continuing operations:		
Sale of gold products	**168,154**	19,370
Discontinued operations (note 8(a)):		
Sales of		
– Small pack edible oils	**4,844**	67,789
– Edible oils and related products	**36**	7,989
	4,880	75,778

5. Other revenue and other net income/(loss)

	2010 $'000	2009 $'000 (Restated)
Other revenue		
Continuing operations:		
Total interest income on financial assets not at fair value through profit or loss		
– Bank interest income	**937**	4
Sundry income	**1,530**	4
	2,467	8
Discontinued operations (note 8(a)):		
Total interest income on financial assets not at fair value through profit or loss		
– Bank interest income	**–**	24
Rental Income	**–**	344
Reversal of impairment loss on other receivables (note 24(e))	**–**	198
Sundry income	**57**	700
	57	1,266
Other net income/(loss)		
Continuing operations:		
Exchange (loss)/gain, net	**(119)**	6
Loss on disposal of fixed assets	**(174)**	(77)
	(293)	(71)
Discontinued operations (note 8(a)):		
Exchange gain, net	**46**	–
Gain on disposal of fixed assets	**–**	40
	46	40

6. Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging/(crediting):

		2010 $'000	2009 $'000 (Restated)
(a)	**Finance costs**		
	Continuing operations:		
	Interest on convertible bonds (note 34(b))	**4,056**	–
	Interest on non-current payable (note 35)	**608**	–
	Interest on bank overdrafts and loans wholly repayable within five years	**1,163**	–
	Total interest expenses on financial liabilities not at fair value through profit or loss	**5,827**	–
	Discontinued operations (note 8(a)):		
	Interest on bank overdrafts and loans wholly repayable within five years	**762**	2,414
	Interest on loan from a related company (note 40(a)(iv))	**–**	2,658
	Total interest expenses on financial liabilities not at fair value through profit or loss	**762**	5,072
(b)	**Staff costs (including directors' remuneration)**		
	Continuing operations:		
	Salaries, wages and other benefits	**19,809**	9,043
	Contributions to retirement benefit schemes	**713**	411
	Equity-settled share-based payment expenses	**–**	50
	Termination benefits	**1,447**	–
		21,969	9,504
	Discontinued operations (note 8(a)):		
	Salaries, wages and other benefits	**1,091**	1,581
	Contributions to retirement benefit schemes	**250**	479
	Termination benefits	**1,398**	299
		2,739	2,359

6. Profit/(loss) before taxation (Continued)

	2010 $'000	2009 $'000 (Restated)
(c) Other items		
Continuing operations:		
Acquisition-related costs (note 32(e))	**21,546**	–
Amortisation of intangible assets	**59,407**	1,925
Auditor's remuneration		
– audit service	**1,470**	730
– non-audit service	**2,180**	590
Cost of inventories sold (notes (i) & 23(b))	**94,374**	7,147
Depreciation and amortisation of fixed assets	**7,432**	1,246
Impairment losses on other receivables (note 24(e))	**294**	5
Operating lease charges in respect of		
– land and buildings	**2,765**	903
– machinery and equipment	**9**	3
Discontinued operations (note 8(a)):		
Cost of inventories sold (notes (i) & 23(b))	**7,218**	78,968
Depreciation and amortisation of fixed assets	**4,538**	4,212
Impairment losses		
– construction in progress (note 8(d))	**224**	–
– fixed assets (note 8(d))	**22,910**	–
– trade receivables (note 24(b))	**–**	1,627
– other receivables (note 24(e))	**129**	10,399
Operating lease charges in respect of		
– land and buildings	**8**	251
Reversal of impairment losses on other receivable (note 24(e))	**–**	(198)

Notes:

(i) Cost of inventories includes $12,807,000 (2009: $4,097,000) and $1,688,000 (2009: $4,395,000) from continuing operations and discontinued operations respectively relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

7. Income tax

(a) Continuing operations:

(i) Taxation in the consolidated income statement represents:

	2010 $'000	2009 $'000 (Restated)
Current tax		
– PRC income tax	**31,539**	2,941
– under-provision in prior year	**1,275**	–
Deferred tax (note 30(b))	**(10,376)**	458
Total income tax expense	**22,438**	3,399

(ii) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2010 $'000	2009 $'000 (Restated)
Profit before taxation	**79,413**	193
Notional tax on profit before taxation, calculated at the rates applicable to the tax jurisdiction concerned	**19,287**	777
Tax effect of non-deductible expenses	**10,280**	3,645
Tax effect of non-taxable income	**(11,405)**	(3,072)
Tax effect of unrecognised timing differences	**371**	(149)
Tax effect of utilisation of previously unrecognised tax losses	**(1,029)**	(210)
Tax effect of unused tax losses not recognised	**595**	1,480
	18,099	2,471
Withholding tax	**4,339**	928
	22,438	3,399

7. Income tax (Continued)

(b) Discontinued operations (note 8(a)):

(i) Taxation in the consolidated income statement represents:

	2010 $'000	2009 $'000 (Restated)
Current tax	–	–
Deferred tax	–	–
Total income tax expense	–	–

(ii) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2010 $'000	2009 $'000 (Restated)
Loss before taxation	(35,045)	(25,984)
Notional tax on loss before taxation, calculated at the rates applicable to the tax jurisdiction concerned	(8,761)	(6,520)
Tax effect of non-deductible expenses	6,254	7,479
Tax effect of non-taxable income	(126)	(1,686)
Tax effect of unrecognised timing differences	–	597
Tax effect of utilisation of previously unrecognised tax losses	–	(1,880)
Tax effect of unused tax losses not recognised	2,633	2,010
	–	–

7. Income tax (Continued)

(c) (i) No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax during the years ended 31 December 2010 and 2009.

(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 years ended 31 December 2010 and 2009, except for China Force Oils (Zhenjiang) Co., Ltd. ("China Force Oils (Zhenjiang)") which is classified as a disposal group held for sale.

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 profits 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.

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

(iv) During the year, deferred tax liabilities of $4,339,000 (2009: $928,000) and $nil (2009: $nil) respectively from continuing operations and discontinued operations 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. Discontinued operations and assets/(liabilities) of a disposal group classified as held for sale

Pursuant to the resolution passed at the Company's board meeting held on 12 May 2010, the Group discontinued the operations of the production and sale of small pack edible oils, trading of edible oil and related products in view of loss incurred and would dispose of its interest in these operations which are held by two subsidiaries, China Force Oils & Grains Industrial (Zhenjiang) Co., Ltd. and China Force Oils (Zhenjiang) Co., Ltd. (collectively "Zhenjiang Companies") of the Group, in the next twelve months. The assets and liabilities attributable to these operations have been classified as a disposal group held for sale as at 31 December 2010.

Subsequent to the reporting period, the Group and an independent third party ("the Purchaser") entered into a conditional letter of intent, pursuant to which the Group will dispose of and the Purchaser will acquire the entire equity interest in Zhenjiang Companies at a proposed cash consideration RMB20,000,000. The terms and consideration of the disposal transaction will be agreed subject to the result of the due diligence work completed by the Purchaser (note 45(b)).

(a) The results of the discontinued operations for the years ended 31 December 2010 and 2009 are as follows:

	Note	**2010** **$'000**	2009 $'000 (Restated)
Turnover	4	**4,880**	75,778
Cost of sales		**(7,218)**	(78,968)
Gross loss		**(2,338)**	(3,190)
Other revenue	5	**57**	1,266
Other net income	5	**46**	40
Selling and distribution costs		**(1,653)**	(3,632)
Administrative expenses		**(7,132)**	(3,370)
Impairment losses on trade and other receivables	6(c)	**(129)**	(12,026)
Impairment losses on construction in progress	8(d) & 17	**(224)**	–
Impairment losses on fixed assets	8(d) & 16	**(22,910)**	–
Loss from operations		**(34,283)**	(20,912)
Finance costs	6(a)	**(762)**	(5,072)
Loss before taxation	6	**(35,045)**	(25,984)
Income tax	7(b)	**–**	–
Loss for the year		**(35,045)**	(25,984)
Attributable to owners of the Company		**(35,045)**	(25,984)

8. Discontinued operations and assets/(liabilities) of a disposal group classified as held for sale (Continued)

(b) The net cash outflow of the discontinued operations for the years ended 31 December 2010 and 2009 is as follows:

	2010 **$'000**	2009 $'000 (Restated)
Net cash inflow from operating activities	**1,553**	6,319
Net cash (outflow)/inflow from investing activities	**(2,642)**	404
Net cash outflow from financing activities	**(32,564)**	(18,104)
Net cash outflow incurred by the discontinued operations	**(33,653)**	(11,381)

(c) The assets/(liabilities) of the disposal group classified as held for sale are analysed as follows:

	Note	**2010** **$'000**	2009 $'000
Assets of a disposal group classified as held for sale			
Fixed assets	8(d)	**22,874**	–
Trade and other receivables, deposits and prepayments		**44**	–
Cash and cash equivalents	25	**10,431**	–
		33,349	–
Liabilities of a disposal group classified as held for sale			
Trade and other payables		**(16,334)**	–
		(16,334)	–

(d) At 31 December 2010, the Group recognised impairment loss of fixed assets and construction in progress of $22,910,000 (2009: $nil) and $224,000 (2009: $nil) respectively from Zhenjiang Companies as, in the opinion of the Company's directors, the recoverable amounts of these assets held for sale were less than their respective carrying amounts.

8. Discontinued operations and assets/(liabilities) of a disposal group classified as held for sale (Continued)

(e) Cumulative income recognised directly in other comprehensive income relating to the disposal group classified as held for sale

	2010 $'000	2009 $'000
Exchange difference on translation of financial statements of the disposal group	6,896	–

9. Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	2010 Total $'000
Executive directors				
Mr. Lam Cham	–	2,016	12	2,028
Mr. Chang Yim Yang	–	2,067	6	2,073
Mr. Dai Xiaobing	–	1,000	12	1,012
Mr. Lim Wa (note c)	–	2,016	12	2,028
Non-executive director				
Mr. Wang John Peter Ben (note a)	182	–	–	182
Independent non-executive directors				
Professor Wong Lung Tak, Patrick	192	–	–	192
Mr. Chan Kin Sang	192	–	–	192
Professor Xiao Rong Ge (note a)	182	–	–	182
Professor Xiao Zhuo Ji (note b)	10	–	–	10
Total	758	7,099	42	7,899

9. Directors' remuneration (Continued)

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

During the years ended 31 December 2010 and 2009, no remuneration was paid or payable to the Company's directors or any of the five highest paid individuals set out in note 10 below as an inducement to join or upon joining the Company or as compensation for loss of office. There was no arrangement under which any directors waived or agreed to waive any remuneration during both years.

Notes:

(a) Appointed at 21 January 2010.

(b) Resigned on 21 January 2010.

(c) Resigned on 3 March 2011.

10. Individuals with highest emoluments

Of the five individuals with the highest emoluments, four (2009: three) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the remaining one (2009: two) individual are as follows:

	2010 **$'000**	2009 $'000
Salaries and other emoluments	**620**	735
Share-based payments	**–**	40
Retirement scheme contributions	**–**	24
	620	799

The emoluments of the one (2009: two) individual with the highest emoluments are within the following band:

	2010 **Number of individuals**	2009 Number of individuals
$nil – $1,000,000	1	2

11. Profit/(loss) attributable to owners of the Company

The consolidated profit/(loss) attributable to owners of the Company includes a loss of $37,133,000 (2009: $7,664,000) 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:

	2010 **$'000**	2009 $'000
Amount of loss attributable to owners dealt with in the Company's financial statements	**(37,133)**	(7,664)
Impairment loss on investment in a subsidiary (note 22)	**(17,653)**	–
Impairment losses on amounts due from subsidiaries (note 24(d))	**(4,263)**	(73,141)
Reversal of impairment losses on amounts due from subsidiaries (note 24(d))	**11,579**	13,544
Loss for the year (note 31(a))	**(47,470)**	(67,261)

12. Dividend

The directors do not recommend the payment of any dividend for the years ended 31 December 2010 and 2009.

13. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of $21,930,000 (2009: loss of $29,190,000) and on the weighted average number of 2,466,547,000 (2009: 1,079,342,000) ordinary shares in issue during the year as follows:

	2010		2009 (Restated)	
	Profit/(loss) attributable to owners $'000	**Weighted average number of ordinary shares '000**	Loss attributable to owners $'000	Weighted average number of ordinary shares '000
Continuing operations	**56,975**	**2,466,547**	(3,206)	1,079,342
Discontinued operations	**(35,045)**	**2,466,547**	(25,984)	1,079,342
	21,930		(29,190)	

Weighted average number of ordinary shares:

	2010 Weighted average number of ordinary shares '000	2009 Weighted average number of ordinary shares '000
Issued ordinary shares at 1 January	**1,705,720**	940,000
Effect of issue of new shares in placements (note 31(b)(ii))	**264,384**	67,822
Effect of issue of new shares for acquisitions of subsidiaries (note 31(b)(iii))	**53,422**	47,945
Effect of issue of new shares upon conversion of convertible bonds (note 31(b)(iv))	**273,046**	18,737
Effect of issue of new shares under share options (note 31(b)(v))	**38,867**	4,838
Effect of issue of new shares upon exercise of warrant subscription rights (note 31(b)(vi))	**131,108**	–
Weighted average number of ordinary shares at 31 December	**2,466,547**	1,079,342

13. Earnings/(loss) per share (Continued)

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the profit attributable to owners of the Company of $21,930,000 (2009: loss of $29,190,000) and on the weighted average number of shares outstanding after adjustment for the effect of all dilutive potential ordinary shares of 2,482,057,000 (2009: 1,079,342,000) calculated as follows:

	2010		2009 (Restated)	
	Profit/(loss) attributable to owners $'000	Weighted average number of ordinary shares '000	Loss attributable to owners $'000	Weighted average number of ordinary shares '000
Continuing operations	56,975	2,482,057	(3,206)	1,079,342
Discontinued operations	(35,045)	2,482,057	(25,984)	1,079,342
	21,930		(29,190)	

Weighted average number of ordinary shares (diluted):

	Number of shares 2010 '000	2009 '000
Weighted average number of ordinary shares at 31 December	2,466,547	1,079,342
Adjustments for:		
– warrants	7,861	–
– share options	7,649	–
Weighted average number of ordinary shares (diluted) at 31 December	2,482,057	1,079,342

(i) During the year ended 31 December 2010, the warrants which were issued in 2008 and the share options which were issued in 2004 and 2008 were included in the above calculation of diluted earnings per share. All those convertible bonds and warrants, which were issued by the Company during the year, had anti-dilutive effect because their conversion/exercise prices were above the weighted average market prices of the Company's shares and therefore were not included in the above calculation of diluted earnings per share.

(ii) During the year ended 31 December 2009, the exercise of warrants and share options of the Company had anti-dilutive effect and therefore were not included in the above calculation of diluted earnings per share.

14. 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 Company's directors, the chief operating decision-makers ("CODM"), for the purposes of resource allocation and performance assessment.

The CODM consider the business from product perspective. The Group's reportable business segments are as follows:

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

(ii) Edible oils: small pack edible oils and trading of edible oil and related products which was classified as discontinued operations and disposal group held for sale during the year, details of which are referred to note 8.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the CODM monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

The measure used for reporting segment profit/(loss) is "adjusted EBITDA" i.e., "adjusted earnings/(loss) before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's profit/(loss) are further adjusted for items not specifically attributed to individual segments, such as corporate administration costs.

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.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated income statement.

All assets and liabilities of the Group are allocated to reportable segments.

In addition to receiving segment information concerning adjusted EBITDA, CODM are provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

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 year is set out below.

14. Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

	Gold mining		Edible oils		Total	
	2010	2009	**2010**	2009	**2010**	2009
	$'000	$'000 (Restated)	**$'000**	$'000 (Restated)	**$'000**	$'000 (Restated)
Reportable segment revenue from external customers	**168,154**	19,370	**4,880**	75,778	**173,034**	95,148
Reportable segment profit/(loss) (adjusted EBITDA)	**109,924**	830	**(6,482)**	(4,698)	**103,442**	(3,868)
Interest income	**937**	4	**–**	24	**937**	28
Interest expenses	**(5,827)**	–	**(762)**	(5,072)	**(6,589)**	(5,072)
Depreciation and amortisation	**(66,839)**	(3,171)	**(4,538)**	(4,212)	**(71,377)**	(7,383)
Equity-settled share-based transactions	**–**	(50)	**–**	–	**–**	(50)
Acquisition-related costs	**(21,546)**	–	**–**	–	**(21,546)**	–
Gain on bargain purchase of subsidiaries	**63,058**	2,585	**–**	–	**63,058**	2,585
Impairment on fixed assets and construction in progress	**–**	–	**(23,134)**	–	**(23,134)**	–
Impairment losses on trade and other receivables	**(294)**	(5)	**(129)**	(12,026)	**(423)**	(12,031)
Reportable segment assets	**4,451,387**	654,773	**33,349**	60,723	**4,484,736**	715,496
Additions to non-current assets	**204,404**	8,253	**–**	–	**204,404**	8,253
Reportable segment liabilities	**(1,447,051)**	(152,680)	**(16,334)**	(47,303)	**(1,463,385)**	(199,983)

14. Segment reporting (Continued)

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

	2010 $'000	2009 $'000 (Restated)
Revenue		
Total reportable segments' revenues and consolidated turnover	**173,034**	95,148
Profit/(loss)		
Reportable segment profit/(loss) derived from the Group's external customers	**103,442**	(3,868)
Interest income	**937**	28
Interest expenses	**(6,589)**	(5,072)
Depreciation and amortisation	**(71,377)**	(7,383)
Equity-settled share-based transactions	**–**	(50)
Acquisition-related costs	**(21,546)**	–
Gain on bargain purchase of subsidiaries	**63,058**	2,585
Impairment loss on fixed assets and construction in progress	**(23,134)**	–
Impairment losses on trade and other receivables	**(423)**	(12,031)
Consolidated profit/(loss) before taxation	**44,368**	(25,791)
Assets		
Total reportable segments' assets and consolidated total assets	**4,484,736**	715,496
Liabilities		
Total reportable segments' liabilities and consolidated total liabilities	**(1,463,385)**	(199,983)

14. Segment reporting (Continued)

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

	2010 **$'000**	2009 $'000 (Restated)
Customer A – revenue from gold mining	**58,204**	–
Customer B – revenue from gold mining	**54,547**	–
Customer C – revenue from gold mining	**30,357**	19,370
Customer D – revenue from edible oils	**–**	54,778

(d) Seasonality of operations

The Group's operations are not subject to significant seasonality or cyclicality factors.

(e) Geographical information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of customers is based on the location at which the goods were delivered. The Group's non-current assets, except for available-for-sale financial asset, include the assets as disclosed in the Group's consolidated statement of financial position on pages 44 and 45 in these financial statements. The geographical location of the non-current assets is based on the location of the operations to which they are allocated.

	Revenue from external customers		**Non-current assets**	
	2010 **$'000**	2009 $'000 (Restated)	**2010** **$'000**	2009 $'000 (Restated)
PRC	**173,034**	95,148	**4,107,821**	508,701
Hong Kong	**–**	–	**81,741**	1,267
	173,034	95,148	**4,189,562**	509,968

15. Intangible assets

The Group

	Mining rights $'000
Cost	
At 1 January 2009	–
Acquisition of subsidiaries (note 32(d))	431,452
Exchange adjustments	146
At 31 December 2009	431,598
At 1 January 2010	431,598
Acquisitions of subsidiaries (notes 32(a),(b) & 33)	3,394,882
Exchange adjustments	41,700
At 31 December 2010	3,868,180
Accumulated amortisation	
At 1 January 2009	–
Charge for the year	1,925
Exchange adjustments	2
At 31 December 2009	1,927
At 1 January 2010	1,927
Charge for the year	59,407
Exchange adjustments	735
At 31 December 2010	62,069
Carrying amounts	
At 31 December 2010	3,806,111
At 31 December 2009	429,671

(a) The amortisation charge during the year is included in cost of sales in the consolidated income statement.

(b) At 31 December 2010, the fair values of all mining rights, which were based on the valuations performed by ROMA Appraisals Limited, an independent firm of professionally qualified valuers, using excess earning method under the income approach, were higher than their respective carrying amounts. In the opinion of the Company's directors, no impairment of the carrying amounts of the mining rights at 31 December 2010 is required.

16. Fixed assets

The Group

	Leasehold land under finance lease and buildings held for own use $'000 (note (a))	Buildings held for own use $'000 (note (a))	Machinery and equipment $'000	Motor vehicles $'000	Office equipment, furniture and fixtures $'000	Mining structures $'000	Sub-total $'000	Interests in leasehold lands held for own use under operating leases $'000 (note (a))	Total $'000
Cost									
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 32(d))	–	1,820	4,041	552	562	13,846	20,821	681	21,502
Transfer from construction in progress (note 17)	–	–	–	–	–	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
At 1 January 2010	–	26,214	30,415	3,068	3,725	19,793	83,215	12,977	96,192
Exchange adjustments	–	947	1,177	73	103	1,314	3,614	543	4,157
Additions	81,311	–	2,480	6,471	1,406	–	91,668	–	91,668
Acquisition of subsidiaries (notes 32(a),(b) & 33)	–	3,266	16,059	2,849	473	85,039	107,686	7,250	114,936
Transfer from construction in progress (note 17)	–	–	4,999	–	–	33,356	38,355	–	38,355
Disposals		–	–	(737)	(1,753)	–	(2,490)	–	(2,490)
Transfer to disposal group classified as held for sale	–	(25,240)	(27,059)	(1,275)	(617)	–	(54,191)	(12,735)	(66,926)
At 31 December 2010	81,311	5,187	28,071	10,449	3,337	139,502	267,857	8,035	275,892
Accumulated amortisation and depreciation									
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
At 1 January 2010	–	4,531	9,512	913	2,629	88	17,673	1,309	18,982
Exchange adjustments	–	308	631	48	70	42	1,099	50	1,149
Charge for the year	1,437	1,417	3,610	1,341	660	3,193	11,658	312	11,970
Impairment losses (note 8(d))	–	7,457	14,416	860	177	–	22,910	–	22,910
Written back on disposal	–	–	–	(432)	(1,535)	–	(1,967)	–	(1,967)
Transfer to disposal group classified as held for sale	–	(13,488)	(27,059)	(1,275)	(617)	–	(42,439)	(1,613)	(44,052)
At 31 December 2010	1,437	225	1,110	1,455	1,384	3,323	8,934	58	8,992
Carrying amounts									
At 31 December 2010	79,874	4,962	26,961	8,994	1,953	136,179	258,923	7,977	266,900
At 31 December 2009	–	21,683	20,903	2,155	1,096	19,705	65,542	11,668	77,210

16. Fixed assets (Continued)

The Group (Continued)

(a) An analysis of carrying amounts of land and properties is as follows:

	2010 $'000	2009 $'000
In Hong Kong		
– Medium-term leases	**79,874**	–
In PRC		
– Medium-term leases	**12,939**	33,351
	92,813	33,351
Representing:		
Leasehold land under finance lease and building held for own use	**79,874**	–
Buildings held for own use	**4,962**	21,683
	84,836	21,683
Interests in leasehold land held for own use under operating leases	**7,977**	11,668
	92,813	33,351

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

At 31 December 2010, the Group's leasehold land under finance lease and building held for own use with a carrying amount of $79,874,000 (2009: the Group's interests in leasehold land held for own use under operating leases and buildings held for own use with a total carrying amount of $31,246,000) were pledged to banks for banking facilities granted to the Group (note 27(a)).

16. Fixed assets (Continued)

The Group (Continued)

(b) At 31 December 2010, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2010 **$'000**	2009 $'000
Within one year	**–**	72
After one year but within five years	**–**	168
	–	240

During the year ended 31 December 2009, 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. The leases did not include contingent rentals.

17. Construction in progress

	The Group	
	2010 **$'000**	2009 $'000
Cost		
At 1 January	**1,485**	316
Exchange adjustment	**215**	–
Additions	**55,399**	–
Acquisition of subsidiaries (notes 32(b),(d) & 33)	**24,223**	2,265
Transfer to fixed assets (note 16)	**(38,355)**	(1,096)
Impairment losses (note 8(d))	**(224)**	–
At 31 December	**42,743**	1,485

The construction in progress at 31 December 2010 and 2009 primarily relates to the additional production premises, mining structures and facilities of subsidiaries in the PRC.

18. Deposits paid for gold mining rights

During the year, the Group entered into two sale and purchase agreements for the proposed acquisitions of two mining rights for gold mines in Henan and Inner Mongolia in the PRC at a consideration of RMB26,000,000 and RMB90,000,000 respectively and paid deposits of RMB10,000,000 (equivalent to $11,752,000) and RMB25,000,000 (equivalent to $29,381,000) respectively (note 37(a)). The acquisition of the mining right for the gold mine in Henan was completed in January 2011. The acquisition of the mining right for the gold mine in Inner Mongolia has not been completed as at the date of approval of these financial statements, details of which are referred to note 45(c).

19. Available-for-sale financial asset

	2010 **$'000**	2009 $'000
Listed shares, overseas		
At cost	**147,377**	–
Decrease in fair value (note (b))	**(17,483)**	–
At 31 December 2010	**129,894**	–
Market value at 31 December 2010	**129,894**	–

(a) As at 31 December 2010, the Group held approximately 85,920,000 ordinary shares of Norton Gold Fields Limited ("Norton Gold"), representing 12.55% equity interest in Norton Gold. Norton Gold is a limited liability company incorporated in Australia and its shares are listed in the Australian Securities Exchange Limited. It holds certain gold mines in Australia and is engaged in production of gold and exploration of gold field in Australia.

(b) As at 31 December 2010, the fair value of the Group's investment in Norton Gold was $129,894,000, which is based on the market value of the shares, a decrease in fair value of $17,483,000 was recognised. In the opinion of the Company's directors, the market price of the listed shares ranged from $0.98 to $2.03 during the period from the Group's acquisition date up to the end of the reporting period, the upper market price during the above period was higher than the average cost of the shares of the Group of $1.72.

19. Available-for-sale financial asset (Continued)

(b) (Continued)

The latest published financial information of Norton Gold extracted from its unaudited interim report for the six months ended 31 December 2010, which was prepared in accordance with Australian accounting standards and Corporations Regulations 2001 and reviewed by its auditors in accordance with Auditing Standard AASB 134 on Review Engagement ASRE 2410, are as follows:

Six months ended 31 December Expressed in Australian Dollar ("AUD")	**2010** **AUD' million**	2009 AUD' million
Turnover	**111.9**	76.2
Net profit/(loss) before tax	**12.6**	(17.1)
Net profit/(loss) after tax	**8.4**	(12.9)
Total comprehensive income/(loss)	**12.1**	(9.1)
EBITDA	**36.2**	18.6
Gross profit (%)	**23.8%**	14.8%
Net profit/(loss) (%)	**7.5%**	(16.9%)
Earnings/(loss) per share - basic and diluted (Australian cents)	**1.3**	(2.9)

Accordingly, the decrease in fair value is not prolonged and permanent in nature and no impairment of the Group's investment in Norton Gold is required to be recognised in the consolidated income statement during the year.

20. Deposits paid for fixed assets

During the year, the Group paid a deposit of RMB12,000,000 (equivalent to $14,102,000) (2009: $nil) to the local government of Mojiang County, Yunnan in the PRC for a proposed acquisition of a piece of land in Mojiang County, Yunnan in the PRC at a consideration of RMB80,000,000 (equivalent to $94,016,000) (note 37(a)). The Group has not entered into any sale and purchase agreement for the acquisition of the land and the acquisition has not been completed as at the date of approval of these financial statements.

Save as disclosed above, the Group paid deposits of $11,123,000 (2009: $nil) for purchase of plant and equipment at an aggregate consideration of $13,778,000 (note 37(a)) during the year.

21. Other deposits

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

22. Investments in subsidiaries

	The Company	
	2010	2009
	$'000	$'000
Unlisted shares, at cost	**495,362**	495,362
Amounts due from subsidiaries (note (a))	**2,710,127**	–
	3,205,489	495,362
Less: Impairment losses (note (b))		
At 1 January	**(137,989)**	(137,989)
Impairment losses recognised (note 11)	**(17,653)**	–
At 31 December	**(155,642)**	(137,989)
	3,049,847	357,373

(a) In the opinion of the Company's directors, the amounts due from subsidiaries are equity contribution by the Company to the subsidiaries. The amounts are unsecured and interest-free and will not be demanded for repayment.

(b) As at 31 December 2010, the aggregate impairment losses on investments in subsidiaries of $155,642,000 (2009: $137,989,000) has been recognised in the Company's financial statements as the respective recoverable amounts of investments in subsidiaries were less than the respective investment costs of the relevant subsidiaries.

(Expressed in Hong Kong dollars unless otherwise indicated)

22. 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 2010. The class of shares of those subsidiaries which were incorporated outside PRC 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
Kingtronics Investments Limited	BVI/ Hong Kong	US$1	100	–	100	Investment holding
Decent Connection Overseas Limited	BVI/ Hong Kong	US$50,000	100	–	100	Investment holding
Wah Heen Holdings Limited	BVI/ Hong Kong	US$10,000	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
Hongkong T&R Mining Investment Limited	Hong Kong	$10,000	100	–	100	Investment holding
Kong Chun Hong Kong Limited	Hong Kong	$1,000	100	–	100	Investment holding
China Precious Metal Resources Co., Limited	Hong Kong	$1	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	RMB80,000,000	100	–	100	Investment holding

(Expressed in Hong Kong dollars unless otherwise indicated)

22. Investments in subsidiaries (Continued)

(b) (Continued)

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
赤峰永豐礦業有限責任公司 Chifeng Yongfeng Kuangye Co., Ltd. (note (i))	The PRC	RMB20,000,000	100	–	100	Mining and processing of gold mines and sale of gold products
欒川縣金興礦業有限責任公司 Luanchuan County Jinxing Mining Co., Ltd. (note (i))	The PRC	RMB30,000,000	100	–	100	Mining and processing of gold mines and sale of gold products
欒川縣欒靈金礦有限公司 Luanchuan County Luanling Gold Mine Co., Ltd. (note (i))	The PRC	RMB20,000,000	100	–	100	Mining and processing of gold mines and sale of gold products
墨江縣礦業有限責任公司 Mojiang County Mining Co., Ltd. (note (i))	The PRC	RMB8,687,000	100	–	100	Mining and processing of gold mines and sale of gold products
中盛食用油(鎮江)有限公司 China Force Oils (Zhenjiang) Co., Ltd. (notes (i) & (ii))	The PRC	US$15,034,000	100	–	100	Production and sale of small pack edible oils and trading of edible oil and related products
中盛糧油工業(鎮江)有限公司 China Force Oils & Grains Industrial (Zhenjiang) Co., Ltd. (notes (i) & (ii))	The PRC	US$9,537,000	100	–	100	Production and sale of small pack edible oils and trading of edible oil and related products

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

(ii) These subsidiaries discontinued operations during the year, details of which are referred to note 8.

22. Investments in subsidiaries (Continued)

(c) During the year ended 31 December 2009, the Group had deregistered two subsidiaries, China Force Oils (Tianjin) Co., Ltd. and Shanghai China Force Huaxu Management Consultant Co., Ltd. The net liabilities of these subsidiaries at their respective dates of deregistration are as follows:

	2010 $'000	2009 $'000
Other payables	–	(644)
Net liabilities	–	(644)
Release of exchange reserves	–	644
Gain on deregistration of subsidiaries	–	–

23. Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	The Group 2010 $'000	 2009 $'000
Gold mining		
Raw materials	**2,630**	272
Work-in-progress	**4,767**	2,850
Finished goods	**526**	–
	7,923	3,122
Edible oils		
Small pack edible oils	–	202
Packing materials	–	941
Other edible oils	–	1,503
Other materials	–	144
	–	2,790
Total	**7,923**	5,912

23. Inventories (Continued)

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated income statement is as follows:

	The Group			
	Continuing operations		Discontinued operations	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Carrying amount of inventories sold	**94,254**	7,147	**6,761**	78,968
Write-down of inventories	**120**	–	**457**	–
	94,374	7,147	**7,218**	78,968

24. Trade and other receivables, deposits and prepayments

		The Group		The Company	
		2010	2009	**2010**	2009
	Note	**$'000**	$'000	**$'000**	$'000
Trade receivables		**11,217**	8,661	**–**	–
Less: Allowance for doubtful debts	(b)	**(373)**	(4,693)	**–**	–
	(a) & (c)	**10,844**	3,968	**–**	–
Amounts due from subsidiaries	(d)	**–**	–	**53,707**	–
Other receivables, net allowance for doubtful debts	(e)	**8,869**	1,655	**–**	–
Loan and receivables		**19,713**	5,623	**53,707**	–
Deposits and prepayments		**6,178**	4,345	**103**	2,076
		25,891	9,968	**53,810**	2,076

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

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

(a) Ageing analysis

The ageing analysis of the trade receivables (net of allowance for doubtful debts) based on invoice date at the end of the reporting period is as follows:

	The Group	
	2010	2009
	$'000	$'000
Less than one month	**10,731**	3,781
More than one month but less than three months	**113**	–
More than three months but less than twelve months	**–**	187
	10,844	3,968

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

(b) Impairment of trade receivables

The movements in the allowance for doubtful debts on trade receivables during the year, including both specific and collective loss components, are as follows:

	The Group	
	2010	2009
	$'000	$'000
At 1 January	**4,693**	5,891
Exchange adjustment	**150**	1
Impairment losses recognised (note 6(c))	**–**	1,627
Transfer to disposal group classified as held for sale	**(4,470)**	–
Released upon deregistration of subsidiaries	**–**	(2,826)
At 31 December	**373**	4,693

During the year ended 31 December 2009, the Group's trade receivables of $1,627,000 were individually determined to be impaired. In the opinion of the Company's directors, these receivables had been outstanding over a long period and were considered not recoverable, therefore, specific allowances for doubtful debts of $1,627,000 were recognised in the consolidated income statement during the year ended 31 December 2009. The Group did not hold any collateral over these balances.

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

(c) Trade receivables that are not impaired

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

	The Group	
	2010	2009
	$'000	$'000
Neither past due nor impaired	**10,731**	3,781
Less than three months past due	**113**	–
More than three months but less than twelve months past due	**–**	187
	113	187
	10,844	3,968

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.

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

(d) Amounts due from subsidiaries

	2010 **$'000**	2009 $'000
Amounts due from subsidiaries at 31 December	**497,587**	451,196
Less: Allowance for impairment losses		
At 1 January	**451,196**	391,599
Impairment losses recognised (note 11)	**4,263**	73,141
Reversal of impairment losses (note 11)	**(11,579)**	(13,544)
At 31 December	**443,880**	451,196
Balance at 31 December, net of allowance for impairment losses	**53,707**	–

As at 31 December 2010, the Company recognised an aggregate impairment losses on amounts due from subsidiaries of $443,880,000 (2009: $451,196,000) as these subsidiaries had net liabilities at 31 December 2010 and 2009.

During the year, impairment losses on amounts due from subsidiaries of $11,579,000 (2009: $13,544,000) were reversed as these amounts were recovered.

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

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

(e) The movements in the allowance of doubtful debts on other receivables, including both specific and collective loss components, are as follows:

	2010 **$'000**	2009 $'000
At 1 January	**22,577**	12,362
Exchange adjustments	**779**	9
Impairment losses recognised (note 6(c))	**423**	10,404
Reversal of impairment losses (note 6(c))	**–**	(198)
Transfer to assets classified as held for sale	**(23,475)**	–
At 31 December	**304**	22,577

During the year, the Group's other receivables of $423,000 (2009: $10,404,000) 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 recoverable, therefore, specific allowances for doubtful debts of $423,000 (2009: $10,404,000) were recognised in the consolidated income statement for the year. The Group does not hold any collateral over these balances. During the year ended 31 December 2009, the Group reversed impairment losses on other receivables of $198,000 as these receivables were recovered.

25. Cash and cash equivalents

Analysis of the balances of cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows is set out below:

	The Group		The Company	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Cash at banks	**96,894**	189,241	**52,528**	171,328
Cash in hand	**1,223**	407	**4**	40
Cash and cash equivalents in the consolidated statement of financial position	**98,117**	189,648	**52,532**	171,368
Secured bank overdrafts (note 27)	**(2)**	–	**–**	–
	98,115	189,648	**52,532**	171,368
Cash and cash equivalents included in assets of a disposal group classified as held for sale (note 8(c))	**10,431**	–	**–**	–
Cash and cash equivalents in the consolidated statement of cash flows	**108,546**	189,648	**52,532**	171,368

Cash and cash equivalents are denominated in:

	The Group		The Company	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
$	**53,832**	171,462	**52,510**	171,352
RMB	**54,687**	18,165	**–**	–
AUD	**7**	–	**6**	–
United States Dollar ("USD")	**20**	21	**16**	16
	108,546	189,648	**52,532**	171,368

The interest rates on the cash at banks ranged from 0.1% to 1.1% (2009: 0.1% to 0.4%) per annum.

26. Trade and other payables

		The Group		The Company	
	Note	**2010** **$'000**	2009 $'000	**2010** **$'000**	2009 $'000
Trade creditors	(a)	**1,937**	9,423	**–**	–
Amounts due to subsidiaries	(b)	**–**	–	**76,753**	76,761
Accrued charges and other payables		**84,791**	39,078	**4,360**	13,545
Financial liabilities measured at amortised cost		**86,728**	48,501	**81,113**	90,306
Receipts in advance		**15,654**	11,039	**–**	–
		102,382	59,540	**81,113**	90,306

(a) The ageing analysis of trade creditors based on invoice date at the end of the reporting period is as follows:

	2010 **$'000**	2009 $'000
Within three months	**912**	858
More than three months but within one year	**4**	124
After one year	**1,021**	8,441
	1,937	9,423

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

27. Bank loans and overdrafts

At 31 December 2010, the bank loans and overdrafts were repayable within one year or on demand and analysed as follows:

	The Group	
	2010	2009
	$'000	$'000
Secured bank overdrafts (notes 25 & 27(a))	**2**	–
Bank loans		
– secured (note (a))	**71,616**	31,802
– unsecured	**95,193**	–
	166,811	31,802

(a) As at 31 December 2010 the Group's secured bank loans and overdrafts were secured by the Group's land under finance lease and building held for own use with a carrying amount of $79,874,000 (note 16(a)), the bank deposit and personal guarantee given by two related parties (notes 40(a)(ii) and (iii)). As at 31 December 2009, the Group's bank loans were secured by its interests in leasehold land held for own use under operating leases and buildings held for own use with a total carrying amount of $31,246,000 (note 16(a)).

(b) The range of effective interest rates on the Group's bank loans is as follows:

	2010	2009
	%	%
Effective interest rates:		
Fixed-rate bank loans	**4.8 - 5.3**	5.3 - 6.9
Variable-rate bank loans	**1.7**	–
Variable-rate bank overdrafts	**5.0**	–

(c) The Group's borrowings denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2010	2009
	$'000	$'000
RMB	**129,275**	31,802

28. 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 10% 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.

29. 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 up 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 sheets 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.

29. 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 shares issuable under options granted '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 listing date	20	5 years from exercisable date
		Second anniversary of the listing date	40	
		Third anniversary of the listing date	60	
		Fourth anniversary of the listing date	80	
		Fifth anniversary of the listing date	100	
Options granted to employees:				
– on 18 September 2004	51,600	First anniversary of the listing date	20	5 years from exercisable date
		Second anniversary of the listing date	40	
		Third anniversary of the listing date	60	
		Fourth anniversary of the listing date	80	
		Fifth anniversary of the listing date	100	
Total number of shares issuable under options 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 a number of ordinary shares of HK$0.125 each of the Company.

29. 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:

	2010 Exercise price $	**2010** Number of shares issuable under options granted '000	2009 Exercise price $	2009 Number of shares issuable under options granted '000
Outstanding at 1 January	**1.23**	**3,120**	1.23	3,850
Exercised during the year	**1.23**	**(3,120)**	–	–
Forfeited during the year	**–**	**–**	1.23	(730)
Outstanding at 31 December	**–**	**–**	1.23	3,120
Exercisable at 31 December	**–**	**–**	1.23	3,120

The weighted average share price at the date of exercise of share options during the year was $2.23 (2009: $nil).

(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%

29. Equity-settled share-based transactions (Continued)

(a) Pre-IPO Share Option Scheme (Continued)

(iii) Fair value of share options and assumptions (Continued)

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.

(b) 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 shares issuable under options granted '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 number of shares issuable under options granted	107,170		

29. Equity-settled share-based transactions (Continued)

(b) Share Option Scheme (Continued)

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

	2010 Weighted average exercise price $	2010 Exercise price $	2010 Number of shares issuable under options granted '000	2009 Weighted average exercise price $	2009 Exercise price $	2009 Number of shares issuable under options granted '000
Outstanding at 1 January						
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
	0.304		**44,900**	0.304		107,170
Exercised during the year						
Tranche 1		**0.270**	**(16,000)**		0.270	(11,170)
Tranche 2		**0.292**	**(13,800)**		0.292	(32,900)
Tranche 3		**0.350**	**(15,000)**		0.350	(18,200)
	0.304		**(44,800)**	0.305		(62,270)
Outstanding at 31 December						
Tranche 1		**0.270**	**–**		0.270	16,000
Tranche 2		**0.292**	**100**		0.292	13,900
Tranche 3		**0.350**	**–**		0.350	15,000
	0.292		**100**	0.304		44,900
Exercisable at 31 December						
Tranche 1		**0.270**	**–**		0.270	16,000
Tranche 2		**0.292**	**100**		0.292	13,900
Tranche 3		**0.350**	**–**		0.350	15,000
	0.292		**100**	0.304		44,900

The weighted average share price at the date of exercise of share options during the year was $2.339 (2009: $0.938).

The share options outstanding at 31 December 2010 had an exercise price of $0.292 (2009: $0.304) and a weighted average remaining contractual life of 0.5 years (2009:1.3 years).

(Expressed in Hong Kong dollars unless otherwise indicated)

29. 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	$0.350
Exercise price	$0.270	$0.292	$0.350
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 in equity-settled share-based payment expenses and the capital reserve of the Group of $50,000 during the year ended 31 December 2009. The fair value of the share options granted under the Share Option Schemes had been fully recognised during the year ended 31 December 2009.

(d) No options were granted during the years ended 31 December 2010 and 2009.

30. Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	The Group 2010 $'000	2009 $'000
Provision for PRC Income Tax for the year	**32,814**	2,941
Exchange adjustment	**516**	–
Provisional income tax paid	**(14,691)**	(16)
Acquisition of subsidiaries (notes 32(a) & (d))	**10,734**	(71)
	29,373	2,854

(b) Deferred tax liabilities recognised

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax liabilities 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 32(d))	–	105,293	105,293
Exchange adjustments	–	36	36
Charged/(credited) to consolidated income statement (note 7(a)(i))	928	(470)	458
At 31 December 2009	928	104,859	105,787
At 1 January 2010	928	104,859	105,787
Acquisition of subsidiaries (notes 32(a)&(b))	–	599,547	599,547
Exchange adjustments	32	9,971	10,003
Charged/(credited) to consolidated income statement (note 7(a)(i))	4,339	(14,715)	(10,376)
At 31 December 2010	5,299	699,662	704,961

30. Income tax in the consolidated statement of financial position (Continued)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(r), the Group has not recognised deferred tax assets from certain subsidiaries in respect of cumulative tax losses from continuing operations and discontinued operations of $150,450,000 (2009: $167,596,000) and $82,269,000 (2009: $185,230,000) respectively at 31 December 2010 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 from continuing operations and discontinued operations will expire in the coming two to five years, except for amounts of $150,450,000 (2009: $150,450,000) and $nil (2009: $nil) respectively which do not expire under current tax legislation. The Company has not recognised deferred tax assets in respect of cumulative tax losses of $18,779,000 (2009: $18,779,000) at 31 December 2010 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 Company's tax losses do not expire under current tax legislation.

31. 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 changes in equity. Details of the changes 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)&34)	Capital reserve $'000 (note (d)(iii))	Accumulated losses $'000	Total $'000
At 1 January 2010	213,215	674,705	91,457	1,400	–	5,856	(546,122)	440,511
Changes in equity for 2010:								
Issue of new shares by placements	44,375	674,925	–	–	–	–	–	719,300
New shares issued for acquisition of subsidiaries	83,880	1,139,031	–	–	–	–	–	1,222,911
Issue of convertible bonds	–	–	–	–	71,295	–	–	71,295
New shares issued upon conversion of convertible bonds	51,488	410,090	–	–	(58,917)	–	–	402,661
New shares issued under share options	5,990	17,293	–	–	–	(5,846)	–	17,437
Issue of warrants	–	–	–	1,250	–	–	–	1,250
New shares issued upon exercise of warrant subscription rights	17,500	34,300	–	(1,400)	–	–	–	50,400
Transaction costs attributable to issue of new shares and warrants	–	(18,319)	–	–	–	–	–	(18,319)
Total comprehensive loss for the year	–	–	–	–	–	–	(47,470)	(47,470)
At 31 December 2010	416.448	2,932,025	91,457	1,250	12,378	10	(593,592)	2,859,976
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 by placements	35,541	120,424	–	–	–	–	–	155,965
New shares issued for acquisition of subsidiaries	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

31. Capital and reserves (Continued)

(b) Share capital

Authorised and issued share capital

	2010 Number of shares '000	2010 $'000	2009 Number of shares '000	2009 $'000
Authorised:				
Ordinary shares of HK$0.125 each				
At 1 January	**3,200,000**	**400,000**	3,200,000	400,000
Increase in ordinary shares (note (i))	**6,800,000**	**850,000**	–	–
At 31 December	**10,000,000**	**1,250,000**	3,200,000	400,000
Ordinary shares, issued and fully paid:				
At 1 January	**1,705,720**	**213,215**	940,000	117,500
Issue of new shares by placements (note (ii))	**355,000**	**44,375**	284,330	35,541
Issue of new shares for acquisition of subsidiaries (note (iii))	**671,042**	**83,880**	175,000	21,875
Issue of new shares upon conversion of convertible bonds (note (iv))	**411,905**	**51,488**	244,120	30,515
Issue of new shares under share options (note(v))	**47,920**	**5,990**	62,270	7,784
Issue of new shares upon exercise of warrant subscription rights (note(vi))	**140,000**	**17,500**	–	–
At 31 December	**3,331,587**	**416,448**	1,705,720	213,215

Notes:

(i) By an ordinary resolution passed at the annual general meeting of the Company on 1 June 2010, the Company's authorised ordinary share capital was increased from $400,000,000 to $1,250,000,000 by the creation of additional 6,800,000,000 ordinary shares of $0.125 each. These shares rank pari passu in all respects with the then existing ordinary shares of the Company.

(ii) During the year, the Company issued and allotted totally 355,000,000 new ordinary shares of $0.125 each and recognised an increase in share capital and share premium of $44,375,000 and $674,925,000 respectively. These shares rank pari passu in all respects with then existing shares in issue.

- On 11 February 2010, 90,000,000 ordinary shares of $0.125 each at the issue price of $1.94 each were issued and allotted;
- On 31 March 2010, 65,000,000 ordinary shares of $0.125 each at the issue price of $1.98 each were issued and allotted; and
- On 29 April 2010, 200,000,000 ordinary shares of $0.125 each at the issue price of $2.08 each were issued and allotted.

31. Capital and reserves (Continued)

(b) Share capital (Continued)

Note: (Continued)

(iii) During the year, the Company issued and allotted 342,857,142 and 328,185,328 ordinary shares of $0.125 each as part of the consideration for the acquisitions of Decent Group and Wah Heen Group respectively. The fair values of these consideration shares were $661,714,000 and $561,197,000 respectively (notes 32(b) and 33) which were based on the closing published price of the shares of the Company at the date of exchange. The Company recognised an aggregate amount of $83,880,000 and $1,139,031,000 in share capital and share premium respectively. These shares rank pari passu in all respects with then existing shares in issue.

(iv) On 11 February 2010 and 10 December 2010, the convertible bonds with an aggregate principal amount of $225,000,000 and $235,000,000 were fully converted into 300,000,000 and 111,904,762 ordinary shares of the Company of $0.125 each at the conversion price of $0.75 and $2.10 each respectively (notes 34(a) and (b)). These shares rank pari passu in all respects with then existing shares in issue.

(v) During the year, 47,920,000 options were exercised to subscribe for 47,920,000 ordinary shares of $0.125 each of the Company at an aggregate consideration of $17,437,000, of which $5,990,000 and $11,447,000 were credited to share capital and share premium respectively, and the credit balance of $5,846,000 attributable to these share options was transferred from capital reserve to share premium. These shares rank pari passu in all respects with then existing shares in issue.

(vi) During the year, 140,000,000 warrants were exercised to subscribe for 140,000,000 new ordinary shares of $0.125 each of the Company at an exercise price $0.36 per share with an aggregate consideration of $50,400,000, of which $17,500,000 and $32,900,000 were credited to share capital and share premium respectively, and the credit balance of $1,400,000 attributable to these warrants was transferred from warrant reserve to share premium (note 31(c)). These shares rank pari passu in all respects with then existing shares in issue.

(vii) 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.

(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 issued 140,000,000 warrants at the issue price of $0.01 per warrant. Each warrant is entitled 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 which were issued. During the year, 140,000,000 warrants were exercised to subscribe for 140,000,000 (2009: nil) new ordinary shares of the Company (note 31(b)(vi)).

On 5 May 2010, the Group and an independent placing agent (the "Warrant Placing Agent") entered into a placing and underwriting agreement, pursuant to which the Warrant Placing Agent placed 150,000,000 new non-listed warrants of the Company, which include two tranches of warrants, 100,000,000 warrants ("Warrant A") and 50,000,000 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 to subscribe for one new ordinary share of the Company at an exercise price of $2.6 and $3.2 each respectively with a subscription period from 5 August 2010 to 11 June 2014. On 11 June 2010, the Company issued 100,000,000 Warrant A and 50,000,000 Warrant B for an aggregate consideration of $1,250,000. During the year, no new shares were issued upon exercise of warrant A and warrant B.

31. Capital and reserves (Continued)

(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 29.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(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 their 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.

31. Capital and reserves (Continued)

(d) Nature and purpose of reserves (Continued)

(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).

(vii) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial asset held at the end of the reporting period and is dealt with in accordance with the accounting policies in notes 2(h) and 2(j)(i).

(e) Distributability of reserves

At 31 December 2010, the aggregate amount of reserves available for distribution to owners of the Company was $2,429,890,000 (2009: $220,040,000), which included the balances of share premium, contributed surplus and accumulated losses, 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.

(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 2010, the Group's gearing ratio, representing the ratio of total borrowings (including bank loans and overdrafts, convertible bonds and non-current payable), net of cash and cash equivalents to the total share capital and reserves of the Group is as follows:

	2010 **$'000**	2009 $'000
Total borrowings	**610,335**	31,802
Less: Cash and cash equivalents	**(98,117)**	(189,648)
Net debt	**512,218**	N/A
Total equity	**3,021,351**	515,513
Gearing ratio	**17%**	0%

31. Capital and reserves (Continued)

(f) Capital management (Continued)

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher returns to the owners of the Company 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.

32. Business combinations

(a) On 2 June 2010, the Group and Pu Er Sheng An Di Property Company Limited（普洱聖安廸置業有限公司）("Pu Er Sheng An Di"), an independent third party, entered into a sale and purchase agreement, pursuant to which the Group agreed to purchase and Pu Er Sheng An Di agreed to dispose of the entire equity interest in Mojiang County Mining Co., Ltd ("Mojiang Company")（墨江縣礦業有限責任公司）at a cash consideration of RMB335,000,000 (equivalent to $388,379,000). On 5 November 2010, the acquisition was completed and the Group obtained the entire equity interest of Mojiang Company. Mojiang Company is engaged in mining and processing of gold mines and sales of gold products. The acquisition of Mojiang Company is to continue the expansion of the Group's gold mining operations.

32. Business combinations (Continued)

(a) (Continued)

The fair values of identifiable assets and liabilities of Mojiang Company as at the date of completion on the acquisition are as follows:

	$'000
Net assets acquired:	
Intangible asset (notes (i) & 15)	680,708
Fixed assets (note 16)	3,083
Other non-current deposits	4,831
Inventories	311
Trade and other receivables	41,722
Cash and cash equivalents	20,600
Trade and other payables	(32,072)
Bank loans	(137,305)
Tax payable (note 30(a))	(10,734)
Deferred tax liabilities (note 30(b))	(170,177)
	400,967
Gain on bargain purchase of a subsidiary (note (v))	(12,588)
Consideration	388,379
Consideration is satisfied by:	
Cash	388,379
Net cash outflow arising from acquisition	
Cash consideration paid	(388,379)
Cash and cash equivalents acquired	20,600
	(367,779)

(i) On 5 November 2010, the fair value of the intangible asset of mining right was $680,708,000 (RMB585,000,000), which is based on the valuation performed by ROMA Appraisals Limited, an independent firm of professionally qualified valuers, using excess earnings method under the income approach.

32. Business combinations (Continued)

(a) (Continued)

(ii) Mojiang Company contributed revenue and net profit of $5,833,000 and $1,082,000 respectively to the Group for the period between the date of completion on the acquisition and the end of the reporting period.

(iii) The trade and other receivables represent the gross contractual amounts receivable. None of the receivables was expected to be uncollectible at the date of completion on the acquisition.

(iv) The acquisition-related costs of $12,393,000 are included in the consolidated income statement during the year.

(v) The gain on bargain purchase of acquisition of Mojiang Company of HK$12,588,000 arose mainly from the increase in fair value of the net assets acquired at the date of completion on the acquisition, attributable mainly to the increase in gold prices subsequent to the date of the sale and purchase agreement entered into by the Group.

(b) On 2 September 2010, the Group and Simple Best Limited ("Simple Best"), an independent third party, entered into a sale and purchase agreement, pursuant to which the Group agreed to purchase and Simple Best agreed to dispose of the entire equity interest in Decent Connection Overseas Limited ("Decent") and its subsidiaries (collectively "Decent Group") together with the shareholder's loan due by Decent Group to Simple Best at a consideration of $1,380,000,000 that was satisfied by (i) cash of $200,000,000; (ii) 342,857,142 ordinary shares of the Company of $0.125 each at an issue price of $2.1; and (iii) convertible bonds of principal amount of $460,000,000. The convertible bonds include three tranches of nominal value of $235,000,000, $100,000,000 and $125,000,000, the second and third tranches of convertible bonds in an aggregate principal amount of $225,000,000 are pledged with the Group as security on the profit guarantee of Luanchuan County Jinxing Mining Co., Ltd.（欒川縣金興礦業有限責任公司）("Jinxing"), a wholly owned subsidiary of Decent (note 34(b)). Simple Best has guaranteed that the audited profit after tax and exceptional items of Jinxing shall be not less than $100,000,000 and $125,000,000 for the first and second financial year ending 31 December 2011 and 2012 respectively, failing which Simple Best shall repay the Group the shortfall in cash within two months after the audited financial statements of Jinxing are finalised. On 8 November 2010, the acquisition was completed and the Group obtained the entire equity interest of Decent Group. Decent Group is engaged in mining and processing of gold mines and sales of gold products. The acquisition of Decent Group is to continue the expansion of the Group's gold mining operations.

32. Business combinations (Continued)

(b) (Continued)

The fair values of identifiable assets and liabilities of Decent Group as at the date of completion on the acquisition are as follows:

	$'000
Net assets acquired:	
Intangible assets (notes (i) & 15)	1,723,616
Fixed assets (note 16)	75,646
Construction in progress (note 17)	23,860
Deposit paid for fixed assets	3,947
Inventories	7,209
Trade and other receivables	17,154
Cash and cash equivalents	18,511
Trade and other payables	(45,144)
Bank loan	(23,245)
Deferred tax liabilities (note 30(b))	(429,370)
	1,372,184
Gain on bargain purchase of subsidiaries (note (v))	(50,470)
Consideration	1,321,714
Consideration is satisfied by:	
Cash	200,000
Convertible bonds issued (note 34(b))	460,000
Issue of 342,857,142 ordinary shares	
Shares issued at issue price of $2.1 each	720,000
Decrease in fair value	(58,286)
Shares issued at fair value at the date of exchange (note 31(b)(iii))	661,714
Total consideration at fair value	1,321,714
Net cash outflow arising from acquisition	
Cash consideration paid	(200,000)
Cash and cash equivalents acquired	18,511
	(181,489)

32. Business combinations (Continued)

(b) (Continued)

(i) On 8 November 2010, the fair value of the intangible assets of mining rights was $1,723,616,000 (RMB1,483,000,000), which is based on the valuation performed by ROMA Appraisals Limited, an independent firm of professionally qualified valuers, using excess earnings method under the income approach.

(ii) Decent Group contributed revenue and net profit of $66,956,000 and $17,931,000 respectively to the Group for the period between the date of completion on the acquisition and the end of the reporting period.

(iii) The trade and other receivables represent the gross contractual amounts receivable. None of the receivables was expected to be uncollectible at the date of completion.

(iv) The acquisition-related costs of $9,153,000 are included in the consolidated income statement during the year.

(v) The gain on bargain purchase of the acquisition of Decent Group of HK$50,470,000 arose mainly from the decrease in the fair value of the consideration shares between the date of completion on the acquisition and the date of the sale and purchase agreement entered into by the Group.

(c) If the acquisitions of Mojiang Company and Decent Group, as referred to (a) and (b) above, had been completed on 1 January 2010, total revenue and profit of the Group for the year ended 31 December 2010 from continuing operations would have been $347,490,000 and $151,085,000 respectively. 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 2010, nor is it intended to be a projection of future results.

(d) On 28 June 2009, the Group and Harmonie Developments Limited ("Harmonie"), an independent third party, entered into a sale and purchase agreement, pursuant to which the Group agreed to purchase and Harmonie agreed to dispose of 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 $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. On 17 September 2009, the acquisition was completed and the Group obtained the entire equity interest of Able Supplement Group. Able Supplement Group is engaged in mining and processing of gold mines and sales of gold products. The acquisition of Able Supplement Group is to diversify the Group's business in gold mining operations.

32. Business combinations (Continued)

(d) (Continued)

The carrying values and the fair values of identifiable assets and liabilities of Able Supplement Group as at the date of completion on the acquisition are as follows:

	$'000
Net assets acquired:	
Intangible assets (notes (ii) & 15)	431,452
Fixed assets (note 16)	21,502
Construction in progress (note 17)	2,265
Non-current deposits	647
Inventories	3,795
Trade and other receivables	74,898
Cash and cash equivalents	829
Trade and other payables	(70,208)
Tax recoverable (note 30(a))	71
Deferred tax liabilities (note 30(b))	(105,293)
	359,958
Gain on bargain purchase of subsidiaries	(2,585)
Total cost of acquisition	357,373
Consideration is satisfied by:	
Cash	4,000
Add: Deposit paid in 2008	46,500
	50,500
Convertible bonds issued (note 34(c))	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	129,500
Total consideration	350,884
Acquisition-related costs	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
Acquisition-related costs	(6,489)
	(9,660)

32. Business combinations (Continued)

2009 (Continued)

(d) (Continued)

(i) 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 date of completion of the acquisition.

(ii) At 17 September 2009, the carrying amount 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 earnings method under the income approach.

(iii) Able Supplement Group contributed revenue 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 end of the reporting period.

If the acquisition had been completed on 1 January 2009, total revenue and loss of the Group for the year ended 31 December 2009 from continuing operations would have been $33,527,000 and $1,110,000 respectively. The proforma information was for illustrative purposes only and was 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 was it intended to be a projection of future results.

(e) During the years ended 31 December 2010 and 2009, the Group had gain on bargain purchase of subsidiaries recognised in the consolidated income statement as follows:

	Note	**2010** **$'000**	2009 $'000
Mojiang Company	(a)	**12,588**	–
Decent Group	(b)	**50,470**	–
Able Supplement Group	(d)	**–**	2,585
		63,058	2,585

The total acquisition-related costs for the acquisitions of Mojiang Company and Decent Group (notes (a)(v) and (b)(v)) are $21,546,000 included in the consolidated income statement during the year.

33. Purchase of a mining right through acquisition of subsidiaries

On 21 December 2010, the Group and Eastgold Capital Limited ("Eastgold"), an independent third party, entered into a sale and purchase agreement, pursuant to which the Group agreed to purchase and Eastgold agreed to dispose of the entire equity interest in Wah Heen Holdings Limited and its subsidiaries (collectively "Wah Heen Group") together with the shareholder's loan due by Wah Heen Group to Eastgold at a consideration of $1,180,000,000. The consideration was satisfied by cash of $500,000,000, out of which $230,000,000 was paid on or before the signing of sale and purchase agreement and $270,000,000 will be payable within two years upon signing the sale and purchase agreement, and the issue of 328,185,328 ordinary shares of the Company of $0.125 each at an issue price of $2.072. The acquisition was completed on 28 December 2010. Wah Heen Group holds a mining right for a gold mine in Henan in the PRC and has not commenced business. The acquisition was accounted for as an asset acquisition. The acquisition of Wah Heen Group is to continue the expansion of the Group's gold mining operations.

The assets and liabilities acquired at the date of acquisition are as follows:

	$'000
Net assets acquired:	
Intangible asset (note 15)	990,558
Fixed assets (note 16)	36,207
Construction in progress (note 17)	363
Other non-current deposits	705
Deposit paid for fixed assets	3,944
Other receivables	1,822
Cash and cash equivalents	992
Other payables	(10,948)
	1,023,643

33. Purchase of a mining right through acquisition of subsidiaries (Continued)

	$'000
Consideration is satisfied by:	
Cash	230,000
Issue of 328,185,328 ordinary shares	
Shares issued at issue price of $2.072 each	680,000
Decrease in fair value	(118,803)
Shares issued at fair value at the date of exchange (note 31(b)(iii))	561,197
Non-current payable at fair value (note 35)	227,817
Total consideration at fair value	1,019,014
Acquisition-related costs	4,629
Total cost of acquisition	1,023,643
Net cash outflow arising from acquisition	
Cash consideration paid	(230,000)
Cash and cash equivalents acquired	992
Acquisition-related costs	(4,629)
	(233,637)

(i) Wah Heen Group has not commenced any business, accordingly, its results had no significant impact on the Group's consolidated revenue and net profit for the year from continuing operations for the period between the date of acquisition and at end of the reporting period.

(ii) The other receivables represent the gross contractual amounts receivable. None of the receivables was expected to be uncollectible at the date of completion.

(iii) The acquisition-related costs of $4,629,000 are recognised and included in the cost of acquisition.

34. Convertible bonds

	Note	**2010 $'000**	2009 $'000
Liability components:			
Convertible bonds due in 2012	(a)	**–**	–
Convertible bonds due in 2013	(b)	**215,100**	–
Convertible bonds due in 2011	(c)	**–**	–
At 31 December		**215,100**	–

(a) On 11 February 2010, the Company issued convertible bonds with an aggregate principal amount of $225,000,000. 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 up to the second anniversary date from the date of issue of the convertible bonds. The convertible bonds are non-interest bearing. The Company, at its option, can redeem the convertible bonds at 105% of the outstanding principal amount of the convertible bonds at any time prior to the maturity date of the convertible bonds by giving seven day notice. All convertible bonds were converted into 300,000,000 ordinary shares of the Company of $0.125 each on the same date of convertible bonds which were issued (note 31(b)(iv)).

	Liability Component $'000	**Redemption option of the Company** $'000	**Equity Component** $'000	**Total** $'000
At 1 January 2010	–	–	–	–
Convertible bonds issued	179,939	(928)	45,989	225,000
Conversion of convertible bonds	(179,939)	928	(45,989)	(225,000)
At 31 December 2010	–	–	–	–

The liability component, the embedded derivative on redemption option and the 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, using the binomial model. The effective interest rate of the liability component is 11% per annum.

34. Convertible bonds (Continued)

(b) On 8 November 2010, the Company issued convertible bonds with an aggregate principal amount of $460,000,000, which include three tranches of nominal value of $235,000,000, $100,000,000 and $125,000,000 respectively, as part of the consideration of acquisition of Decent Group. The second and third tranches of the convertible bonds in an aggregate principal amount of $225,000,000 are subject to a lock-up arrangement, details of which are referred to note 32(b). The convertible bonds entitle the holder to convert the bonds into ordinary shares of the Company at the conversion price of $2.1 per share at any time up to the third anniversary date from the date of issue of the convertible bonds. The convertible bonds bear interest at 6% per annum. On 10 December 2010, convertible bonds with an aggregate principal amount of $235,000,000 were converted into 111,904,762 ordinary shares of the Company of $0.125 (note 31(b)(iv)).

	Liability Component $'000	Equity Component $'000	Total $'000
At 1 January 2010	–	–	–
Convertible bonds issued	434,694	25,306	460,000
Conversion of convertible bonds	(223,650)	(12,928)	(236,578)
Interest expense (note 6(a))	4,056	–	4,056
At 31 December 2010	215,100	12,378	227,478

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

(c) Pursuant to the sale and purchase agreement of acquisition of Able Supplement Group (note 32(d)), the Group issued two tranches of convertible bonds in the principal amount of $97,056,000 and $73,828,000 on 17 November 2009 and 24 December 2009 respectively as part of the consideration for 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 up to the second anniversary date from the date of issue of the convertible bonds. The convertible bonds are non-interest bearing.

The holder of convertible bonds 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 the convertible bonds issued on 17 November 2009 and 24 December 2009 respectively.

34. Convertible bonds (Continued)

(c) (Continued)

	Liability Component $'000	Equity Component $'000	Total $'000
At 1 January 2009	–	–	–
Convertible bonds issued	145,369	25,515	170,884
Conversion of convertible bonds	(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.

35. Non-current payable

This represents the fair value of a payable as part of the consideration for the acquisition of Wah Heen Group, details of which are referred to note 33. The payable will be due on 20 December 2012 and has an effective interest rate of 8.9% per annum. During the year, the Group recognised the interest expense of $608,000 (2009: $nil).

36. Financial instruments

Exposures to credit, liquidity, interest rate, currency risks and equity price risk 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 products. 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 and other receivables. Management has a credit policy in place and the exposure to the credit risk is monitored on an ongoing basis.

In respect of trade receivables, credit evaluations are performed on all customers requiring credit over a certain amount. 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 end of the reporting period, there is certain concentration of credit risk as 99% (2009: 95%) 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 0% (2009: 95%) of the total trade debtors at 31 December 2010.

In respect of other receivables, the credit quality of the debtors is assessed by taking into account of their financial position, relationship with the Group, credit history and other factors. Management regularly reviews the recoverability about these other receivables and follows up the amounts overdue, if any. The directors are of the opinion that the probability of default by counterparties is low.

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 2010, the Group has net current liabilities of approximately $149,620,000 (2009: current asset of $111,332,000). The Group is exposed to liquidity risk of being unable to finance its future working capital and financial requirements when they fall due. 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 and longer term. At 31 December 2010, the Group had total committed banking facilities of $175,546,000 (2009: $31,802,000), and the undrawn facilities at that date were $8,735,000 (2009: $nil).

The directors are of the opinion that the Group will be able to finance its future working capital and financial requirements as described in note 2(b) to the financial statements.

36. Financial instruments (Continued)

(b) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative 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 end of the reporting period) and the earliest date the Group and the Company can be required to pay.

Specifically, for bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, i.e. if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank loans is prepared based on the scheduled repayment dates.

	The Group									
	2010					2009				
	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	102,382	102,382	102,382	–	–	59,540	59,540	59,540	–	–
Bank loans and overdrafts	166,811	166,811	166,811	–	–	31,802	33,762	33,762	–	–
Non-current payable	228,424	270,000	–	270,000	–	–	–	–	–	–
Convertible bonds	215,100	265,537	13,500	13,537	238,500	–	–	–	–	–
	712,717	804,730	282,693	283,537	238,500	91,342	93,302	93,302	–	–

	The Company									
	2010					2009				
	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	76,753	76,753	76,753	–	–	76,761	76,761	76,761	–	–
Other payables	4,360	4,360	4,360	–	–	13,545	13,545	13,545	–	–
Convertible bonds	215,100	265,537	13,500	13,537	238,500	–	–	–	–	–
	296,213	346,650	94,613	13,537	238,500	90,306	90,306	90,306	–	–
Financial guarantee issued: Maximum amount guaranteed (note 42)	–	37,534	37,534	–	–	–	–	–	–	–

36. Financial instruments (Continued)

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank loans and overdrafts (see note 27 for details of the bank loans and overdrafts) and fair value interest rate risk in relation to fixed-rate bank loans.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	The Group			
	2010		2009	
	Effective interest rates %	**'000**	Effective interest rates %	'000
Fixed rate borrowings:				
Bank loans	**4.8-5.3**	**129,275**	5.3-6.9	31,802
Variable rate borrowings:				
Bank loans	**1.7**	**37,534**		–
Bank overdrafts	**5.0**	**2**		–
		37,536		–
Total borrowings		**166,811**		31,802
Fixed rate borrowings as a percentage of total net borrowings		**77%**		100%
Variable rate bank balances	**0.1-1.1**	**96,894**	0.1-0.4	189,241

(ii) Sensitivity analysis

All of the bank loans of the Group which are fixed rate instruments are insensitive to any change in interest rates. A change in interest rate at the end of the reporting period would not affect profit or loss.

At 31 December 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate bank loans and overdrafts and bank balances, with all other variables held constant, would increase/decrease Group's profit after tax and retained profits by approximately $594,000 (2009: $1,892,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for variable rate interest bearing financial instruments 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 end of the next annual reporting period. The analysis is performed on the same basis for 2009.

36. Financial instruments (Continued)

(d) Gold product price risk

The Group is exposed to price risks arising from the market price fluctuations on gold products.

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

During the year, Group did not enter into any derivative contracts to hedge the gold price as the Company's directors were of opinion that there would be an increase of the market price on gold products.

(e) Currency risk

(i) Exposure to currency risk

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

The management may consider to use forward foreign exchange contracts to manage its foreign currency risk arising from above anticipated transactions denominated in foreign currencies. During the year, the Group did not enter into any forward foreign exchange contracts to manage its foreign currency risk on AUD as the Company's directors were of opinion that there was an appreciation of AUD against $.

	The Group		The Company	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Available-for-sale financial asset				
AUD	**129,894**	–	**–**	–
Cash and cash equivalents				
AUD	**7**	–	**6**	–
USD	**20**	21	**16**	16
Total assets				
AUD	**129,901**	–	**6**	–
USD	**20**	21	**16**	16

36. Financial instruments (Continued)

(e) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's and the Company's profit/(loss) after tax and retained profits/(accumulated losses) and other components of equity in response to reasonably possible changes in the foreign exchange rates to which the Group and the Company have significant exposure at the end of the reporting period.

	Increase/ (decrease) in foreign exchange rates	Effect on profit/ (loss) after tax and retained profits/ (accumulated losses) $'000	Effect on other components of equity $'000
The Group			
At 31 December 2010			
AUD	5%	–	6,495
	(5%)	–	(6,495)
At 31 December 2009			
AUD	5%	–	–
	(5%)	–	–
The Company			
At 31 December 2010			
AUD	5%	–	–
	(5%)	–	–
At 31 December 2009			
AUD	5%	–	–
	(5%)	–	–

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

36. Financial instruments (Continued)

(e) Currency risk (Continued)

(ii) Sensitivity analysis (Continued)

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. The analysis is performed on the same basis for 2009.

(f) Equity price risk

The Group is exposed to equity price changes arising from listed investment classified as available-for-sale financial asset (note 19). Listed investment is held for long-term strategic purposes and its performance is assessed at least bi-annually against performance. At 31 December 2010, it is estimated that an increase/(decrease) of 5% in the market price of relevant listed investment, with all other variables held constant, would have increased/decreased the Group's fair value reserve in consolidated equity of $6,495,000 (2009: $nil).

(g) Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at the end of the reporting period, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	The Group	
	2010	2009
	Level 1	Level 1
	$'000	$'000
Available-for-sale financial asset	**129,894**	–

There were no transfers between instruments in all levels during the year.

36. Financial instruments (Continued)

(h) Estimation of fair values

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

(i) Bank loans and overdrafts and non-current payable

The fair value of bank loans and overdrafts and non-current payable is estimated as the present value of future cash flows, discounted at current market rate of interest for similar financial instruments.

(ii) Available-for-sale financial asset

Fair value for quoted equity investments are based on listed market price at the end of the reporting period.

(iii) Convertible bonds

An external independent valuation company, with appropriate recognised professional qualifications, values the convertible bonds at each financial reporting period. Appropriate valuation methods and assumptions with reference to market conditions existing at each financial reporting period to determine the fair value of the embedded financial derivative of the convertible bonds that is separated from the host debt contract are adopted. The basis for determining the fair value is disclosed in note 34.

(iv) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

(v) Save as disclosed in above, the fair values of cash and bank balances, trade and other receivable and payables, bank loans and overdrafts of the Group and the Company are not materially different from their carrying amounts as at 31 December 2010 and 2009.

37. Commitments

(a) The Group's capital commitments outstanding at 31 December 2010 not provided for in the consolidated financial statements were as follows:

	2010 '000	2009 '000
Contracted for:		
– acquisition of mining rights in gold mines (note 18)	**95,175**	–
– purchase of fixed assets (note 20)	**2,655**	–
	97,830	–
Authorised but not contracted for:		
– acquisition of piece of land (note 20)	**79,914**	–
Total	**177,744**	–

(b) At 31 December 2010, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2010 $'000	2009 $'000
Within 1 year	**654**	588
After 1 year but within 5 years	**826**	107
	1,480	695

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 rentals.

(c) The Company did not have any commitments as at 31 December 2010 and 2009.

38. Litigations

(a) 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 a PRC subsidiary of the Group in connection with a claim against the subsidiary for construction fees payable in respect of plant and machinery of $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 statement of financial position as at 31 December 2010 and 2009.

(b) On 28 May 2010, a PRC subsidiary of the Group received a summons from a court in Jiangsu, the PRC (江蘇省鎮江市京口區人民法院) (the "Jiangsu Court") that a PRC independent third party filed a claim in the Jiangsu Court against the subsidiary for construction fees payable in respect of a plant and machinery of $551,000 (RMB480,000) plus litigation costs and the Jiangsu Court judged that the subsidiary was liable to pay the amount. The subsidiary filed a counterclaim against the plaintiff. A provision of $551,000 was included in other payables in the consolidated statement of financial position as at 31 December 2010.

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

39. 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.

40. Related party transactions

(a) During the years ended 31 December 2010 and 2009, the Group had the following related party transactions:

(i) In September 2010, the Group entered into a sale and purchase agreement with Chifeng Li Geng Mining Machinery Equipment Co., Ltd. ("Li Geng") (赤峰力更礦山機械設備有限公司), pursuant to which the Group agreed to purchase and Li Geng agreed to dispose of certain machineries at a total consideration of RMB5,800,000 (equivalent to $6,815,000) and the Group paid a deposit of RMB5,200,000 (equivalent to $6,110,000). A general manager of a subsidiary of the Group is the legal representative and the sole shareholder of Li Geng. In December 2010, the Group and Li Geng entered into an agreement to terminate the sale and purchase agreement. On 10 March 2011, the Group was refunded a partial deposit of RMB2,078,000 (equivalent to $2,442,000).

(ii) During the year, a deputy general manager of a subsidiary of the Group provided personal guarantee of RMB20,700,000 (equivalent to $24,326,000) to a bank for a loan of RMB20,000,000 (equivalent to $23,504,000) granted to the Group (note 27(a)).

(iii) During the year, Pu Er An Yan Co., Ltd. (普洱市安岩有限公司), in which a deputy general manger of a subsidiary of the Group is a shareholder, pledged a bank deposit of RMB10,000,000 (equivalent to $11,752,000) to a bank for a loan of RMB9,000,000 (equivalent to $10,576,000) granted to the Group (note 27(a)). Subsequent to the reporting period, the Group repaid the bank loan and the bank deposit of the related party pledged as security was released (note 45(d)).

(iv) During the year ended 31 December 2009, the Group settled the entire loan of $7,809,000 due to a related company, Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd. (江蘇正豐油脂倉儲有限公司) in which an executive director of the Company, Mr. Lam Cham, was the legal representative, and recognised interest expenses on loan due to the related company of $2,658,000 in the consolidated income statement (note 6(a)).

(b) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2010 $'000	2009 $'000
Short-term employee benefits	**9,219**	5,699
Post-employment benefits	**54**	73
Equity-settled share-based payment expenses	**–**	40
	9,273	5,812

41. 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 29 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 indicated and 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 indicated and proved and probable reserves of the ore mines.

(b) Possible penalties on stipulated maximum production capacity

Prior to the Group's completion of the acquisition of Mojiang Company, the actual mining production volume of Mojiang Company had exceeded the maximum mining production capacity as stipulated in its mining licence. The PRC lawyer advised that Mojiang Company may be subject to a risk of potential penalties for its non-compliance with the production capacity as stipulated in the mining licence in accordance with the relevant rules and regulations of the PRC. The PRC lawyer also advised that the PRC authorities have not issued any notice of penalties against Mojiang Company but the mining licence of Mojiang Company is still valid. The Company's directors considered that Mojiang Company's exposure to the potential penalties arising from the non-compliance with the stipulated mining capacity is remote, accordingly, no provision is required in the these financial statements.

(c) Renewal of mining rights

The Group's mining rights will expire during the period from June 2011 to March 2013 and, in the opinion of the directors of the Company, the Group will be able to renew the mining rights with the relevant authorities in the PRC continuously at insignificant cost.

(d) Depreciation and amortisation

Fixed assets 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 finance and 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.

41. Accounting estimates and judgements (Continued)

(e) Valuation of inventories

Inventories are stated at the lower of cost and net realisable value at the end of the reporting period. 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 at each year end date and assess the need for write down of inventories.

(f) Impairments

In considering the impairment losses that may be required for the Group's mining rights, mining structures and fixed assets, recoverable amounts of the assets need to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate fair value less costs to sell 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. Had different parameters and discount rates been used to determine the fair value of the intangible assets, the Group's results of operations and financial position could be materially different.

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.

(g) 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.

41. Accounting estimates and judgements (Continued)

(h) Assets and liabilities of the disposal group classified as held for sale

As set out in notes 8 and 45(b) to these financial statements, the Group discontinued the operations of the production and sale of small pack edible oils, trading of edible oil and related products which have been classified as a disposal group held for sale. The directors of the Company expected the disposal to be completed within the next year, after having taken due care and considerations of the circumstances relating to the disposal group up to the date of approval for these financial statements. The determination of the fair values of these assets and liabilities of the disposal group less cost to sell requires significant judgement which may have significant impact on the results and financial position of the Group as at 31 December 2010.

(i) Impairment of available-for-sale financial asset

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and business outlook for the investee.

(j) Interests in subsidiaries

Interests in subsidiaries are carried at cost less impairment. Judgement is required when determining whether an impairment existed. In making this judgement, historical data and factors such as industry, sector performance and financial information regarding the subsidiaries are taken into account.

(k) 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.

42. Financial guarantee

During the year, the Company had given a corporate guarantee to a bank in connection with banking facilities granted by the bank to a subsidiary. At 31 December 2010, such facilities were drawn down by the subsidiary to the extent of $37,536,000. The maximum liability of the Company under the guarantee issued represents the amount drawn down by the subsidiary of $37,536,000. No recognition was made because the fair value of the guarantee was insignificant and that the directors of the Company considered it is unlikely that a claim would be made against the Company under the guarantee.

43. Major non-cash transactions

During the years ended 31 December 2010 and 2009, the Group had major non-cash transactions for the acquisitions of subsidiaries. Part of the considerations were settled by issue of the Company's shares and convertible bonds and the Group's non-current payable, details of which are referred to notes 32(b), (d) and 33.

44. Comparative figures

Certain comparative figures have been restated in compliance with HKFRS 5 "Non-current Assets Held for Sales and Discontinued Operations" from the discontinued operations of the Group's business during the year, details of which are referred to note 8.

45. Events after the reporting period

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

(a) On 18 January 2011, Jinxing, an indirect wholly-owned subsidiary of the Company, entered into a sale and lease back agreement (the "Agreement") with an independent third party Minsheng Financial Leasing Co., Ltd. (民生金融租賃股份有限公司), pursuant to which, certain fixed assets of Jinxing have been sold and immediately have been leased back by Jinxing. At the end of the period governed by the Agreement, Jinxing has an option to buy back all these fixed assets at the nominal consideration of RMB1. In the opinion of the directors of the Company, all the economic benefits and risks associated with the relevant fixed assets shall remain at Jinxing and therefore, this arrangement is in substance a borrowing.

Jinxing has raised a net borrowing of RMB270 million, after deducting handling charges of RMB30 million, which is secured by the personal guarantee provided by Mr. Chang Yim Yang, an executive director of the Company, and the pledge of the mining right of and the entire equity interest in Jinxing. This borrowing is bearing an effective interest rate of 10.53% per annum and shall be repaid, together with the accrued interests, by six instalments as follows:

	RMB'000
15 May 2011	7,897
15 August 2011	7,897
15 November 2011	7,897
15 November 2012	134,129
15 November 2013	168,308
15 February 2014	42,077

(b) As further detailed in note 8, the Group and the Purchaser entered into a conditional letter of intent on 29 March 2011, pursuant to which the Group will dispose of and the Purchaser will acquire the entire equity interest in Zhenjiang Companies at a proposed cash consideration of RMB20,000,000. The terms and consideration of the disposal transaction will be agreed subject to the result of the due diligence work to be completed by the Purchaser.

(Expressed in Hong Kong dollars unless otherwise indicated)

45. Events after the reporting period (Continued)

(c) As further detailed in note 18, the Group paid deposits for the proposed acquisitions of two mining rights for gold mines in Henan and Inner Mongolia in the PRC. In January 2011, the acquisition of gold mine in Henan was completed and the Group has obtained the title certificate of this mining right. The acquisition of the mining right in Inner Mongolia has not been completed as at the date of approval for these financial statements.

(d) On 2 March 2011, the Group repaid a bank loan of RMB9,000,000 (equivalent to $10,576,000) and the bank deposit of a related party pledged as security was released (note 40(a)(iii)).

(e) On 28 January 2011, a sum of RMB141,000,000 (equivalent to approximately HK$165,670,000) was advanced to an equipment supplier in which a deputy general manager of a subsidiary has interest. On 30 January 2011, this advance was fully repaid by the related equipment supplier to Jinxing.

46. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2010

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 2010.

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)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[7]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[3]
HKAS 32 (Amendments)	Classification of Rights Issues[6]
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[3]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 1 (Amendments)	Servere Hyperinflation and Removal of Fixed Dates for First-time Adopters[7]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 January 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 February 2010.
7 Effective for annual periods beginning on or after 1 July 2011.

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Five Years Summary

(Expressed in Hong Kong dollars)

	2006 $'000	2007 $'000	2008 $'000	2009 $'000 (Restated)	**2010 $'000**
Assets and liabilities					
Total assets	715,823	206,521	143,012	715,496	**4,484,736**
Total liabilities	(773,611)	(141,746)	(73,357)	(199,983)	**(1,463,385)**
NET ASSETS/(LIABILITIES)	(57,788)	64,775	69,655	515,513	**3,021,351**
Share capital	100,000	100,000	117,500	213,215	**416,448**
Reserves	(157,788)	(35,225)	(47,845)	302,298	**2,604,903**
TOTAL EQUITY	(57,788)	64,775	69,655	515,513	**3,021,351**
Results					
Turnover					
Continuing operations	329,320	150,729	139,541	19,370	**168,154**
Discontinued operations	1,306,332	19,863	–	75,778	**4,880**
	1,635,652	170,592	139,541	95,148	**173,034**
Profit/(loss) before taxation					
Continuing operations	(50,684)	(18,830)	(52,209)	193	**79,413**
Discontinued operations	(224,454)	154,588	–	(25,984)	**(35,045)**
	(275,138)	135,758	(52,209)	(25,791)	**44,368**
Income tax					
Continuing operations	(4,375)	–	–	(3,399)	**(22,438)**
Discontinued operations	(43,871)	–	–	–	**–**
	(48,246)	–	–	(3,399)	**(22,438)**
Profit/(loss) for the year					
Continuing operations	(55,059)	(18,830)	(52,209)	(3,206)	**56,975**
Discontinued operations	(268,325)	154,588	–	(25,984)	**(35,045)**
	(323,384)	135,758	(52,209)	(29,190)	**21,930**

Corporate Information

Board of Directors

Executive Directors

Mr. LAM Cham
(Chairman and Deputy Chief Executive Officer)
Mr. DAI Xiaobing *(Chief Executive Officer)*
Mr. CHANG Yim Yang
Mr. DENG Guoli

Non-executive Director

Mr. WANG John Peter Ben

Independent Non-executive Directors

Professor WONG Lung Tak, Patrick, BBS, PhD, J.P.
Mr. CHAN Kin Sang
Professor XIAO Rong Ge

Company Secretary and Qualified Accountant

Ms. LEE Kit Tuen

Authorised Representatives

Mr. LAM Cham
Mr. DAI Xiaobing

Audit Committee

Professor WONG Lung Tak, Patrick, BBS, PhD, J.P.
(Chairman)
Mr. CHAN Kin Sang
Professor XIAO Rong Ge

Remuneration Committee

Mr. LAM Cham *(Chairman)*
Professor WONG Lung Tak, Patrick, BBS, PhD, J.P.
Mr. CHAN Kin Sang

Registered Office

Cricket Square
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Principal Place of Business in Hong Kong

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

Auditor

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:
Bank of Communications, Hong Kong Branch
Standard Chartered Bank
Bank of China (Hong Kong) Limited

In the PRC:
China Construction Bank Song Shan Sub-Branch
Industrial & Commercial Bank of
China Luanchuan Sub-Branch
Agricultural Bank of China, Luanchuan County
Tantou Fenlichu
Mojiang County Rural Credit Cooperatives

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 2010	:	HK$1.73
Market capitalisation as at 31 December 2010	:	HK$5,763,645,911

Shareholders' Reference

Financial Calendar

Annual general meeting	26 May 2011

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