CPM

Fast Growing, Low Cost, Highly Efficient

A Committed Gold Producer in China

高增長、低成本、高效率**中國黃金生產商**

China Precious Metal

Annual Report

2011 年報

Stock code 股份代號 1194

Contents

Corporate Profile

China Precious Metal Resources Holdings Co., Ltd. 中國貴金屬資源控股有限公司 (the "**Company**") and its subsidiaries (collectively the "**Group**") were established 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).

The Group is one of the largest private gold mining enterprises in the PRC and one of the few consolidators in the gold mining industry recognized by the local governments. Currently, the Group possesses gold mining rights primarily located in Henan, Yunnan and Inner Mongolia. Henan and Yunnan are among the five major gold mining provinces in the PRC. The producing gold mines of the Group are:

Jinxing Gold Mine in Henan

The Jinxing Mine is located in Henan Province, approximately 110 km from Luoyang City. The mine is located at the junction between the southern margin of the Xiao Qinling Mountain Mineralization Zone and the Xinhuaxia Taihang uplift zone. Ten vein groups have been identified within the mining area.

The mine is an operating polymetallic mine that produces gold concentrate, alloy gold and lead concentrate. The mining license covers an area of round 22 km^2, which includes Kangshan I, Kangshan II and Jinling mining area.

Luanling Gold Mine in Henan

The Luanling Gold Mine is located 32 km north east of Luanchuan County, the eastern section of Xiao Qinling Mountain Mineralization zone with more than 10 mineralized zones. Main products from this mine are gold concentrate and alloy gold. As a result of the differing style of mineralization, the mine is divided into two areas, named Northern and Southern, with the mining method of underground and open-pit respectively.

Mojiang Gold Mine in Yunnan

The Mojiang Mine is an open pit mine with an area of approximately 7 km^2 located in Mojiang Hani Autonomous County, Puer City, Yunnan Province. The mine has a long operation history since 1970. Heap leaching method is utilized to produce alloy gold.

Apart from gold deposit in Mojiang Mine, there is also rich nickel metal. The nickel ore bodies occur parallel to the gold ore bodies and belong to a typical hydrothermal type that are mainly sulfides.

Yongfeng Gold Mine in Inner Mongolia

The Yongfeng Mine is located in Honghuagou, Chifeng City, Inner Mongolia. It currently holds seven mining licenses covering a total mining area of 0.92 km^2. The mine is an underground mine located in Honghuagou mineralization belt of Inner Mongolia that has relatively high gold grade.

Financial Highlights

Profit for the year is 18 times more than last year

HK$417,406,000

Turnover for the year amounted to **HK$1,119,298,000**, representing a year-on-year increase of HK$951,144,000 or 565.6%

Gross profit amounted to **HK$724,587,000**, representing a year-on-year increase of HK$650,807,000 or 882.1%, and gross profit margin for the year was 64.7%, representing a year-on-year increase of 20.8%

Earnings before interest, tax, depreciation and amortisation (adjusted EBITDA) for the year was approximately **HK$824,573,000**, representing a year-on-year increase of HK$721,131,000 or 697.1%

Profit for the year amounted to **HK$417,406,000**, representing a year-on-year increase of HK$395,476,000 or 1,803.4%

Gold sales for the year amounted to **87,607 ounces**, a year-on-year growth of 452.4%

Earnings per share for the year was **HK12.5 cents,** compared with HK0.9 cents in 2010

Cash costs per ounce (net of by-product credits) was **US$270.5**

Gold reserves and resources amounted to **5.72 million ounces**, representing an increase of 22.2%

Chairman's Statement

Dear shareholders,

I, on behalf of China Precious Metal Resources Holdings Co., Ltd (the "Company") and subsidiaries (together the "Group"), would like to present to you the audited consolidated results of the Group for the year ended 31 December 2011. During the year of 2011, with the efforts of all the staff, the Group has recorded rapid growth despite the volatile market condition. I hereby would like to extend my most sincere gratitude to Members of the Board for their efforts and trust to the Company, and to all shareholders, the management, the entire staff, the investors, as well as business partners of the Group for their continuous support.

The year 2011 witnessed the uncertainties of economic prospects in the US, the lingering concerns over the European sovereignty debt, paired with the pressure of global inflation and the impact of geopolitical crisis. As a result, risk aversion and investment demand propelled the gold price to rise further, maintaining its upward trend for the past 11 consecutive years. During the year, international market spot price for gold reached a record high of US$1,921/ounce, with cumulative increase of over 28% throughout the year.

Facing opportunities and challenges of the market environment in 2011, with its clear market positing and strategic layout as well as its unique advantages for development, the Group achieved significant improvement in gold production and realized stable increase in gold reserves and resources. During the year, the Group has achieved outstanding results, recording a production of 87,572 ounces of gold, and a turnover of HK$1,119,298,000, representing a year-on-year increase of 565.6%. The gross profit of the Group amounted to HK$724,587,000 with a year-on-year increase of 882.1%, adjusted EBITDA amounted to HK$824,573,000 with a year-on-year increase of 697.1%, and profit for the period amounted to HK$417,406,000, representing a year-on-year increase of 1,803.4%.

As one of the largest private gold producers in China, the Group has laid down clearly defined objectives regarding business layout. The Group has full access to the quality resources in Henan province and Yunnan province - two of the top five provinces in China in terms of gold production. The mining areas are mainly located along Xiao Qinling mineralization belt in Henan province of Central China and Ailaoshan mineralization belt in Yunnan province of Southern China, which are both major mineralization belts for gold mines with enduring history in mining.

At present, the Group has 4 operating gold mines in China, located in Luanchuan County (Henan Province), Mojiang County (Yunnan province) and Chifeng City (Inner Mongolia), respectively, with a total gold production volume of 87,572 ounces for the full year of 2011. Meanwhile, the Group will carry out the expansion project of Jinxing Gold Mine, Luanling Gold Mine and Mojiang Gold Mine in 2012.

In terms of cash cost, the Group has managed to keep the cash cost for production at one of the lowest as compared with its international counterparts, thanks to the favorable conditions for mining, high grade ore and scientific production methods. In 2011, the Group's average cash cost for production (net of by-product credits) amounted to US$270.5/ounce, compared to global average of approximately US$603/ounce in 2011.

The Group has also actively acquired operating gold mines and significantly boosted the gold reserves and resources. After acquiring Luanling Gold Mine (Henan) and successfully integrating nearby gold mines, the gold reserves and resources of the Group amounted to 5.72 million ounces. In July 2011, the Group released an announcement regarding the intent to acquire Hengyi Gold Mine (Yunnan). If this acquisition goes through, the Group's gold reserves and resources will be substantially increased.

In addition, the Group carried out extensive exploration in the areas surrounding the mining areas in Henan province and Yunnan province in 2011 and has already achieved considerable outcome. We are convinced that the exploration will further increase the Group's gold reserves and resources and extend the life of the mines, thus creating more value for shareholders and investors.

Looking ahead in 2012, in the context of uncertainties surrounding the recovery of global economy, gold will remain a major choice in diversifying investment and lowering systematic risks. As an emerging power in the gold mining industry, the Group is committed to making joint effort with its management and staff, keeping in line with the market changes, integrating and enhancing comprehensive productivity of mines via efficient acquisitions. With the help of strategic planning, the Group aims to increase its gold reserves and resources in a steady yet rapid manner and significantly enhance the profitability of gold production, thus bringing stable rewards to our shareholders and investors.

Lam Cham
Chairman

Hong Kong, 23 March 2012

Management Discussion and Analysis

> The group's growth will come from optimizing existing operations and acquiring promising new projects. As one of the lowest-cost gold producers, we are well positioned to take the leadership in the consolidation of gold industry in China and achieve superior value for shareholders.

Management Discussion and Analysis

> “Gold sales for the year amounted to **87,607** ounces.”

Group Development

Gold Production

As at 31 December 2011, the total gold production amounted to 2,723.8 kg (approximately 87,572 ounces). Jinxing Gold Mine, Luanling Gold Mine, Mojiang Gold Mine and Yongfeng Gold Mine produced 1,143.3 kg (approximately 36,757 ounces), 636.5 kg (approximately 20,464 ounces), 700.6 kg (approximately 22,525 ounces) and 243.4 kg (approximately 7,826 ounces) of gold respectively.

Gold Market

In 2011, gold price remained at historical high level. Gold price fluctuated between US$1,319 per ounce and the historical record high of US$1,921 per ounce. The annual average market price also reached a record high of US$1,572 per ounce, increased 28% comparing to 2010. Due to European sovereign debt crisis, major central banks in the world have adopted extremely loose monetary policies. Therefore, as a traditional means for preserving value and an alternative option to currency, gold was continually chased by investors. The uncertain macroeconomic environment, loose monetary policies, and limited availability of alternative safe haven investments was supportive of continued strong investment demand. In the meanwhile, the demand for gold jewelry and other utilization still remained as a driving engine in the gold market and thus was supportive of gold price.

In addition, for the second consecutive year, global central banks, including those of Mexico, Russia, Turkey, Thailand and Korea, were net purchasers of gold in order to increase their gold reserves. For those emerging market countries, such as BRIC (Brazil, Russia, India and China), their percentages of gold reserves to total foreign reserves are remarkably lower than those in developed countries. In many developing countries, the majority portions of their central banks' foreign reserves are in U.S. dollar assets. As those countries identified the needs to reduce their exposure to U.S. dollar in order to diversify their foreign reserve portfolios, gold will become one of the top beneficiaries.

Operation Review

Mergers and Acquisitions

In mid-October 2011, Jinxing Gold Mine entered into a cooperative framework agreement with the local government of Luanchuan County in Henan, pursuant to which Jinxing Gold Mine was recognized as a major consolidator in the non-coal mineral resources industry. The local government would offer general support to Jinxing Gold Mine, including land and various other incentives, to encourage Jinxing Gold Mine to consolidate the local gold mining industry, and construct mining and processing facilities. The Group was also encouraged to establish headquarters and scientific research and training centers in the region.

On 22 July 2011, the Group concluded a letter of intent with an independent third party. Accordingly, the Group would acquire the entire equity interest of Sinowise Century Limited. The intended consideration is not more than RMB 2 billion. The Group paid the seller RMB300 million as earnest payment in 2011. The Group then concluded a supplementary agreement with the seller and paid an additional RMB250 million as additional earnest payment to achieve joint management. Sinowise Century Limited and its subsidiaries hold two mining rights and other exploration rights for gold mines in Yunnan with mining rights area of 2.7 km^2 and exploration rights area of over 30 km^2.

During the year, the Group paid deposit of RMB160 million for the acquisition of the mining and exploration rights in respect of Chaoyuan Gold Mine located in Luanchuan County, Henan, for a consideration of RMB160 million. The mining permit and exploration permit cover an area of 1.2 km^2 and 13.6 km^2, respectively. In addition, the Group also proposed to acquire two exploration rights for a consideration not exceeding RMB200 million. The Group has paid a deposit of RMB80,000,000.

In 2010, the Group paid a deposit of RMB10,000,000 in respect of the acquisition of the mining rights of the No. 6 Gold Mine located in Chifeng City, Inner Mongolia. Consideration of the mining rights was RMB26,000,000. The transaction has been completed during the year.

In 2010, the Group paid a deposit of RMB25,000,000 in respect of the acquisition of the mining rights of the Jinling Gold Mine located in Luanchuan County, Henan. Consideration of the mining rights was RMB90,000,000. The transaction has been completed during the year.

Operation and Construction

Digitalization

During 2011, the Group invested into the establishment of corporate digital network. Each of our mines has been equipped with a real-time visual monitoring system to monitor mine operation and safety. In addition, we have set up an inspection and detection system in the explosives warehouses in each of our mines to provide comprehensive protection to the usage and security of daily explosives. The establishment of a digital network has offered an effective inter-communication channel between our mines, offices, branches, operation centers and headquarters. It also laid a solid foundation for fully-digitalized mining operation in the future. The operation center has evolved into an open system characterized by modularization, mobilization and visualization, which we intend to establish into an effective automated operation and office system in the future.

Jinxing Gold Mine, Henan

In 2011, Jinxing Gold Mine has completed various infrastructure constructions and reinforcements for production safety and environmental protection purposes, such as the construction of a dam of over 4,000m^3, flood-draining cavity of over 200 meters in tailing dam and new office premise.

During the year, exploration work of over 10,000 meters of tunnels and over 26,000 meters of drillings has laid a solid foundation for the sustainable future production.

Luanling Gold Mine, Henan

In 2011, we have completed various underground shaft infrastructure construction and upgrade. The four underground mining areas and two open-pit mining areas commenced operation.

During the year, the technical improvement and upgrade of the processing plants in Luanling Gold Mine was recognized as a major project in Luanchuan County by the Luanchuan County Government and gained substantial support and attention from the government. The project was completed and the operation commenced in August 2011.

Mojiang Gold Mine, Yunnan

During 2011, as part of our efforts to improve production yield rates and resources utilization, we have completed the upgrade of the processing plant and the waste recycling system. In addition, the completion of the consolidation work of the dam has further enhanced our environmental protection and safety in the mine. The additional electricity-generating unit equipped during the renovation work of our premises and plants will provide continuous and unintermittent supply of electricity to Mojiang Gold Mine.

Gold Resources/Reserves

At the end of year 2011, the Group had total resources reserve of 173.8 tonnes (2010: 145.7 tonnes) in terms of standard issued by the Joint Ore Reserves Committee in Australia ("JORC") and/or its equivalent, representing an increase of 19.3% from last year. Among these resources reserve, indicated resources (inclusive of probable reserves) were 69.1 tonnes (2010: 45.7 tonnes) and inferred resources were 104.7 tonnes (2010: 100.0 tonnes). The indicated resources (inclusive of probable reserves) for Jinxing Gold Mine, Luanling Gold Mine, Mojiang Gold Mine and Yongfeng Gold Mine were 32.1 tonnes, 21.4 tonnes, 9.8 tonnes and 5.8 tonnes respectively. The inferred resources for Jinxing Gold Mine, Luanling Gold Mine, Mojiang Gold Mine and Yongfeng Gold Mine were 42.9 tonnes, 44.1 tonnes, 6.6 tonnes and 11.1 tonnes respectively. The increase in resources reserve were attributable to the completion of new acquisition and consolidation of gold mining rights, new discoveries from geological explorations and technical assessment on resources reserve updated by independent professional competent persons. The gold grade ranged from 2.0g to 10.8g (2010: from 2.0g to 11.1g) per tonne of resources reserve.

The exploration, development and mining production expenditures expensed and capitalised

	Year 2010					**Year 2011**				
	Yongfeng HKD'000	Mojiang HKD'000	Jinxing HKD'000	Luanling HKD'000	Total HKD'000	**Yongfeng HKD'000**	**Mojiang HKD'000**	**Jinxing HKD'000**	**Luanling HKD'000**	**Total HKD'000**
Exploration, development and mining production expenditures expensed	12,720	711	10,403	–	23,834	**17,606**	**82,087**	**91,326**	**54,298**	**245,317**
Exploration, development and mining production expenditures capitalised	24,992	–	13,787	–	38,779	**66,608**	**14,134**	**359,438**	**184,348**	**624,528**
Total expenditures of exploration, development and mining production	37,712	711	24,190	–	62,613	**84,214**	**96,221**	**450,764**	**238,646**	**869,845**

Production Safety and Environmental Protection

The Group adopted the notion of "safety-first approach aiming at prevention and comprehensive governance" in its production safety measures. We achieved a zero-injury record throughout the year. The Group recognizes the importance of prevention measures in safety management. To this end, the Group has enhanced its supervision and control over the entire process and timely eliminated potential dangers that could lead to accidents. Meanwhile, the Group organized various training programs of safety for our staff to continuously raise their awareness of safety and improve their skills. The Group believes that the above measures have formed the basis of a safe and environmental-friendly working environment and another year of zero-injury. During the year, Luanling Gold Mine was awarded the "2011 Advanced Enterprises in Production Safety" by the Luanchuan County Government, Henan and the "2011 Advanced Enterprise in Production Safety in Gold Mining Industry" by the Luoyang City Government.

The Group attaches great importance to environmental protection. Throughout the year, the Group complied with laws and regulations on environmental protection promulgated by the PRC and participated proactively in training programs organized by various levels of environmental protection authority to improve the knowledge and requirements on environmental protection of our staff. The Group strictly implemented a series of environmental protection initiatives under the requirements of environmental protection authorities in the respective processes, including the reduction of mine dust, recycling of sewage from tailing, noise control and land reclamation. During the year, Jinxing Gold Mine was awarded the "Advanced Enterprises in Mine Environmental Protection" by the Luoyang City Bureau of Geology & Mineral Resources.

Social Responsibilities and Relationship with Government

The Group seeks constantly to contribute to the local society. Apart from the active participation in social welfare activities such as local infrastructure construction, poverty alleviation, education and environmental protection as a responsible enterprise.

In 2011, Jinxing Gold Mine was awarded the "Enterprise with Outstanding Contribution to Economy and the Society", "Enterprise with Advanced Mode of Operation and Management in Gold Mining Industry" and "Advanced Consolidator in Mining Industry" by Luanchuan County Government, Luoyang City Gold Mining Authority and Luoyang City Bureau of Geology & Mineral Resources.

In 2011, Luanling Gold Mine was awarded the "2011 Advanced Enterprise with Special Contribution to the Development of Economy and the Society" by Tantou County Government.

Group Results

For the year ended 31 December 2011, the Group's turnover was approximately HK$1,119,298,000 (2010: HK$168,154,000), which is 5.7 times than that in the previous year. Profit attributable to the owners of the Company was approximately HK$417,406,000 (2010: HK$21,930,000), which is 18 times than that in the previous year. The significant growth in our turnover was attributable to the contributions from gold mines in Jinxing, Luanling, Mojiang and Yongfeng to our final results.

During the year, the Group generated an earnings before interest, tax, depreciation and amortisation (adjusted "EBITDA") of approximately HK$824,573,000 (2010: HK$103,442,000), which surged significantly by about 7 times as compared with last year. Earnings per share amounted to HK12.5 cents (2010: HK0.9 cents).

Selling and Distribution Costs

During the current financial year, the Group's selling and distribution costs amounted to approximately HK$7,350,000, an increase of approximately HK$6,209,000 or 544.2% over the last financial year. Such increase was mainly due to the expansion of the Group's gold mining business.

Administrative Expenses

During the current financial year, the Group's administrative expenses increased by HK$52,906,000 or 179.5% compared with the last financial year. This increase was mainly due to the expansion of the Group's gold mining and exploration operations.

Finance Costs

During the current financial year, the Group's finance costs amounted to HK$70,701,000, representing an increase of HK$64,874,000 or 1,113.3%. The increase in finance costs was mainly due to increase in interest on bank and other borrowings.

Deferred Tax

As at 31 December 2011, deferred tax arising from mergers and acquisitions of gold mines during last financial year amounted to HK$706,970,000, which was calculated at a tax rate of PRC income tax of 25% on the increase in fair value of mining rights, and was subsequently offset on amortization of such increase in mining rights at a rate of 25%. Such liabilities were accounted for in accordance with the accounting principle and therefore no repayment is required.

Liquidity and Financial Resources

Cash flow of the Group remains healthy. The Group is in possession of reasonable operating cash flow due to the strong growth in our operations. As at 31 December 2011, the Group's cash and bank equivalents (including pledged bank deposit) were HK$125,998,000 (31 December 2010: HK$98,117,000). Net assets were HK$3,557,712,000 (31 December 2010: HK$3,021,351,000) and net current liabilities were HK$465,659,000 (31 December 2010: HK$149,620,000).

Capital Structure

During the year under review, 100,000 share options were exercised to subscribe for 100,000 shares of the Company.

As at 31 December 2011, the total number of issued ordinary shares of the Company was 3,331,687,232 shares (31 December 2010: 3,331,587,232 shares), each of HK$0.125.

As at 31 December 2011, the Group's net debts (total bank borrowings, convertible bonds and other loan less cash and bank balances) were HK$1,182,395,000 (31 December 2010: HK$283,794,000).

As at 31 December 2011, the Group's gearing ratio, representing total liabilities (excluding deferred tax liabilities) over total assets, was 30.7%.

Pledge of Non-Current Assets

As at 31 December 2011, all of the Group's bank and other borrowings of approximately HK$1,089,429,000 (31 December 2010: HK$166,809,000) include secured bank and other borrowings of HK$879,932,000 (31 December 2010: HK$37,534,000) which were secured by the Group's construction in progress and fixed assets with a total net book value of HK$249,197,000 (31 December 2010: HK$79,874,000), the mining right of Luanchuan County Jinxing Mining Co., Ltd. ("Jinxing"), a wholly-owned subsidiary of the Group, with a carrying amount of HK$1,851,727,000 (31 December 2010: HK$nil) and the equity interest of several wholly-owned subsidiaries of the Group (31 December 2010: no such assets were pledged).

Foreign Currency Exposure

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

Employees

As at 31 December 2011, the Group employed approximately 610 employees in the PRC and Hong Kong. All employees are remunerated according to their performance, experience and prevailing trade practices. Both on-the-job and professional training are provided as well. The Group provides retirement benefits, either in the form of the Mandatory Provident Fund Exempted ORSO or Mandatory Provident Fund entitlement, to employees in Hong Kong. A similar scheme is also maintained for employees in the PRC.

Share Options Schemes

The Group has implemented a share option scheme to reward eligible employees according to their individual performance. Through dedication and efforts of our management and employees, we aim to maximize the value of our shareholder, investors, management and employees.

Company Prospects

During the current financial year, the overall market has been under significant pressure due to extreme volatilities in the global financial market and the European sovereign debts crisis, which has undermined the external economic environment. Looking forward to the 2012 financial year, there are still uncertainties in the recovery of the global market. On the back of such environment, gold remains a fundamental option for investors who opt for a diversified portfolio to mitigate systematic risks. Coupled with the overwhelming demands from the PRC market, the management expects to see continued upside potential for gold price during the coming financial year.

Based on the existing gold reserves and resources of the Group, it is expected to have a higher production in the year to come compared with the previous year which is in line with market demands. Leveraged on our low production cost and our competitive edges in the industry, the profitability of the Group is expected to further improve. Supported by local governments of the PRC and its strong management team, China Precious Metal, as one of the largest private gold mining enterprises in the PRC, is expected to achieve another successful year in 2012.

Gold Mine Projects

As at 31 December 2011, the Group owned gold mines located in Henan, Yunnan and Inner Mongolia.

Locations of Our Mines

Corporate Governance Report

Corporate Governance Practices

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

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

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 2011.

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 2011, 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 2011, the Board consists of nine Directors, with five executive Directors, namely Mr. Lam Cham, Mr. Chang Yim Yang, Mr. Dai Xiaobing, Mr. Deng Guoli, and Mr. Zhang Shuguang, 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. Lam Cham was appointed as Chairman on 3 March 2011 and Mr. Dai Xiaobing was appointed as Co-chairman on 6 September 2011. Mr. Deng Guoli and Mr. Zhang Shuguang were first appointed on 3 March 2011 and 6 September 2011 respectively. Mr. Zhang Liwei on 1 January 2012, was first appointed as executive Director.

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 2011, the Company held 15 Board meetings, with an average participation rate of 84%. The attendance of individual Directors at Board meetings during the year was:

Name of Directors	**Meetings attended/held**
Mr. Lam Cham	15/15
Mr. Chang Yim Yang	13/15
Mr. Dai Xiaobing	14/15
Mr. Deng Guoli (Appointed on 3 March 2011)	7/14
Mr. Lim Wa (Resigned on 3 March 2011)	1/1
Mr. Zhang Shuguang (Appointed on 6 September 2011)	2/2
Mr. Wang John Peter Ben	11/15
Professor Wong Lung Tak, Patrick, *BBS, PhD, J.P.*	15/15
Mr. Chan Kin Sang	10/15
Professor Xiao Rong Ge	14/15

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 2011 amounted to HK$12,834,000. 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. Lam Cham	2,819,000
Mr. Chang Yim Yang	2,803,000
Mr. Dai Xiaobing	2,803,000
Mr. Deng Guoli	1,624,000
Mr. Lim Wa	338,000
Mr. Zhang Shuguang	1,203,000
Mr. Wang John Peter Ben	311,000
Professor Wong Lung Tak, Patrick, *BBS, PhD, J.P.*	311,000
Mr. Chan Kin Sang	311,000
Professor Xiao Rong Ge	311,000

Details of the Directors' emoluments are set out in note 9 to the financial statements.

Corporate Governance Report

For the financial year ended 31 December 2011, a total of 112,000,000 share options had been granted to Directors under the Share Option Scheme adopted by the Company on 18 September 2004. Details of the share options granted and remained outstanding as at 31 December 2011 are as follows:

	Date of grant	Exercise Price HK$	Outstanding at 1 January 2011	Number of option shares Granted during the year	Exercised during the year	Outstanding at 31 December 2011
Mr. Lam Cham	28 October 2011	1.51	–	20,000,000	–	20,000,000
Mr. Chang Yim Yang	28 October 2011	1.51	–	20,000,000	–	20,000,000
Mr. Dai Xiaobing	28 October 2011	1.51	–	20,000,000	–	20,000,000
Mr. Deng Guoli	28 October 2011	1.51	–	20,000,000	–	20,000,000
Mr. Zhang Shuguang	28 October 2011	1.51	–	20,000,000	–	20,000,000
Mr. Wang, John Peter Ben	28 October 2011	1.51	–	3,000,000	–	3,000,000
Professor Wong Lung Tak Patrick, *BBS, PhD, J.P.*	28 October 2011	1.51	–	3,000,000	–	3,000,000
Mr. Chan Kin Sang	28 October 2011	1.51	–	3,000,000	–	3,000,000
Professor Xiao Rong Ge	28 October 2011	1.51	–	3,000,000	–	3,000,000

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 2011, the Audit Committee held three 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. Lam Cham (appointed as chairman of the Remuneration Committee on 3 March 2011). 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 2011, four Remuneration Committee meetings have been held for the amendment of terms of directors' service agreements during the year. All members of the Remuneration Committee have attended all the meetings.

Nomination committee

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.

During the year ended 31 December 2011, three Nomination Committee meetings have been held, and all members of the Nomination committee have attended the meetings.

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 Rong Ge.

During the year ended 31 December 2011, the independent non-executive directors strictly complied with all relevant laws and regulations such as the Company Laws, Guidelines in relation to the Establishment of the System of Independent Directors for Listed Company, and Certain Rules regarding Strengthening Protection of the Interests of the Public Shareholders as well as the rules and requirements under the Articles of Association. Independent non-executive directors performed their duties independently and attended relevant meetings in 2011, investigated thoroughly its subsidiaries, seriously took part in the decision-making of the Company's significant matters, expressed independent opinions on relevant matters of the Company, have constructive advice and recommendations regarding the governance of the Company, reform development and production and operation. During the course of performance of duties, independent non-executive directors upheld the legal rights of shareholder, especially the minority shareholders independently and objectively, fully exploiting the functions of independent non-executive directors.

During the year ended 31 December 2011, one Independent Board Committee has been held, and all members of the Independent board committee have attended the meeting.

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 40 to 41.

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 2011, the amounts billed by its external auditors, CCIF CPA Limited in respect of services provided to the Company were as follows:

	2011 HK$'000
Audit services	**1,800**
Non-audit services	**350**
	2,150

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 2011. 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.

Biographical Details of the Directors and the Senior Management

Directors

Executive Directors

Mr. LAM Cham (林杉), aged 53, deputy chief executive officer and executive Director, was appointed as chairman of the Board, Chairman and member of the Remuneration committee, and chairman and member of the nomination committee on 3 March 2011. Mr. LAM is one of the founders. Prior to founding the Group in 1999, Mr. LAM had worked in two State-owned companies in China engaged in international trading and domestic trading of oil, oilseeds and meals for more than 20 years being responsible for sales and distribution. Mr. LAM is responsible for the Group's overall strategic development and supervising the Group's general operations.

Mr. CHANG Yim Yang (張賢陽), aged 49, 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. CHANG is the brother of Mr. ZHANG Shuguang.

Mr. DAI Xiaobing (戴小兵), aged 44, was first appointed as executive Director on 16 November 2009 for a term of three years, and as Chief Executive Officer on 21 January 2010. On 6 September 2011, Mr. DAI has resigned as the Chief Executive Officer and was appointed as the Co-chairman 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, 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 and an executive director of Sino Oil and Gas Holdings Limited (Stock Code: 702), a company listed on the Main Board of the Stock Exchange. 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 46, 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") on 3 March 2011.

Mr. ZHANG Shuguang (張曙光), aged 42, was appointed as executive director and Chief Executive Officer on 6 September 2011 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, whose primary responsibility is the acquisition and operation of mineral resources, has taken in charge of acquisitions of gold mines in Inner Mongolia, Yunnan and Henan. He was appointed as the general manager of the Operation Center of the Company from 3 March 2011 to 6 September 2011. Mr. ZHANG is the brother of Mr. CHANG Yim Yang.

Mr. ZHANG Liwei (張力維), aged 33, was appointed as an executive director of the Company on 1 January 2012. Mr. Zhang was most recently Senior Vice President with Macquarie Capital. Mr. Zhang has 10 years' experience in providing investment-banking services to natural resource companies on mergers and acquisitions, divestments, debt and equity capital raisings. Throughout his career, Mr. Zhang has worked for various international companies, such as N M Rothschild & Sons, Citigroup, HSBC and Macquarie Capital. Mr. Zhang received his Bachelor degree in Economics with First Class Honors from London School of Economics and Political Science in United Kingdom.

Independent non-executive Directors

Professor WONG Lung Tak, Patrick (黃龍德) BBS, J.P., aged 64, 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, Real Nutriceutical Group Limited (formerly known as Ruinian International Limited) and Winox Holdings Limited (with effect from 24 June 2011) all of which are listed on the Main Board of the Stock Exchange. Professor WONG is also an independent non-executive director of National Arts Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange.

Mr. CHAN Kin Sang (陳健生), aged 59, was first appointed as independent non-executive Director on 19 June 2004. 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 Plywood Holdings Limited, a non-executive director of United Pacific Industries Limited and 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.

Biographical Details of the Directors and the Senior Management

Professor XIAO Rong Ge (肖榮閣), aged 61, was appointed as independent non-executive Director and member of Audit Committee of the Company. Professor XIAO obtained his PhD 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). Professor 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. Professor 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. Professor 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.

Non-executive director

Mr. WANG, John Peter Ben (王志浩), aged 51, 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 Summit Ascent Holdings Limited (formerly known as Arnhold Holdings Limited), a company listed on the Stock Exchange. He also holds non-executive directorship in Melcolot Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. He was formerly a non-executive director of Oriental Ginza Holdings Limited, a company listed on 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. MEI Ximin (梅喜民), aged 52, 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 41, 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.

Mr. LAI Sai Wo (賴世和), aged 38, was appointed as the Company Secretary of the Company with effect from 31 October 2011. Mr. LAI is the fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. LAI has about 14 years of professional experience in financial management, accounting and auditing.

Report of the Directors

The Directors hereby submitting the annual report and the audited financial statements for the financial year ended 31 December 2011

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 2011 are set forth in the consolidated income statement and consolidated statement of comprehensive income on pages 42 to 44.

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2011.

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 158.

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 35 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.

Borrowings

Particulars of bank and other borrowings of the Group as at 31 December 2011 are set out in notes 29 and 28 to the financial statements.

Convertible Bonds

Particulars of convertible bonds of the Group and the Company as at 31 December 2011 are set out in note 31 to the financial statements.

Warrants

Particulars of warrants of the Group and the Company as at 31 December 2011 are set out in notes 30 and 35(c) to the financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 35(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, *Chairman*
Mr. CHANG Yim Yang
Mr. DAI Xiaobing, *Co-chairman*
Mr. DENG Guoli (Appointed on 3 March 2011)
Mr. LIM Wa (Resigned on 3 March 2011)
Mr. ZHANG Shuguang, *Chief Executive Officer* (Appointed on 6 September 2011)
Mr. ZHANG Liwei (Appointed on 1 January 2012)

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

The service contract of Mr. LAM Cham as executive Director of the Company was renewed for a fixed term of three years commencing from 19 June 2010. Mr. CHANG Yim Yang was renewed for a fixed term of three years commencing from 19 June 2011. 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. Mr. ZHANG Shuguang was first appointed as executive Director on 6 September 2011 for a term of three years. Mr. ZHANG Liwei was first appointed as executive Director on 1 January 2012 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) of the Articles, Mr. ZHANG Shuguang and Mr. ZHANG Liwei shall retire at the forthcoming annual general meeting of the Company and shall be eligible for re-election. Pursuant to Article 87(1) of the Articles, Mr. DAI Xiaobing and Professor XIAO Rong Ge shall retire at the forthcoming annual general meeting of the Company and shall be eligible for re-election.

Other than as disclosed above, no Director has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all of its independent non-executive Directors independent.

Directors' and Chief Executives' Interest in Shares

As at 31 December 2011, 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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") to be notified to the Company and the Stock Exchange were as follows:

Name of Directors	Nature of interest and capacity	Total number of the Shares	Approximate percentage of interest	Long/ short position	Number of underlying shares held under equity derivatives (e)
Mr. LAM Cham	Corporate (a)	340,196,670	10.21%	Long	
	Personal (a)	1,400,000	0.04%	Long	20,000,000
	Personal (a)	6,000,000	0.18%	Short	
Mr. CHANG Yim Yang	Corporate (b)	132,188,000	3.97%	Long	
	Personal (b)	19,172,000	0.57%	Long	20,000,000
Mr. DAI Xiaobing	Personal (c)	1,000,000	0.03%	Long	20,000,000
	Personal (c)	10,000,000	0.30%	Short	
Professor WONG Lung Tak, Patrick, *BBS, PhD, J.P.*	Personal (d)	800,000	0.02%	Long	3,000,000
Mr. CHAN Kin Sang	Personal (d)	800,000	0.02%	Long	3,000,000
Mr. DENG Guoli	Personal	–	–	–	20,000,000
Mr. ZHANG Shuguang	Personal	–	–	–	20,000,000
Mr. WANG, John Peter Ben	Personal	–	–	–	3,000,000
Professor XIAO Rong Ge	Personal (d)	–	–	–	3,000,000

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

(a) Aswell Group Limited ("**Aswell Group**") is a company beneficially owned as to approximately 29.4% by Mr. LAM Cham. Accordingly, Mr. LAM Cham is taken to be interested in the Shares held by Aswell Group.

Apart from his indirect interests through Aswell Group, 7,400,000 Shares are directly and beneficially owned by Mr. LAM Cham, out of which 6,000,000 Shares have been pledged.

(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.

Apart from his indirect interests through Lead Pride, 19,172,000 Shares are directly and beneficially owned by Mr. CHANG Yim Yang.

(c) Among the interests directly and beneficially owned by Mr. Dai Xiaobing, 10,000,000 shares have been pledged.

(d) Mr. CHAN Kin Sang, Professor XIAO Rong Ge and Professor WONG Lung Tak, Patrick are independent non-executive Directors.

(e) These represent the interests in underlying shares in respect of the share options granted by the Company, the details of which are set out in the sub-section entitled "Share Options" below.

Save as disclosed above, as at 31 December 2011, none of the Directors nor chief executive of the Company nor their associates, had any interest in long position or short position in the shares, underlying shares or debentures of the Company or its associated corporations which they are taken or deemed to have under such provision 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 required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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 Annual General Meeting held on 26 May 2011, 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.

During the year ended 31 December 2011, a total of 333,100,000 shares options (the "**Share Options**") have been granted under the Share Option scheme.

As at the date of issue of this annual report, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 333,100,000, representing approximately 9.56% of the existing issued share capital of the Company.

Details of the share options granted and remained outstanding as at 31 December 2011 under the Share Option Scheme are as follows:

	Date of grant	Exercise Price HK$	Outstanding at 1 January 2011	Number of option shares Granted during the year	Exercised during the year	Outstanding at 31 December 2011
Mr. Lam Cham	28 October 2011	1.51	–	20,000,000	–	20,000,000
Mr. Dai Xiaobing	28 October 2011	1.51	–	20,000,000	–	20,000,000
Mr. Chang Yim Yang	28 October 2011	1.51	–	20,000,000	–	20,000,000
Mr. Deng Guoli	28 October 2011	1.51	–	20,000,000	–	20,000,000
Mr. Zhang Shuguang	28 October 2011	1.51	–	20,000,000	–	20,000,000
Mr. Wang, John Peter Ben	28 October 2011	1.51	–	3,000,000	–	3,000,000
Professor Wong Lung Tak Patrick, *BBS, PhD, J.P.*	28 October 2011	1.51	–	3,000,000	–	3,000,000
Mr. Chan Kin Sang	28 October 2011	1.51	–	3,000,000	–	3,000,000
Professor Xiao Rong Ge	28 October 2011	1.51	–	3,000,000	–	3,000,000
Other senior management staff and employees	20 March 2008	0.292	100,000	–	100,000	–
Other senior management staff and employees	28 October 2011	1.51	–	221,100,000	–	221,100,000
Total			100,000	333,100,000	100,000	333,100,000

The above two tranches of share options are of an exercise price of $0.292 and $1.51 per share with the exercisable periods from 20 June 2008 to 19 June 2011 and 28 October 2013 to 27 October 2017 respectively.

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

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

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

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

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

As at the date of issue of this annual report, no options were outstanding under the Pre-IPO Share Option Scheme.

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 Black-Scholes option pricing 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 Black-Scholes option pricing 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

On 29 December 2011, China Precious Metal Smeltery Co., Limited (the "**Borrower**"), a wholly-owned subsidiary of the Company, entered into a loan agreement with Mr. CHANG Yim Yang, the Company's executive director and shareholder, pursuant to which Mr. CHANG Yim Yang agreed to lend to the Borrower a loan facility of $147,822,000. The loan is interest bearing at 14.5% per annum, unsecured and repayable within the next two years.

Other than as disclosed above, 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 2011, 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	Number of ordinary shares of the Company	Number of underlying shares (unlisted and equity derivatives) of the Company	Percentage of interest
Aswell Group	Corporate (Note 1)	340,196,670	–	10.21%
Raiffeisen Bank International AG	Corporate (Note 2)	–	358,914,285	10.77%

Notes:–

1. 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.

2. Raiffeisen Bank International AG, the holder of HK$93,480,000 in face value warrants which will entitle the warrantholder to subscribe for 44,514,285 new shares in full at the subscription price of HK$2.10 per new share (subject to adjustments from time to time).

   Raiffeisen Bank International AG has a security interest in shares held by six individual shareholders and none of them is a controlling shareholder. The charge of shares is a total of 314,400,000 shares.

The interests stated above represented long positions. As at 31 December 2011, 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.

Compliance of the Model Code for 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 2011, and they have all confirmed their full compliance with the required standard as set out in the Model Code.

Corporate Governance

The Company has committed to maintaining a high standard of corporate governance and complied with the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2011.

Please refer to the Corporate Governance Report on pages 20 to 25 for details.

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 2011, the Group employed approximately 610 (2010: 576) employees in the PRC and Hong Kong. All employees are remunerated according to their performance, experience and prevailing trade practices. Both on-the-job and professional training are provided as well. The Group provides retirement benefits, either in the form of the Mandatory Provident Fund Exempted ORSO or Mandatory Provident Fund entitlement, to employees in Hong Kong. A similar scheme is also maintained for employees in the PRC. The Group has implemented a share option scheme to reward eligible employees (including executive Directors) according to their individual performance.

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 20%
- five largest suppliers combined 49%

Sales

- the largest customer 37%
- five largest customers combined 70%

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 41 to the financial statements.

Pledge of Assets

Details of pledge of assets of the Group are set out in note 33 to the financial statements.

Litigations and Environmental Contingencies

Details of the litigation and contingencies are set out in notes 47 and 44(k) respectively to the financial statements.

Events after the Reporting Period

Details of significant events occurring after the reporting period are set out in note 48 to the financial statements.

Auditor

The consolidated financial statements of the Company for the year ended 31 December 2011 have been audited by CCIF CPA Limited ("CCIF"). CCIF will retire as auditor at the conclusion of the forthcoming annual general meeting and will not offer themselves for re-appointment.

A resolution will be submitted to the forthcoming annual general meeting of the Company for the appointment of Crowe Horwath (HK) CPA Limited as auditor of the Company. Crowe Horwath (HK) CPA Limited, which was established by the merger of the businesses of CCIF and PCP CPA Limited, is a member firm in Hong Kong for Crowe Horwath International.

On behalf of the Board
LAM Cham
Chairman

23 March 2012

Independent Auditor's Report

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

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 42 to 157 which comprise the consolidated and Company statements of financial position as at 31 December 2011 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 this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 2011 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, 23 March 2012

Leung Chun Wa

Practising Certificate Number P04963

Consolidated Income Statement

For the year ended 31 December 2011 (Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000 (Restated)
Continuing operations			
Turnover	4	**1,119,298**	168,154
Cost of sales		**(394,711)**	(94,374)
Gross profit		**724,587**	73,780
Other revenue	5	**12,670**	2,467
Other net loss	5	**(5,294)**	(293)
Selling and distribution costs		**(7,350)**	(1,141)
Administrative expenses		**(82,388)**	(29,482)
Impairment losses on other receivables	6(c)	**–**	(294)
Acquisition-related costs	38(d)	**–**	(21,546)
Gain on bargain purchase of subsidiaries	38(d)	**–**	63,058
Loss on deregistration of a subsidiary	22(d)	**(83)**	–
Profit from operations		**642,142**	86,549
Finance costs	6(a)	**(70,701)**	(5,827)
Profit before taxation	6	**571,441**	80,722
Income tax	7(a)	**(170,533)**	(22,438)
Profit for the year from continuing operations		**400,908**	58,284
Discontinued operations			
Profit/(loss) for the year from discontinued operations	8(a)	**16,498**	(36,354)
Profit for the year		**417,406**	21,930
Attributable to owners of the Company	11	**417,406**	21,930

The notes on pages 52 to 157 form part of these financial statements.

	Note	2011 HK cents	2010 HK cents (Restated)
Earnings/(loss) per share	13		
From continuing and discontinued operations			
Basic		**12.5**	0.9
Diluted		**12.5**	0.9
From continuing operations			
Basic		**12.0**	2.4
Diluted		**12.0**	2.4
From discontinued operations			
Basic		**0.5**	(1.5)
Diluted		**0.5**	(1.5)

The notes on pages 52 to 157 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011 (Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000 (Restated)
Profit for the year		**417,406**	21,930
Other comprehensive income/(loss) for the year			
Release of exchange reserve upon disposal of subsidiaries	8(b)	**(6,453)**	–
Release of exchange reserve upon deregistration of a subsidiary	22(d)	**83**	–
Exchange differences on translation of financial statements of foreign operations		**123,238**	34,456
		116,868	34,456
Decrease in fair value of available-for-sale financial asset	19	**(11,109)**	(17,483)
		105,759	16,973
Total comprehensive income for the year (net of tax)		**523,165**	38,903
Attributable to owners of the Company		**523,165**	38,903

The notes on pages 52 to 157 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2011 (Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Non-current assets			
Intangible assets	15	**3,939,298**	3,806,111
Fixed assets	16	**749,051**	266,900
Construction in progress	17	**189,705**	42,743
Deposits paid for gold mining rights	18	**723,354**	41,133
Available-for-sale financial asset	19	**118,785**	129,894
Deposits paid for fixed assets	20	**89,541**	25,225
Other deposits	21	**9,659**	7,450
		5,819,393	4,319,456
Current assets			
Inventories	23	**35,623**	7,923
Trade and other receivables, deposits and prepayments	24	**169,170**	25,891
Pledged bank deposits	25	**39,036**	–
Cash and cash equivalents	26	**86,962**	98,117
		330,791	131,931
Assets of a disposal group classified as held for sale	8(d)	**–**	33,349
		330,791	165,280
Current liabilities			
Trade and other payables	27	**407,438**	102,382
Tax payable		**130,362**	29,373
Other borrowings	28	**125,417**	–
Bank loans and overdrafts	29	**133,233**	166,811
		796,450	298,566
Liabilities of a disposal group classified as held for sale	8(d)	**–**	16,334
		796,450	314,900

The notes on pages 52 to 157 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2011 (Expressed in Hong Kong dollars)

	Note	**2011 $'000**	2010 $'000
Net current liabilities		**(465,659)**	(149,620)
Total assets less current liabilities		**5,353,734**	4,169,836
Non-current liabilities			
Other borrowings	28	**542,996**	–
Bank loans	29	**287,783**	–
Derivative financial instruments	30	**39,309**	–
Convertible bonds	31	**218,964**	215,100
Unsecured payable	32	**–**	228,424
Deferred tax liabilities	34(a)	**706,970**	704,961
		1,796,022	1,148,485
NET ASSETS		**3,557,712**	3,021,351
CAPITAL AND RESERVES	35		
Share capital		**416,461**	416,448
Reserves		**3,141,251**	2,604,903
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**3,557,712**	3,021,351

Approved and authorised for issue by the board of directors on 23 March 2012.

Lam Cham
Director

Dai Xiaobing
Director

The notes on pages 52 to 157 form part of these financial statements.

Statement of Financial Position

As at 31 December 2011 (Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Non-current assets			
Deposit paid for fixed assets	20	**3,162**	–
Investments in subsidiaries, net	22	**3,393,472**	3,049,847
		3,396,634	3,049,847
Current assets			
Amounts due from subsidiaries	24	**1,158**	53,707
Other receivables, deposits and prepayments	24	**21,253**	103
Pledged bank deposits	25	**15,600**	–
Cash and cash equivalents	26	**29,509**	52,532
		67,520	106,342
Current liabilities			
Amounts due to subsidiaries	27	**40,493**	76,753
Other payables	27	**16,939**	4,360
		57,432	81,113
Net current assets		**10,088**	25,229
Total assets less current liabilities		**3,406,722**	3,075,076
Non-current liabilities			
Bank loan	29	**287,783**	–
Derivative financial instruments	30	**39,309**	–
Convertible bonds	31	**218,964**	215,100
		546,056	215,100
NET ASSETS		**2,860,666**	2,859,976
CAPITAL AND RESERVES	35		
Share capital		**416,461**	416,448
Reserves		**2,444,205**	2,443,528
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**2,860,666**	2,859,976

Approved and authorised for issue by the board of directors on 23 March 2012.

Lam Cham
Director

Dai Xiaobing
Director

The notes on pages 52 to 157 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011 (Expressed in Hong Kong dollars)

	Share capital $'000 (note 35(b))	Share premium $'000 (note 35(d)(ii))	Statutory surplus reserve $'000 (note 35(d)(v))	Warrants reserve $'000 (note 35(c))	Fair value reserve $'000 (note 35(d)(vii))	Convertible bond equity reserve $'000 (notes 31 & 35(d)(vi))	Capital reserve $'000 (note 35(d)(iii))	Exchange reserve $'000 (note 35(d)(iv))	Retained profits/ (accumulated losses) $'000	Total equity $'000
At 1 January 2011	416,448	2,932,025	26,564	1,250	(17,483)	12,378	10	42,160	(392,001)	3,021,351
Changes in equity for 2011:										
Profit for the year	–	–	–	–	–	–	–	–	417,406	417,406
Other comprehensive income for the year	–	–	–	–	(11,109)	–	–	116,868	–	105,759
Total comprehensive income for the year	–	–	–	–	(11,109)	–	–	116,868	417,406	523,165
New shares issued upon exercise of share options	13	23	–	–	–	–	(10)	–	–	26
Equity-settled share-based payments	–	–	–	–	–	–	13,170	–	–	13,170
Release of reserves upon disposal of subsidiaries	–	–	(15,924)	–	–	–	–	–	15,924	–
Transfer to statutory surplus reserve	–	–	30,055	–	–	–	–	–	(30,055)	–
At 31 December 2011	416,461	2,932,048	40,695	1,250	(28,592)	12,378	13,170	159,028	11,274	3,557,712

The notes on pages 52 to 157 form part of these financial statements.

	Share capital $'000 (note 35(b))	Share premium $'000 (note 35(d)(ii))	Statutory surplus reserve $'000 (note 35(d)(v))	Warrants reserve $'000 (note 35(c))	Fair value reserve $'000 (note 35(d)(vii))	Convertible bond equity reserve $'000 (notes 31 & 35(d)(vi))	Capital reserve $'000 (note 35(d)(iii))	Exchange reserve $'000 (note 35(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:										
Profit for the year	–	–	–	–	–	–	–	–	21,930	21,930
Other comprehensive income for the year	–	–	–	–	(17,483)	–	–	34,456	–	16,973
Total comprehensive income for the year	–	–	–	–	(17,483)	–	–	34,456	21,930	38,903
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 upon exercise of 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)	–
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 52 to 157 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011 (Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Operating activities			
Profit before taxation			
(including discontinued operations)		**587,939**	44,368
Adjustments for:			
– Amortisation of intangible assets	6(c)	**145,982**	59,407
– Depreciation and amortisation of fixed assets	6(c)	**31,676**	11,970
– Finance costs	6(a)	**70,701**	6,589
– Equity-settled share-based payments	6(b)	**13,170**	–
– Gain on disposal of subsidiaries	8(b)	**(16,429)**	–
– Loss on deregistration of a subsidiary	22(d)	**83**	–
– Interest income	5	**(646)**	(937)
– Waiver of other payables	5	**(6,322)**	–
– (Gain)/loss on disposal of fixed assets	5	**(14)**	174
– Fair value loss of derivative financial instruments	5	**1,229**	–
– Loss on early redemption of unsecured payable	5	**5,267**	–
– Acquisition-related costs	38(d)	**–**	21,546
– Gain on bargain purchase of subsidiaries	38(d)	**–**	(63,058)
– Impairment losses on trade and other receivables	6(c)	**–**	423
– Impairment losses on fixed assets	6(c)	**–**	22,910
– Impairment losses on construction in progress	6(c)	**–**	224
– Write-down of inventories	23(b)	**–**	577
Changes in working capital:			
(Increase)/decrease in inventories		**(27,700)**	4,932
(Increase)/decrease in trade and other receivables,			
deposits and prepayments		**(143,345)**	44,308
Increase/(decrease) in trade and other payables		**98,026**	(28,988)
Cash generated from operations		**759,617**	124,445
Tax paid			
– PRC income tax paid		**(107,939)**	(17,644)
Net cash generated from operating activities		**651,678**	106,801

The notes on pages 52 to 157 form part of these financial statements.

	Note	2011 $'000	2010 $'000
Investing activities			
Payment for purchase of fixed assets		**(22,515)**	(91,668)
Proceeds from disposal of fixed assets		**18**	349
Net cash inflow from disposal of subsidiaries	8(b)	**14,139**	–
Net cash outflow from acquisitions of subsidiaries	38 & 39	**–**	(782,905)
Payment for acquisition-related costs		**–**	(21,546)
Payment for purchase of available-for-sale financial asset		**–**	(147,377)
Payment for construction in progress		**(627,685)**	(55,399)
Payment for purchase of intangible assets		**(98,573)**	–
Deposits paid for gold mining rights		**(670,032)**	(41,133)
Increase in deposits paid for fixed assets		**(64,316)**	(17,334)
Increase in other non-current deposits		**(2,209)**	(312)
Interest received		**646**	937
Net cash used in investing activities		**(1,470,527)**	(1,156,388)
Financing activities			
Proceeds from bank loans and other borrowings		**1,313,403**	46,051
Repayment of bank loans and other borrowings		**(393,999)**	(73,226)
Early redemption of unsecured payable		**(50,000)**	–
Proceeds from issue of new shares in placements		**–**	719,300
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 upon exercise of share options		**26**	17,437
Expenses on issue of new shares and warrants		**–**	(18,319)
Increase in pledged bank deposits		**(39,036)**	–
Interest paid		**(49,211)**	(1,925)
Net cash generated from financing activities		**781,183**	965,968
Net decrease in cash and cash equivalents		**(37,666)**	(83,619)
Cash and cash equivalents at 1 January		**108,546**	189,648
Effect of foreign exchange rate changes		**16,082**	2,517
Cash and cash equivalents at 31 December	26	**86,962**	108,546

The notes on pages 52 to 157 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1. General Information

China Precious Metal Resources Holdings Co., Ltd. (the "Company") 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 ores 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 Stock Exchange") ("the Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for 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 2011 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 and derivative financial instruments that are 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 a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 44.

In preparing the financial statements, the Company's 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 $400,908,000 (2010: $58,284,000) and net cash inflows of $651,678,000 (2010: $106,801,000) from operating activities for the year ended 31 December 2011, but, as at that date, the Group had net current liabilities of $465,659,000 (2010: $149,620,000). These conditions indicate the existence of a material uncertainty which may cast a doubt on the Group's ability to continue as a going concern. 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 end of the reporting period, the Group raised a loan from a financial institution of RMB300 million (equivalent to $368 million) of which RMB250 million (equivalent to $307 million) was applied to pay for the deposit of the proposed acquisition, details of which are referred to notes 48(a) and (b). The remaining amount of RMB50 million (equivalent to $62 million) will be used for general working capital of the Group;

(ii) Subsequent to the end of the reporting period, the Group and Eastgold Capital Limited ("Eastgold") entered into a supplement agreement to revise the payment term of an unsecured payable with carrying amount and principal amount of $202,602,000 and $220,000,000 respectively included in trade and other payables (notes 27 and 32), which would be settled by the Group on 20 December 2012. Pursuant to the supplement agreement dated 6 February 2012, the unsecured payable was subsequently settled by way of the issue of new ordinary shares of the Company, details of which are referred to note 48(c);

2. Significant accounting policies (Continued)

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

(iii) On 22 December 2011 and 19 January 2012, two financial institutions have already granted a standby credit facility of US$50 million (equivalent to $390 million) and RMB100 million (equivalent to $123 million) to the Group for a period of three years and one year respectively;

(iv) Save as disclosed in (iii) above, the Group is currently in discussions with various financial institutions for new credit facilities;

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

(vi) Based on a cash flow forecast prepared by the Group's management for the twelve months ending 31 December 2012, 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 2011 on a going concern basis. The financial statements have not reflected any effects of adjustments if the Group was unable to continue to operate as a going concern.

(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 subsidiaries are stated at cost less impairment losses (see note 2(j)(i)).

2. Significant accounting policies (Continued)

(d) (i) Business combinations

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:

– a 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 the acquisition are recognised and measured in accordance with HKAS 12 Income Tax;

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

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

– 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.

2. Significant accounting policies (Continued)

(d) (i) Business combinations (Continued)

Where the consideration transferred by the Group 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 included 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 (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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 Financial Instruments: Recognition and Measurement, 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.

2. Significant accounting policies (Continued)

(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 as established at the date of acquisition of business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

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. If some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual 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 on a pro rata based 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 the 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.

2. Significant accounting policies (Continued)

(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 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 any impairment losses. 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 are 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.

(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, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

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.

2. Significant accounting policies (Continued)

(f) Fixed assets (Continued)

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(x)).

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, other than mining structures, 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	4 - 8 years
–	Office equipment, fixtures and fittings	4 - 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 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 in other comprehensive income and accumulated separately in equity in fair value reserve. 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 is reclassified from equity to 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 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, with the following exceptions:

– 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 as expenses in the accounting period in which they are incurred.

2. Significant accounting policies (Continued)

(j) Impairment of assets

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

Investments in equity securities and 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.

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

– For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(j)(ii).

– 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 these 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.

2. Significant accounting policies (Continued)

(j) Impairment of assets (Continued)

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

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 in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment 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 in other comprehensive income.

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;

2. Significant accounting policies (Continued)

(j) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

- deposits paid for gold mining rights and fixed assets;
- other non-current deposits; and
- available-for-sale financial asset.

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).

- 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.

2. Significant accounting policies (Continued)

(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.

(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 using the effective interests method, 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.

2. Significant accounting policies (Continued)

(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.

(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 a convertible 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) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date of grant and are subsequently remeasured at fair value at the end of each reporting period. The gain or loss on remeasurement to the fair value of derivative financial instruments is recognised immediately in profit or loss.

(r) Warrants

Warrants issued by the Company that will be settled by other than a fixed amount of cash for a fixed number of the Company's own equity instruments is a derivative financial instrument. Warrants classified as a derivative financial instrument are recognised in accordance with accounting policy in note (2)(q) above.

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are equity instruments. The net proceeds received from the issue of warrants are recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants. When the warrants are still not exercised at the expiry date, the amount previously recognised in the warrant reserve will be transferred to retained profits.

2. Significant accounting policies (Continued)

(s) 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.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to 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.

(t) 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 except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

2. Significant accounting policies (Continued)

(t) Income tax (Continued)

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.

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)

(t) 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:

(i) 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

(ii) 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.

(u) 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(u)(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)

(u) 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(u)(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(u)(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.

Provisions for the Group's obligations for land rehabilitation are based on estimates of required expenditure at the mines in accordance with the PRC rules and regulations. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation.

(v) 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 to 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.

2. Significant accounting policies (Continued)

(v) Revenue recognition (Continued)

(ii) Interest income

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

(w) 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.

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), 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.

(x) 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)

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(z) 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 senior executive management, i.e., the chief operating decision-makers, 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)

(aa) 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 of assets 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)

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

(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 co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (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 in profit or loss, 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.

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 HKFRSs issued by the HKICPA which are or have become effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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.

3. Changes in accounting policies (Continued)

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has been revised on the following two aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosure in the current and previous years.

Improvements to HKFRSs issued in 2010

Improvements to HKFRSs issued in 2010 omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7 Financial instruments: Disclosures. The disclosures about the Group's and the Company's financial instruments in note 40 have conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous years.

4. Turnover and revenue

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

	2011 **$'000**	2010 $'000 (Restated)
Continuing operations:		
Sale of		
– Gold products	**1,082,892**	161,719
– Other by-products	**36,406**	6,435
	1,119,298	168,154
Discontinued operations (note 8(a)):		
Sales of		
– Small pack edible oils	**–**	4,844
– Edible oils and related products	**–**	36
	–	4,880

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

	2011 $'000	2010 $'000 (Restated)
Other revenue		
Continuing operations:		
Total interest income on financial assets not at fair value through profit or loss		
– Bank interest income	**636**	937
Waiver of other payables	**6,322**	–
Sundry income	**5,712**	1,530
	12,670	2,467
Discontinued operations (note 8(a)):		
Total interest income on financial assets not at fair value through profit or loss		
– Bank interest income	**10**	–
Sundry income	**525**	57
	535	57
Other net income/(loss)		
Continuing operations:		
Exchange gain/(loss), net	**1,188**	(119)
Gain/(loss) on disposal of fixed assets	**14**	(174)
Fair value loss of derivative financial instruments (note 30)	**(1,229)**	–
Loss on early redemption of unsecured payable (note 32)	**(5,267)**	–
	(5,294)	(293)
Discontinued operations (note 8(a)):		
Exchange gain, net	**–**	46
	–	46

6. Profit/(loss) before taxation

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

	2011 **$'000**	2010 $'000 (Restated)
(a) Finance costs		
Continuing operations:		
Interest on bank and other borrowings wholly repayable within five years	**84,923**	1,163
Interest on convertible bonds (note 31(a))	**17,364**	4,056
Interest on unsecured payable (note 32)	**18,911**	608
Total interest expenses on financial liabilities not at fair value through profit or loss	**121,198**	5,827
Less: Interest expense capitalised into deposits paid for proposed acquisition of gold mining rights (notes (i) & 18(a))	**(50,497)**	–
	70,701	5,827
Discontinued operations (note 8(a)):		
Interest on bank and other borrowings wholly repayable within five years	**–**	762
Total interest expenses on financial liabilities not at fair value through profit or loss	**–**	762
(b) Staff costs (including directors' remuneration)		
Continuing operations:		
Salaries, wages and other benefits	**46,469**	19,809
Contributions to retirement benefit schemes	**2,551**	713
Equity-settled share-based payment expenses	**13,170**	–
Termination benefits	**61**	797
	62,251	21,319
Discontinued operations (note 8(a)):		
Salaries, wages and other benefits	**173**	1,091
Contributions to retirement benefit schemes	**40**	250
Termination benefits	**–**	2,048
	213	3,389

Note: (i) The borrowing costs have been capitalised at a rate of 16% (2010: nil) per annum on the specific borrowings used for financing the deposits paid for proposed acquisition of gold mining rights.

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

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

	2011 $'000	2010 $'000 (Restated)
(c) Other items		
Continuing operations:		
Acquisition-related costs (note 38(d))	–	21,546
Amortisation of intangible assets	145,982	59,407
Auditor's remuneration		
– audit service	1,800	1,470
– non-audit service	350	2,180
Cost of inventories sold (notes (i) & 23(b))	394,711	94,374
Depreciation and amortisation of fixed assets	31,676	7,429
Impairment losses on other receivables (note 24(e))	–	294
Operating lease charges in respect of		
– land and buildings	8,966	2,262
– machinery and equipment	21	9
Discontinued operations (note 8(a)):		
Cost of inventories sold (notes (i) & 23(b))	–	7,218
Depreciation and amortisation of fixed assets	–	4,541
Impairment losses		
– construction in progress (note 8(e))	–	224
– fixed assets (note 8(e))	–	22,910
– other receivables (note 24(e))	–	129
Operating lease charges in respect of		
– land and buildings	70	511

Note:

(i) Cost of inventories includes $198,546,000 (2010: $12,807,000) and $nil (2010: $1,688,000) 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:

	2011 $'000	2010 $'000 (Restated)
PRC income tax		
– Current tax	**198,972**	31,539
– Under-provision in prior years	**3,599**	1,275
	202,571	32,814
Deferred tax (note 34(a))	**(32,038)**	(10,376)
Total income tax expense	**170,533**	22,438

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

	2011 $'000	2010 $'000 (Restated)
Profit before taxation	**571,441**	80,722
Notional tax on profit before taxation, calculated at the rates applicable to the tax jurisdiction concerned	**148,141**	19,503
Tax effect of non-deductible expenses	**27,800**	10,064
Tax effect of non-taxable income	**(234)**	(11,405)
Tax effect of unrecognised timing differences	**(3,052)**	371
Under-provision in prior years	**3,599**	–
Tax effect of utilisation of previously unrecognised tax losses	**(1,050)**	(1,029)
Tax effect of unused tax losses not recognised	**628**	595
	175,832	18,099
(Reversal of)/provision for withholding tax (note 7(d))	**(5,299)**	4,339
	170,533	22,438

7. Income tax (Continued)

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

(i) Taxation in the consolidated income statement represents:

	2011 $'000	2010 $'000 (Restated)
Current tax	**–**	–
Deferred tax	**–**	–
Total income tax expense	**–**	–

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

	2011 $'000	2010 $'000 (Restated)
Profit/(loss) before taxation	**16,498**	(36,354)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to the tax jurisdiction concerned	**4,133**	(8,977)
Tax effect of non-deductible expenses	**20**	6,470
Tax effect of non-taxable income	**(4,241)**	(126)
Tax effect of unused tax losses not recognised	**88**	2,633
	–	–

7. Income tax (Continued)

(c) (i) 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 2011 and 2010.

(ii) 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 2011 and 2010.

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

(d) The Group has deferred tax liabilities balance of $5,299,000 from continuing operations at 31 December 2010 in respect of the tax that would be payable on the distribution of the retained profits of the Group's PRC subsidiaries. In the opinion of the Company's directors, the Group controls the dividend policy of these subsidiaries and it has been determined that it is not probable that these subsidiaries will distribute profits in the foreseeable future. Accordingly, the deferred tax liabilities balance of $5,299,000 has been written back to consolidated income statement during the year. As at 31 December 2011, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to $525,478,000 (2010: $52,990,000) and deferred tax liabilities of $52,548,000 (2010: $5,299,000) have not been recognised in these financial statements.

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 were 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.

On 29 March 2011, the Group and an independent third party (the "Purchaser") entered into a conditional letter of intent, pursuant to which the Group agreed to dispose of and the Purchaser agreed to acquire the entire equity interest in Zhenjiang Companies at a cash consideration of RMB20,000,000. On 9 May 2011, the Group and the Purchaser entered into a sale and purchase agreement, pursuant to which the Group disposed of and the Purchaser acquired the entire equity interest in China Force Oils and Grains Industrial Limited ("CFO"), a direct subsidiary of the Company and an indirect holding company of the entire equity interest in Zhenjiang Companies, at a consideration of RMB20,000,000 (equivalent to approximately $23,916,000). The transaction was completed on 11 May 2011 and the entire equity interest in CFO was transferred to the Purchaser.

The consolidated income statement and relevant notes for the corresponding reporting period in these financial statements have been restated for the discontinued operations held by CFO and its subsidiaries.

(a) The results of the discontinued operations for the years ended 31 December 2011 and 2010 are as follows:

	Note	**2011 $'000**	2010 $'000 (Restated)
Turnover	4	**–**	4,880
Cost of sales		**–**	(7,218)
Gross loss		**–**	(2,338)
Other revenue	5	**535**	57
Other net income	5	**–**	46
Selling and distribution costs		**–**	(1,653)
Administrative expenses		**(466)**	(8,441)
Impairment losses on trade and other receivables	6(c)	**–**	(129)
Impairment losses on construction in progress	8(e) & 17	**–**	(224)
Impairment losses on fixed assets	8(e) & 16	**–**	(22,910)
Profit/(loss) from operations		**69**	(35,592)
Finance costs	6(a)	**–**	(762)
Profit/(loss) before taxation	6	**69**	(36,354)
Income tax	7(b)	**–**	–
		69	(36,354)
Gain on disposal of discontinued operations	8(b)	**16,429**	–
Profit/(loss) for the year from discontinued operations		**16,498**	(36,354)

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

(b) Details of the gain on disposal of subsidiaries

	Note	2011 $'000
Fixed assets		**23,279**
Trade and other receivables, deposits and prepayments		**110**
Cash and cash equivalents		**9,777**
Trade and other payables		**(19,226)**
		13,940
Release of cumulative exchange reserve		**(6,453)**
		7,487
Gain on disposal	8(a)	**16,429**
Consideration satisfied by cash		**23,916**
Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries		
Cash consideration received		**23,916**
Less: Cash and cash equivalents disposed of		**(9,777)**
		14,139

(c) The net cash outflow of the discontinued operations for the years ended 31 December 2011 and 2010 is as follows:

	2011 $'000	2010 $'000
Net cash inflow from operating activities	**184**	1,553
Net cash outflow from investing activities	**(395)**	(2,642)
Net cash outflow from financing activities	**–**	(32,564)
Net cash outflow incurred by the discontinued operations	**(211)**	(33,653)

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

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

	Note	2011 $'000	2010 $'000
Assets of a disposal group classified as held for sale			
Fixed assets		–	22,874
Trade and other receivables, deposits and prepayments		–	44
Cash and cash equivalents	26	–	10,431
		–	33,349
Liabilities of a disposal group classified as held for sale			
Trade and other payables		–	(16,334)
		–	(16,334)

(e) At 31 December 2010, the Group recognised an impairment loss on fixed assets and construction in progress of $22,910,000 and $224,000 respectively for 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.

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

	2011 $'000	2010 $'000
Exchange difference on translation of financial statements of the disposal group	–	6,896

9. Directors' emoluments

Directors' emoluments 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	Sub-total $'000	Equity-settled share-based payment $'000	2011 Total $'000
Executive directors						
Mr. Lam Cham	–	2,016	12	2,028	791	2,819
Mr. Chang Yim Yang	–	2,000	12	2,012	791	2,803
Mr. Dai Xiaobing	–	2,000	12	2,012	791	2,803
Mr. Zhang Shuguang (note a)	–	409	3	412	791	1,203
Mr. Deng Guoli (note b)	–	833	–	833	791	1,624
Mr. Lim Wa (note c)	–	336	2	338	–	338
Non-executive director						
Mr. Wang John Peter Ben	192	–	–	192	119	311
Independent non-executive directors						
Professor Wong Lung Tak, Patrick	192	–	–	192	119	311
Mr. Chan Kin Sang	192	–	–	192	119	311
Professor Xiao Rong Ge	192	–	–	192	119	311
Total	768	7,594	41	8,403	4,431	12,834

9. Directors' emoluments (Continued)

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

During the years ended 31 December 2011 and 2010, no emoluments were 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 emoluments during both years.

Notes:

(a) Appointed at 6 September 2011.

(b) Appointed at 3 March 2011.

(c) Resigned on 3 March 2011.

(d) Appointed at 21 January 2010.

(e) Resigned on 21 January 2010.

10. Individuals with highest emoluments

Of the five individuals with the highest emoluments, five (2010: four) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the remaining one individual during the year ended 31 December 2010 are as follows:

	2011 $'000	2010 $'000
Salaries and other emoluments	–	620
Share-based payments	–	–
Retirement scheme contributions	–	–
	–	620

The emoluments of the one individual during the year ended 31 December 2010 with the highest emoluments are within the following band:

	2011 Number of individuals	2010 Number of individuals
$nil – $1,000,000	–	1

11. Profit attributable to owners of the Company

The consolidated profit attributable to owners of the Company includes a loss of $12,506,000 (2010: $47,470,000) which has been dealt with in the financial statements of the Company during the year (note 35(a)).

12. Dividend

The directors do not recommend the payment of any dividend for the years ended 31 December 2011 and 2010.

13. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of $417,406,000 (2010: $21,930,000) and on the weighted average number of 3,331,658,000 (2010: 2,466,547,000) ordinary shares in issue during the year as follows:

	2011		2010	
	Profit attributable to owners $'000	Weighted average number of ordinary shares '000	Profit/(loss) attributable to owners $'000 (Restated)	Weighted average number of ordinary shares '000
Continuing operations	400,908	3,331,658	58,284	2,466,547
Discontinued operations	16,498	3,331,658	(36,354)	2,466,547
	417,406		21,930	

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

(a) Basic earnings/(loss) per share (Continued)

Weighted average number of ordinary shares:

	2011 Weighted average number of ordinary shares '000	2010 Weighted average number of ordinary shares '000
Issued ordinary shares at 1 January	**3,331,587**	1,705,720
Effect of issue of new shares in placements (note 35(b)(ii))	**–**	264,384
Effect of issue of new shares for acquisitions of subsidiaries (note 35(b)(iii))	**–**	53,422
Effect of issue of new shares upon conversion of convertible bonds (note 35(b)(iv))	**–**	273,046
Effect of issue of new shares upon exercise of share options (note 35(b)(v))	**71**	38,867
Effect of issue of new shares upon exercise of warrant subscription rights (note 35(b)(vi))	**–**	131,108
Weighted average number of ordinary shares at 31 December	**3,331,658**	2,466,547

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

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company of $417,406,000 (2010:$21,930,000) and on the weighted average number of shares outstanding after adjustment for the effect of all dilutive potential ordinary shares of 3,331,658,000 (2010:2,482,057,000) calculated as follows:

	2011		2010	
	Profit attributable to owners $'000	**Weighted average number of ordinary shares '000**	Profit/(loss) attributable to owners $'000 (Restated)	Weighted average number of ordinary shares '000
Continuing operations	**400,908**	**3,331,658**	58,284	2,482,057
Discontinued operations	**16,498**	**3,331,658**	(36,354)	2,482,057
	417,406		21,930	

Weighted average number of ordinary shares (diluted):

	Number of shares	
	2011 '000	2010 '000
Weighted average number of ordinary shares at 31 December	**3,331,658**	2,466,547
Adjustments for:		
– warrants	**–**	7,861
– share options	**–**	7,649
Weighted average number of ordinary shares (diluted) at 31 December	**3,331,658**	2,482,057

(i) During the year ended 31 December 2011, the Company's convertible bonds, warrants (notes 30 and 35(c)) and share options had anti-dilutive effect because their conversion/exercise prices were above the weighted average market prices of the Company's shares. Therefore, the convertible bonds, warrants and share options were not included in the above calculation of diluted earnings per share.

(ii) 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 ended 31 December 2010, 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.

14. Segment reporting

The Group manages its businesses by divisions of business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments.

(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 Group's senior executive management monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in available-for-sale financial asset. Segment liabilities include all liabilities of the Group.

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 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 earning/(loss) are further adjusted for items not specifically attributed to individual segments, such as corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, the Group's senior executive management 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)

	Continuing Operations		Discontinued Operations			
	Gold mining		Edible oils		Total	
	2011 $'000	2010 $'000 (Restated)	2011 $'000	2010 $'000 (Restated)	2011 $'000	2010 $'000 (Restated)
Reportable segment revenue from external customers	**1,119,298**	168,154	**-**	4,880	**1,119,298**	173,034
Reportable segment profit/(loss) (adjusted EBITDA)	**824,514**	111,230	**59**	(7,788)	**824,573**	103,442
Interest income	**636**	937	**10**	–	**646**	937
Interest expenses	**(70,701)**	(5,827)	**-**	(762)	**(70,701)**	(6,589)
Depreciation and amortisation	**(177,658)**	(66,836)	**-**	(4,541)	**(177,658)**	(71,377)
Acquisition-related costs	**-**	(21,546)	**-**	–	**-**	(21,546)
Gain on bargain purchase of subsidiaries	**-**	63,058	**-**	–	**-**	63,058
Impairment on fixed assets and construction in progress	**-**	–	**-**	(23,134)	**-**	(23,134)
Impairment losses on other receivables	**-**	(294)	**-**	(129)	**-**	(423)
Loss on early redemption of unsecured payable	**(5,267)**	–	**-**	–	**(5,267)**	–
Loss on deregistration of subsidiary	**(83)**	–	**-**	–	**(83)**	–
Gain on disposal of subsidiaries	**-**	–	**16,429**	–	**16,429**	–
Reportable segment assets	**6,031,399**	4,321,493	**-**	33,349	**6,031,399**	4,354,842
Additions to non-current assets during the year	**1,485,330**	204,404	**-**	–	**1,485,330**	204,404
Reportable segment liabilities	**(2,592,472)**	(1,447,051)	**-**	(16,334)	**(2,592,472)**	(1,463,385)

14. Segment reporting (Continued)

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

	2011 $'000	2010 $'000 (Restated)
Revenue		
Total reportable segments' revenues and consolidated turnover	**1,119,298**	173,034
Profit		
Reportable segment profit derived from the Group's external customers	**824,573**	103,442
Interest income	**646**	937
Interest expenses	**(70,701)**	(6,589)
Depreciation and amortisation	**(177,658)**	(71,377)
Acquisition-related costs	**–**	(21,546)
Gain on bargain purchase of subsidiaries	**–**	63,058
Impairment loss on fixed assets and construction in progress	**–**	(23,134)
Impairment losses on other receivables	**–**	(423)
Loss on early redemption of unsecured payable	**(5,267)**	–
Loss on deregistration of subsidiaries	**(83)**	–
Gain on disposal of subsidiaries	**16,429**	–
Consolidated profit before taxation	**587,939**	44,368
Assets		
Total reportable segments' assets	**6,031,399**	4,354,842
Available-for-sale financial asset	**118,785**	129,894
Consolidated total assets	**6,150,184**	4,484,736
Liabilities		
Total reportable segments' liabilities and consolidated total liabilities	**(2,592,472)**	(1,463,385)

14. Segment reporting (Continued)

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

	2011 $'000	2010 $'000
Customer A – revenue from gold mining	**421,311**	54,547
Customer B – revenue from gold mining	**143,484**	–
Customer C – revenue from gold mining	**–**	58,204
Customer D – revenue from gold mining	**–**	30,357

(d) 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 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	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
PRC	**1,119,298**	173,034	**5,618,203**	4,107,821
Hong Kong	**–**	–	**82,405**	81,741
	1,119,298	173,034	**5,700,608**	4,189,562

15. Intangible assets

The Group

	Mining rights $'000
Cost	
At 1 January 2010	431,598
Acquisitions of subsidiaries (notes 38(a),(b) & 39)	3,394,882
Exchange adjustments	41,700
At 31 December 2010	3,868,180
At 1 January 2011	3,868,180
Addition (note 18(b))	139,706
Exchange adjustments	145,370
At 31 December 2011	4,153,256
Accumulated amortisation	
At 1 January 2010	1,927
Charge for the year	59,407
Exchange adjustments	735
At 31 December 2010	62,069
At 1 January 2011	62,069
Charge for the year	145,982
Exchange adjustments	5,907
At 31 December 2011	213,958
Carrying amounts	
At 31 December 2011	3,939,298
At 31 December 2010	3,806,111

(a) As at 31 December 2011, the Group's mining right with a carrying amount of $1,851,727,000 (2010: $nil) was pledged as security for the Group's other borrowings (note 33).

(b) At 31 December 2011 and 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 2011 and 2010 is required.

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

16. Fixed assets

The Group

	Leasehold land under finance lease and building 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 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 38(a),(b) & 39)	–	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
At 1 January 2011	81,311	5,187	28,071	10,449	3,337	139,502	267,857	8,035	275,892
Exchange adjustments	–	257	1,410	436	56	6,917	9,076	398	9,474
Additions	–	–	12,194	8,274	931	1,116	22,515	–	22,515
Transfer from construction in progress (note 17)	–	–	–	–	–	482,844	482,844	–	482,844
Disposals	–	–	(37)	–	–	–	(37)	–	(37)
Disposal of subsidiaries	–	–	–	–	(859)	–	(859)	–	(859)
At 31 December 2011	81,311	5,444	41,638	19,159	3,465	630,379	781,396	8,433	789,829
Accumulated amortisation and depreciation									
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(e))	–	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
At 1 January 2011	1,437	225	1,110	1,455	1,384	3,323	8,934	58	8,992
Exchange adjustments	–	22	141	82	19	324	588	9	597
Charge for the year	1,917	464	3,569	2,523	749	22,216	31,438	238	31,676
Written back on disposals	–	–	(33)	–	–	–	(33)	–	(33)
Disposal of subsidiaries	–	–	–	–	(454)	–	(454)	–	(454)
At 31 December 2011	3,354	711	4,787	4,060	1,698	25,863	40,473	305	40,778
Carrying amounts									
At 31 December 2011	77,957	4,733	36,851	15,099	1,767	604,516	740,923	8,128	749,051
At 31 December 2010	79,874	4,962	26,961	8,994	1,953	136,179	258,923	7,977	266,900

16. Fixed assets (Continued)

The Group (Continued)

(a) An analysis of carrying amounts of leasehold lands and buildings is as follows:

	2011 $'000	2010 $'000
In Hong Kong		
– Medium-term leases	**77,957**	79,874
In PRC		
– Medium-term leases	**12,861**	12,939
	90,818	92,813
Representing:		
Leasehold land under finance lease and building held for own use	**77,957**	79,874
Buildings held for own use	**4,733**	4,962
	82,690	84,836
Interests in leasehold lands held for own use under operating leases	**8,128**	7,977
	90,818	92,813

(b) As at 31 December 2011, certain fixed assets of the Group with a total carrying amount of $244,910,000 (2010: $79,874,000) were pledged as security for the Group's bank and other borrowings (note 33).

17. Construction in progress

	The Group 2011 $'000	2010 $'000
Cost		
At 1 January	**42,743**	1,485
Exchange adjustment	**2,121**	215
Additions	**627,685**	55,399
Acquisition of subsidiaries (notes 38(b) & 39)	**–**	24,223
Transfer to fixed assets (note 16)	**(482,844)**	(38,355)
Impairment losses (note 8(e))	**–**	(224)
At 31 December	**189,705**	42,743

(a) As at 31 December 2011, construction in progress with a total carrying amount of $4,287,000 (2010: $nil) were pledged to the Group's other borrowings (note 33).

(b) The construction in progress at 31 December 2011 and 2010 primarily relates to the additional production premises, mining structures and facilities of subsidiaries in the PRC.

18. Deposits paid for gold mining rights

(a) During the year, the Group paid deposits for the proposed acquisitions of certain gold mining rights as follows:

(i) On 22 July 2011, the Group and Premium Wise Inc. (the "Vendor"), an independent third party, entered into a conditional letter of intent, pursuant to which the Group will acquire the entire equity interest in Sinowise Century Limited ("Sinowise"), which is wholly-owned by the Vendor, together with its subsidiaries, which holds two mining rights and certain exploration rights for gold mines located in Yunnan in the PRC. The Vendor has granted an exclusive period of six months from the date of the letter of intent during which the Vendor will not be engaged in negotiation with other parties for the disposal of equity interest of Sinowise ("the Exclusive Period"). The proposed consideration, subject to the due diligence results, will not exceed RMB2 billion (equivalent to $2.46 billion) which will be satisfied by cash and ordinary shares of the Company (note 41(b)). The Group paid a refundable deposit of RMB300,000,000 (equivalent to $365,275,000) to the Vendor during the year. The entire issued shares of Sinowise were pledged to the Group as a security for the Group's deposit paid. Further details are set out in the Company's announcement dated 22 July 2011. Subsequent to the end of the reporting period, the Group and the Vendor entered into a supplement letter of intent and a further deposit of RMB250 million (equivalent to $307 million) was paid, as further detailed in note 48(b).

18. Deposits paid for gold mining rights (Continued)

(a) (Continued)

(ii) The Group paid deposits of RMB160,000,000 (equivalent to $197,360,000) and RMB80,000,000 ($98,680,000) to two respective independent third parties for the proposed acquisitions of a mining right and two exploration rights for gold mines in Henan, the PRC, at a consideration of RMB160,000,000 (equivalent to $197,360,000) and a proposed consideration not exceeding RMB200,000,000 (equivalent to $246,700,000) respectively (note 41(b)).

(iii) The Group paid an aggregate deposits of RMB8,720,000 ($10,756,000) for four proposed acquisitions of certain mining and exploration rights for gold mines in Henan, the PRC, from four respective independent third parties. The total consideration of these acquisitions is RMB10,900,000 (equivalent to $13,445,000) (note 41(a)).

During the year, interest on bank and other borrowings capitalised in above deposits paid for proposed acquisitions of gold mining rights were $50,497,000 (2010:$nil) (note 6(a)). All of above acquisition transactions have not been completed as at the date of approval of these financial statements.

(b) As at 31 December 2010, the Group paid deposits of RMB10,000,000 (equivalent to $11,752,000) and RMB25,000,000 (equivalent to $29,381,000) respectively for the acquisitions of two mining rights for gold mines in Inner Mongolia and Henan in the PRC at a consideration of RMB26,000,000 and RMB90,000,000 respectively (note 41(a)). The acquisitions of both mining rights were completed during the year and the deposits were transferred to intangible assets (note 15).

19. Available-for-sale financial asset

	The Group $'000
Listed shares, overseas	
At cost	147,377
Decrease in fair value	(17,483)
At 31 December 2010 and 1 January 2011	129,894
Decrease in fair value (note (b))	(11,109)
At 31 December 2011	118,785
Market value	
At 31 December 2011	118,785
At 31 December 2010	129,894

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

(a) As at 31 December 2011, the Group held approximately 85,920,000 ordinary shares of Norton Gold Fields Limited ("Norton Gold"), representing 10.11% (2010: 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 2011, the fair value of the Group's investment in Norton Gold was $118,785,000 (2010: $129,894,000) which is based on the market value of the shares. A decrease in fair value of $11,109,000 (2010: $17,483,000) was recognised in the Group's other comprehensive income during the year. The market price of Norton Gold's shares ranged from $1.06 to $1.94 (2010: $0.98 to $2.03) per share during the year and the upper market price per share during the year was higher than the average cost per share of Norton Gold of $1.72. On 30 January 2012, the unit market price of Norton Gold was $1.82 per share. Accordingly, in the opinion of the Company's directors, 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.

The latest published financial information of Norton Gold extracted from its unaudited interim report for the six months ended 31 December 2011, 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")	**2011** **AUD' million**	2010 AUD' million
Turnover	**119.0**	111.9
EBITDA	**35.4**	36.2
Gross profit (%)	**14.5%**	23.8%
Net profit (%)	**4.9%**	7.5%
EBITDA (%)	**29.75%**	32.35%

Note: For the six months ended 31 December 2011, Norton Gold incurred pre-stripping costs of approximately AUD 5 million (2010: nil) which were charged to the profit or loss.

20. Deposits paid for fixed assets

As at 31 December 2011, the Group paid a deposit of RMB12,000,000 (equivalent to $14,802,000) (2010: RMB12,000,000 (equivalent to $14,102,000)) to the local government of Mojiang County, Yunnan, the PRC, for the proposed acquisition of a piece of land in Mojiang County, Yunnan in the PRC at a consideration of RMB80,000,000 (equivalent to $98,680,000) (2010: RMB80,000,000 (equivalent to $94,016,000)) (note 41(b)). 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 and the Company paid deposits of $74,739,000 (2010: $11,123,000) and $3,162,000 (2010: $nil) respectively for purchase of plant and equipment at an aggregate consideration of $79,845,000 (2010:$13,778,000) and $3,162,000 (2010: $nil) respectively (note 41(a)) during the year.

21. Other deposits

These represent deposits paid for environmental and safety 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	
	2011	2010
	$'000	$'000
Unlisted shares, at cost	**357,373**	495,362
Amounts due from subsidiaries (note (a))	**3,065,443**	2,710,127
	3,422,816	3,205,489
Less: Impairment losses (note (b))		
At 1 January	**(155,642)**	(137,989)
Impairment losses recognised	**(11,691)**	(17,653)
Released on disposal of subsidiaries	**137,989**	–
At 31 December	**(29,344)**	(155,642)
	3,393,472	3,049,847

(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 2011, the aggregate impairment losses on investments in subsidiaries of $29,344,000 (2010: $155,642,000) has been recognised in the Company's financial statements as the respective recoverable amounts of investments in subsidiaries were less than the respective carrying amounts of investments in these subsidiaries.

22. Investments in subsidiaries (Continued)

(c) 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 2011. 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 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
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

(Expressed in Hong Kong dollars unless otherwise indicated)

22. Investments in subsidiaries (Continued)

(c) (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

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

22. Investments in subsidiaries (Continued)

(d) During the year, the Group deregistered one subsidiary, Beijing Precious Metal Maituo Management Consultant Co., Ltd. The net assets of the subsidiary at date of deregistration were as follows:

	2011 $'000	2010 $'000
Net assets	–	–
Release of exchange reserves	83	–
Loss on deregistration of a subsidiary	83	–

23. Inventories

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

	The Group 2011 $'000	2010 $'000
Gold mining		
Raw materials	5,838	2,630
Work-in-progress	28,430	4,767
Finished goods	1,355	526
Total	35,623	7,923

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	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Carrying amount of inventories sold	**394,711**	94,254	**–**	6,761
Write-down of inventories	**–**	120	**–**	457
	394,711	94,374	**–**	7,218

24. Trade and other receivables, deposits and prepayments

		The Group		The Company	
	Note	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000
Trade receivables		**106,592**	11,217	**–**	–
Less: Allowance for doubtful debts	(b)	**–**	(373)	**–**	–
	(a) & (c)	**106,592**	10,844	**–**	–
Amounts due from subsidiaries	(d)	**–**	–	**1,158**	53,707
Other receivables, net allowance for doubtful debts	(e)	**7,621**	8,869	**–**	–
Loan and receivables		**114,213**	19,713	**1,158**	53,707
Deposits and prepayments		**54,957**	6,178	**21,253**	103
		169,170	25,891	**22,411**	53,810

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

As at 31 December 2011, the Group's trade receivables with a carrying amount of $74,754,000 (2010: $nil) were pledged to a bank for banking facilities granted to the Group (note 33).

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 2011 $'000	2010 $'000
Less than two months	**106,592**	10,731
More than two months but less than one year	**–**	113
	106,592	10,844

Trade receivables are due within two months 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 2011 $'000	2010 $'000
At 1 January	**373**	4,693
Exchange adjustment	**–**	150
Transfer to disposal group classified as held for sale	**–**	(4,470)
Released upon disposal of subsidiaries	**(373)**	–
At 31 December	**–**	373

As at 31 December 2010, the Group's trade receivables of $373,000 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 $373,000 were recognised as at 31 December 2010. 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 is as follows:

	The Group	
	2011	2010
	$'000	$'000
Neither past due nor impaired	**106,592**	10,731
Less than three months past due	**–**	113
	106,592	10,844

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

As at 31 December 2010, 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 believed that no impairment allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. The Group did not hold any collateral over these balances.

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

(d) Amounts due from subsidiaries

	The Company 2011 $'000	2010 $'000
Amounts due from subsidiaries at 31 December	**1,216**	497,587
Less: Allowance for impairment losses		
At 1 January	**443,880**	451,196
Impairment losses recognised	**–**	4,263
Reversal of impairment losses	**(25,327)**	(11,579)
Released upon disposal of subsidiaries	**(418,495)**	–
At 31 December	**58**	443,880
Balance at 31 December, net of allowance for impairment losses	**1,158**	53,707

As at 31 December 2011, the Company recognised an aggregate impairment losses on amounts due from subsidiaries of $58,000 (2010: $443,880,000) as these subsidiaries had net liabilities at 31 December 2011 and 2010.

During the year, impairment losses on amounts due from subsidiaries of $25,327,000 (2010: $11,579,000) 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:

	The Group	
	2011	2010
	$'000	$'000
At 1 January	**304**	22,577
Exchange adjustments	**–**	779
Impairment losses recognised (note 6(c))	**–**	423
Transfer to assets classified as held for sale	**–**	(23,475)
Released upon disposal of subsidiaries	**(304)**	–
At 31 December	**–**	304

As at 31 December 2010, the Group's other receivables of $304,000 were individually determined to be impaired. In the opinion of the Company's directors, these other receivables had been outstanding over a long period and were considered not recoverable, therefore, specific allowances for doubtful debts of $304,000 were recognised. The Group did not hold any collateral over these balances.

25. Pledged bank deposits

As at 31 December 2011, bank deposits of the Group and the Company of $39,036,000 (2010: $nil) and $15,600,000 (2010: $nil) respectively were pledged to banks as security for banking facilities granted to the Group and the Company (note 33). The interest rate of the pledged bank deposits ranged from 0.1% to 0.5 % per annum during the year.

26. Cash and cash equivalents

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Cash at banks	**85,975**	96,894	**29,480**	52,528
Cash in hand	**987**	1,223	**29**	4
Cash and cash equivalents in the consolidated and the Company's statement of financial position	**86,962**	98,117	**29,509**	52,532
Secured bank overdrafts (note 29)	**–**	(2)	**–**	–
	86,962	98,115	**29,509**	52,532
Cash and cash equivalents included in assets of a disposal group classified as held for sale (note 8(d))	**–**	10,431	**–**	–
Cash and cash equivalents in the consolidated statement of cash flows	**86,962**	108,546	**29,509**	52,532

The interest rates on cash at banks ranged from 0.1% to 1.3% (2010: 0.1% to 1.1%) per annum during the year.

27. Trade and other payables

		The Group		The Company	
		2011	2010	**2011**	2010
	Note	**$'000**	$'000	**$'000**	$'000
Trade creditors	(a)	**3,087**	1,937	**–**	–
Amounts due to subsidiaries	(b)	**–**	–	**40,493**	76,753
Accrued charges and other payables	(c)	**164,448**	84,791	**16,939**	4,360
Unsecured payable	32	**202,602**	–	**–**	–
Financial liabilities measured at amortised cost		**370,137**	86,728	**57,432**	81,113
Receipts in advance		**37,301**	15,654	**–**	–
		407,438	102,382	**57,432**	81,113

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

	2011	2010
	$'000	$'000
Within three months	**2,795**	912
More than three months but within one year	**12**	4
After one year	**280**	1,021
	3,087	1,937

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

(c) As at 31 December 2011, the Group's accrued charges and other payables included bills payables of $34,538,000 (2010:$nil) which were secured by a pledge of the Group's bank deposits (note 33) and the guarantee given by a subsidiary of the Group and two independent third parties. The bills payables were issued for the acquisition of the Group's fixed assets during the year.

28. Other borrowings

As at 31 December 2011, the Group had other borrowings as follows:

	Note	The Group 2011 $'000	The Group 2010 $'000	The Company 2011 $'000	The Company 2010 $'000
Secured borrowings	(a)	**520,591**	–	**–**	–
Loan from a shareholder and director	43(a)(ii)	**147,822**	–	**–**	–
Total		**668,413**	–	**–**	–
Carrying amounts repayable:					
Within 1 year or on demand		**125,417**	–	**–**	–
After 1 year but within 2 years		**405,468**	–	**–**	–
After 2 years but within 5 years		**137,528**	–	**–**	–
		668,413	–	**–**	–
Less: Current portion		**125,417**	–	**–**	–
Non-current portion		**542,996**	–	**–**	–

(a) During the year, the Group entered into two agreements (the "Agreements") with an independent third party, Minsheng Financial Leasing Co., Ltd. (民生金融租賃股份有限公司) ("Minsheng"), pursuant to which Minsheng agreed to lend the Group two loans of RMB300,000,000 (equivalent to $354,400,000) and RMB150,000,000 (equivalent to $183,891,000) respectively. The loans, net off the direct transaction costs, are charged at an effective interest rate of 17% per annum, secured by a mining right, certain fixed assets and construction in progress of the Group and the share charge of two indirect wholly-owned PRC subsidiaries of the Company (note 33), guarantees given by an executive director and substantial shareholder of the Company (note 43(a)(i)) and a subsidiary of the Company.

29. Bank loans and overdrafts

At 31 December 2011, the bank loans and overdrafts were repayable as follows:

	Note	The Group 2011 $'000	The Group 2010 $'000	The Company 2011 $'000	The Company 2010 $'000
Within 1 year or on demand					
Bank overdrafts	(a)	**–**	2	**–**	–
Bank loans					
– secured	(a)	**71,558**	37,534	**–**	–
– unsecured	(b)	**61,675**	129,275	**–**	–
Current portion		**133,233**	166,811	**–**	–
After 1 year but within 2 years		**–**	–	**–**	–
After 2 years but within 5 years					
Secured bank loan	(c)	**287,783**	–	**287,783**	–
Non-current portion		**287,783**	–	**287,783**	–
Total		**421,016**	166,811	**287,783**	–

(a) As at 31 December 2011, the Group's secured bank loans were secured by a pledge of the Group's fixed assets, bank deposits and trade receivables (note 33). As at 31 December 2010, the Group's secured bank loans and overdrafts were secured by a pledge of the Group's fixed assets (note 33).

(b) As at 31 December 2011, the Group's unsecured bank loans were guaranteed by a related party (note 43(a)(vi)), two independent third parties and a subsidiary of the Company. As at 31 December 2010, the Group's unsecured bank loans were guaranteed by two related parties and secured by bank deposit of a related party (notes 43(a)(vi) and (vii)).

(c) On 22 August 2011, the Company entered into a loan agreement ("the Loan Agreement") with an independent third party, Raiffeisen Bank International AG, Labuan Branch (the "Lender"), pursuant to which the Lender agreed to grant to the Company a loan of US$40 million (equivalent to $312 million). The loan is charged at a stipulated coupon rate of 10% per annum with a maturity date on 22 August 2014. The loan is secured by a bank deposit of the Company and second ranking share charge of four indirect wholly-owned PRC subsidiaries of the Company, together with all of their respective immediate and intermediate investment holding companies, which hold all of the Group's mining rights and the related mining structures (note 33), personal guarantees given by two executive directors of the Company and the Company's shares held by six individual shareholders (note 43(a)(iii)).

29. Bank loans and overdrafts (Continued)

(c) (Continued)

Pursuant to the Loan Agreement, the Company executed a warrant instrument (the "Warrant Instrument") with a principal amount of $93,480,000 (the "Warrants") to the Lender. The Warrant Instrument is executed in consideration of the loan drawn by the Company pursuant to the Loan Agreement and the issue price of the Warrants is nil. The Warrants entitle the holders to subscribe for new ordinary shares of the Company at a subscription price of $2.1 per share for a period from 22 August 2011 to 22 August 2014. The Warrants are transferable.

Pursuant to the Loan Agreement and the Warrant Instrument, the Company is entitled to a right to repay the loan at any time before the loan maturity date ("Voluntary Prepayment Option"). In the event that Voluntary Prepayment Option is exercised by the Company, provided that holders of the Warrants agree to surrender their unexercised Warrants, and any of the Warrants are not exercised, the Company will pay to the warrant holders for unexercised warrants a voluntary surrender premium, which is equivalent to an amount between 18% and 10% stipulated coupon rate per annum on bank loan payable by the Company during period from the date of bank loan drawn and up to the date of repayment of the loan, in the consideration of warrant holders' surrender of the unexercised Warrants. The warrant holders have discretion not to surrender their Warrants, when the Voluntary Prepayment Option is exercised, if there is a better payoff of holding the Warrants till maturity or conversion of the Warrants into shares of the Company. In the event that any of the Warrants are not exercised and no Voluntary Prepayment Option is exercised by the Company, the Company will pay to the warrant holders for unexercised warrants an expiry surrender premium at expiry date of the Warrants. The expiry surrender premium is equivalent to an amount between 15% on the loan and 10% stipulated coupon rate per annum on bank loan payable by the Company during loan period.

On the issue date of the Warrants and loan drawn down date, the fair value of the Warrants was determined using a binominal option pricing model at $38,080,000 (note 30) and the residual of the proceeds from the Lender of $273,920,000 was regarded as the liability component of the loan which is carried at amortised cost at an effective interest rate of 15% per annum.

Pursuant to the Loan Agreement, the Group is subject to the fulfillment of covenants relating to certain of the Group's debt and profit financial ratios and collateral coverage ratio during the loan period. If the Group is in breach of the covenants, the loan will become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 40(b). As at 31 December 2011, none of the covenants relating to loan had been breached.

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

	2011 **%**	2010 %
Effective interest rates:		
Fixed-rate bank loans	**7.2 - 15.0**	4.8 - 5.3
Variable-rate bank loans	**1.7 - 7.2**	1.7
Variable-rate bank overdrafts	**–**	5.0

30. Derivative financial instruments

	Note	The Group 2011 $'000	The Group 2010 $'000	The Company 2011 $'000	The Company 2010 $'000
Derivative financial liabilities					
Warrants					
At issue date	29(c)	**38,080**	–	**38,080**	–
Fair value loss	5	**1,229**	–	**1,229**	–
At 31 December		**39,309**	–	**39,309**	–

During the year, the Company issued the Warrants with a total principal amount of $93,480,000 to the Lender at a nil issue price. The details of the terms of the Warrants are referred to in note 29(c). During the year, no new shares of the Company were issued upon exercise of the Warrants.

The fair values of the Warrants at date of issue on 22 August 2011 and at 31 December 2011 respectively are determined based on the valuations performed by Roma Appraisals Limited, an independent firm of professionally qualified valuers, using the binominal option pricing model. The following assumptions are used to calculate the fair values of the Warrants:

	22 August 2011	31 December 2011
Closing share price ($)	1.56	1.44
Exercise price ($)	2.10	2.10
Expected remaining life of the Warrants (years)	3	2.64
Expected volatility (%)	63	63
Risk free rate (%)	0.35	0.49
Expected dividend yield (%)	0	0
Discount rate for discounting the future expiry surrender premium (%)	15	15

31. Convertible bonds

	Note	The Group 2011 $'000	The Group 2010 $'000	The Company 2011 $'000	The Company 2010 $'000
Liability components:					
Convertible bonds due in 2013	(a)	**218,964**	215,100	**218,964**	215,100
Convertible bonds due in 2012	(b)	**–**	–	**–**	–
At 31 December		**218,964**	215,100	**218,964**	215,100

(a) 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 for the acquisition of Decent Connection Overseas Limited ("Decent") and its subsidiaries (collectively ("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 on the profit of Jinxing guaranteed by Simple Best, details of the lock-up arrangement and interpretation on Jinxing and Simple Best are referred to in note 38(b). Based on the information available and in the opinion of the Company's directors, the audited profit after tax and exceptional items of Jinxing was not less than $100,000,000 for the financial year ended 31 December 2011. Accordingly, the lock-up arrangement for the second tranche of convertible bonds with a principal amount of $100,000,000 will be released to Simple Best within two months upon the issue of the duly signed and approved audited financial statements of Jinxing. As at the date of approval of these financial statements, the signed and approved audited financial statements of Jinxing for the year ended 31 December 2011 have not been issued.

The convertible bonds entitle the holders 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 35(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 and 1 January 2011	215,100	12,378	227,478
Interest expense (note 6(a))	17,364	–	17,364
Less: Accrued interest (included in accrued charges and other payables (note 27))	(13,500)	–	(13,500)
At 31 December 2011	218,964	12,378	231,342

At the date of issue of the convertible bonds, the liability component and the equity component of the convertible bonds were determined based on a 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 8% per annum.

31. Convertible bonds (Continued)

(b) On 11 February 2010, the Company issued convertible bonds with an aggregate principal amount of $225,000,000. The convertible bonds entitled 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 were 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's notice. All convertible bonds were converted into 300,000,000 ordinary shares of the Company of $0.125 each on the same date the convertible bonds were issued (note 35(b)(iv)).

	Liability component	Redemption option of the Company	Equity component	Total
	$'000	$'000	$'000	$'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	–	–	–	–

At the date of issue of the convertible bonds, the liability component, the embedded derivative on redemption option and the equity component of the convertible bonds were determined based on a 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 was 11% per annum.

32. Unsecured payable

This represents a payable with a principal amount of $220,000,000 (2010: $270,000,000) as at 31 December 2011 due to Eastgold as part of the consideration for the acquisition of Wah Heen Holdings Limited and its subsidiaries (collectively "Wah Heen Group") during the year ended 31 December 2010 (note 39). Pursuant to the sale and purchase agreement of the acquisition of Wah Heen Group, the payable is unsecured, interest-free and will be due on 20 December 2012. The payable is stated at amortised cost, using an effective interest rate of 8.9% per annum. During the year, the Group repaid a principal amount of $50,000,000 (2010: $nil) to Eastgold and incurred a loss on early redemption of this amount of $5,267,000 (2010: $nil) (note 5). The Group recognised interest expense of $18,911,000 (2010: $608,000) during the year (note 6(a)), which is based on the amortised cost carrying amount of the payable at an effective interest rate of 8.9% per annum.

As at 31 December 2011, the fair value of the payable was as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Within 1 year	**202,602**	–	**–**	–
After 1 year but within 2 years	**–**	228,424	**–**	–
At 31 December	**202,602**	228,424	**–**	–
Current portion (included in trade and other payable (note 27))	**202,602**	–	**–**	–
Non-current portion	**–**	228,424	**–**	–

33. Pledge of assets

The Group's assets with the following carrying amounts at 31 December 2011 have been pledged to secure bills payables (note 27(c)), other borrowings (note 28(a)) and bank loans (notes 29(a)&(c)):

		The Group		The Company	
		2011	2010	**2011**	2010
	Note	**$'000**	$'000	**$'000**	$'000
Intangible asset of a mining right	15(a)	**1,851,727**	–	**–**	–
Fixed assets	16(b)	**244,910**	79,874	**–**	–
Construction in progress	17(a)	**4,287**	–	**–**	–
Trade receivables	24	**74,754**	–	**–**	–
Bank deposits	25	**39,036**	–	**15,600**	–
		2,214,714	79,874	**15,600**	–

Save as disclosed above, all issued shares of two indirect wholly-owned PRC subsidiaries and four indirect wholly-owned PRC subsidiaries of the Company, together with all of their respective immediate and intermediate investment holding companies, which holds all of the Group's mining rights and related mining structures, were subject to share charge as security pledged for other borrowings (note 28(a)) and second ranking share charge as security pledged for a bank loan (notes 29(c)) as at 31 December 2011 (2010:nil).

34. Deferred Tax

(a) 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:

		The Group		
	Note	Withholding tax $'000	Intangible assets $'000	Total $'000
At 1 January 2010		928	104,859	105,787
Acquisition of subsidiaries	38(a) & (b)	–	599,547	599,547
Exchange adjustments		32	9,971	10,003
Charged/(credited) to consolidated income statement	7(a)(i)	4,339	(14,715)	(10,376)
At 31 December 2010		5,299	699,662	704,961
At 1 January 2011		5,299	699,662	704,961
Exchange adjustments		–	34,047	34,047
Credited to consolidated income statement	7(a)(i)	(5,299)	(26,739)	(32,038)
At 31 December 2011		–	706,970	706,970

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(t), the Group has not recognised deferred tax assets of certain subsidiaries in respect of cumulative tax losses of $24,817,000 (2010: $150,450,000) at 31 December 2011 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 will expire in the coming two to five years, except for amount of $18,779,000 (2010: $150,450,000) which does not expire under current tax legislation. The Company has not recognised deferred tax assets in respect of cumulative tax losses of $18,779,000 (2010: $18,779,000) at 31 December 2011 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.

35. 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 reporting period are set out below:

The Company

	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)&31)	Capital reserve $'000 (note (d)(iii))	Accumulated losses $'000	Total $'000
At 1 January 2011	416,448	2,932,025	91,457	1,250	12,378	10	(593,592)	2,859,976
Changes in equity for 2011:								
Total comprehensive loss for the year	–	–	–	–	–	–	(12,506)	(12,506)
Release of contributed surplus upon disposal of subsidiaries	–	–	(91,457)	–	–	–	91,457	–
New shares issued upon exercise of share options	13	23	–	–	–	(10)	–	26
Equity-settled share based payments	–	–	–	–	–	13,170	–	13,170
At 31 December 2011	416,461	2,932,048	–	1,250	12,378	13,170	(514,641)	2,860,666
At 1 January 2010	213,215	674,705	91,457	1,400	–	5,856	(546,122)	440,511
Changes in equity for 2010:								
Total comprehensive loss for the year	–	–	–	–	–	–	(47,470)	(47,470)
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
Issue of new shares upon exercise of 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)
At 31 December 2010	416,448	2,932,025	91,457	1,250	12,378	10	(593,592)	2,859,976

35. Capital and reserves (Continued)

(b) Share capital

Authorised and issued share capital

	2011 Number of shares '000	2011 $'000	2010 Number of shares '000	2010 $'000
Authorised:				
Ordinary shares of HK$0.125 each				
At 1 January	**10,000,000**	**1,250,000**	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**	10,000,000	1,250,000
Ordinary shares, issued and fully paid:				
At 1 January	**3,331,587**	**416,448**	1,705,720	213,215
Issue of new shares by placements (note (ii))	**–**	**–**	355,000	44,375
Issue of new shares for acquisition of subsidiaries (note (iii))	**–**	**–**	671,042	83,880
Issue of new shares upon conversion of convertible bonds (note (iv))	**–**	**–**	411,905	51,488
Issue of new shares upon exercise of share options (note(v))	**100**	**13**	47,920	5,990
Issue of new shares upon exercise of warrant subscription rights (note(vi))	**–**	**–**	140,000	17,500
At 31 December	**3,331,687**	**416,461**	3,331,587	416,448

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 ended 31 December 2010, 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.

35. Capital and reserves (Continued)

(b) Share capital (Continued)

Note: (Continued)

(iii) During the year ended 31 December 2010, 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 38(b) and 39) 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 31(a) and (b)). These shares rank pari passu in all respects with then existing shares in issue.

(v) During the year, options were exercised to subscribe for 100,000 (2010: 47,920,000) ordinary shares of $0.125 each of the Company at an aggregate consideration of $26,000 (2010: $17,437,000), of which $13,000 (2010: $5,990,000) and $13,000 (2010: $11,447,000) were credited to share capital and share premium respectively, and the credit balance of $10,000 (2010: $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 ended 31 December 2010, 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 35(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 issue of the warrants. During the year ended 31 December 2010, 140,000,000 warrants were exercised to subscribe for 140,000,000 new ordinary shares of the Company (note 35(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 years ended 31 December 2011 and 2010, no new shares were issued upon exercise of Warrant A and Warrant B.

35. 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(s)(ii). Details of the share option schemes of the Company are disclosed in note 37.

(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.

35. 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)(ii).

(e) Distributability of reserves

At 31 December 2011, the aggregate amount of reserves available for distribution to owners of the Company was $2,417,407,000 (2010: $2,429,890,000), 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 2011, the Group's net debt to equity ratio, representing the ratio of total borrowings (including bank loans and overdrafts, other borrowings, derivative financial instruments, convertible bonds and unsecured payable), net of cash and cash equivalents and pledged bank deposits to the total share capital and reserves of the Group is as follows:

	2011 **$'000**	2010 $'000
Total borrowings	**1,550,304**	610,335
Less: Pledged bank deposits	**(39,036)**	–
Cash and cash equivalents	**(86,962)**	(98,117)
Net debt	**1,424,306**	512,218
Total equity	**3,557,712**	3,021,351
Net debt to equity ratio	**40%**	17%

35. 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.

Except for share charge of certain subsidiaries of which details are referred to in note 33, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements in either the current or prior year.

36. Employee 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 20% (2010: 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 material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

The total costs charged to consolidated income statement of $2,551,000 (2010: $713,000) and $40,000 (2010: $250,000) from continuing operations and discontinued operations respectively represent contributions payable to these scheme by the Group during the year.

37. Equity-settled share-based transactions

The Company has two share option schemes namely, the Pre-IPO Share Option Scheme and the Share Option Scheme 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. By an ordinary resolution passed by the Company's shareholders in the annual general meeting on 26 May 2011, the Company refreshed the limit in respect of the granting of share options under the Share Option Scheme and all other share options scheme up to 10% of the total number of ordinary shares of the Company in issue. Notwithstanding any other provisions of the Share Option Scheme, the maximum number of ordinary shares of the Company 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 ordinary shares of the Company in issue from time to time.The Share Option Scheme 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 under the Share Option Scheme will be at least the highest of:

(i) the closing price of the Company's 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 Company's 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 Company's shares.

37. 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 ended 31 December 2010 were as follows, whereby all options were 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 each offer of options granted was HK$1. Each option offer gave the holder the right to subscribe for a number of ordinary shares of HK$0.125 each of the Company.

37. 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:

	2011 Exercise price $	2011 Number of shares issuable under options granted '000	2010 Exercise price $	2010 Number of shares issuable under options granted '000
Outstanding at 1 January	–	–	1.23	3,120
Exercised during the year	–	–	1.23	(3,120)
Outstanding at 31 December	–	–	–	–
Exercisable at 31 December	–	–	–	–

The weighted average share price at the date of exercise of share options during the year ended 31 December 2010 was $2.23.

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

(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
Options granted during the year ended 31 December 2008 ("2008 Options")			
On 2 January 2008:			
Tranche 1			
– Directors	9,600	3 months from date of grant	3 years
– Employees	17,570	3 months from date of grant	3 years
	27,170		
On 20 March 2008:			
Tranche 2			
– 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		
On 18 June 2008:			
Tranche 3			
– Consultants	33,200	3 months from date of grant	3.2 years
Total number of shares issuable under options granted	107,170		

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

(b) Share Option Scheme (Continued)

(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 (Continued):

	Number of shares issuable under options granted '000	Vesting conditions	Contractual life of options
Options granted on 28 October 2011 ("2011 Options"):			
Tranche 1			
– Directors	33,600	24 months from date of grant	6 years
– Employees	46,830	24 months from date of grant	6 years
– Consultants	19,500	24 months from date of grant	6 years
	99,930		
Tranche 2			
– Directors	44,800	36 months from date of grant	6 years
– Employees	62,440	36 months from date of grant	6 years
– Consultants	26,000	36 months from date of grant	6 years
	133,240		
Tranche 3			
– Directors	33,600	48 months from date of grant	6 years
– Employees	46,830	48 months from date of grant	6 years
– Consultants	19,500	48 months from date of grant	6 years
	99,930		
Total number of shares issuable under options granted	333,100		

37. 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:

	2011			2010		
	Weighted average exercise price $	Exercise price $	Number of shares issuable under options granted '000	Weighted average exercise price $	Exercise price $	Number of shares issuable under options granted '000
Outstanding at 1 January						
2008 Options:						
Tranche 1		-	-		0.270	16,000
Tranche 2		0.292	100		0.292	13,900
Tranche 3		-	-		0.350	15,000
Total	0.292		100	0.304		44,900
Grant during the year						
2011 Options:						
Tranche 1		1.51	99,930		–	–
Tranche 2		1.51	133,240		–	–
Tranche 3		1.51	99,930		–	–
Total	1.51		333,100	–		–
Exercised during the year						
2008 Options:						
Tranche 1		-	-		0.270	(16,000)
Tranche 2		0.292	(100)		0.292	(13,800)
Tranche 3		-	-		0.350	(15,000)
	0.292		(100)	0.304		(44,800)
2011 Options:						
Tranche 1		-	-		–	–
Tranche 2		-	-		–	–
Tranche 3		-	-		–	–
	-	-	-	–	–	–
Total	0.292		(100)	0.304		(44,800)

37. 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 (Continued):

	2011			2010		
	Weighted average exercise price $	Exercise price $	Number of shares issuable under options granted '000	Weighted average exercise price $	Exercise price $	Number of shares issuable under options granted '000
Outstanding at 31 December						
2008 Options:						
Tranche 1		-	-		0.270	–
Tranche 2		-	-		0.292	100
Tranche 3		-	-		0.350	–
	-		-	0.292		100
2011 Options:						
Tranche 1		1.51	99,930		–	–
Tranche 2		1.51	133,240		–	–
Tranche 3		1.51	99,930		–	–
	1.51		333,100	–		–
Total	1.51		333,100	0.292		100
Exercisable at 31 December						
2008 Options:						
Tranche 1		-	-		0.270	–
Tranche 2		-	-		0.292	100
Tranche 3		-	-		0.350	–
	-		-	0.292		100
2011 Options:						
Tranche 1		-	-		–	–
Tranche 2		-	-		–	–
Tranche 3		-	-		–	–
	-		-	–		–
Total	-		-	0.292		100

(Expressed in Hong Kong dollars unless otherwise indicated)

37. 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 (Continued):

The weighted average share price at the date of exercise of share options during the year was $1.70 (2010: $2.339).

The share options outstanding at 31 December 2011 had an exercise price of $1.51 (2010: $0.292) and a weighted average remaining contractual life of 5.83 years (2010: 0.5 year).

(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 options 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 2008 Options

	Tranche 1	Tranche 2	Tranche 3
Fair value at measurement date	$0.08	$0.06	$0.14
Share price	$0.27	$0.25	$0.35
Exercise price	$0.27	$0.29	$0.35
Expected volatility	62%	64%	65%
Option life (expressed as weight average life used in the modelling under the binomial model)	3 years	3.2 years	3.2 years
Expected dividends	0%	0%	0%
Risk-free interest rate (based on Exchange Fund Notes)	2.74%	1.34%	3.34%

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

(b) Share Option Scheme (Continued)

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

Fair value of share options and assumptions for 2011 Options

	Tranche 1	Tranche 2	Tranche 3
Fair value at measurement date	$0.61	$0.63	$0.68
Share price	$1.51	$1.51	$1.51
Exercise price	$1.51	$1.51	$1.51
Expected volatility	58%	56%	57%
Option life (expressed as weight average life used in the modelling under the binomial model)	6 years	6 years	6 years
Expected dividends	0%	0%	0%
Risk-free interest rate (based on Exchange Fund Notes)	0.68%	0.82%	0.95%

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 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.

(c) The Group and the Company recognised the fair value of the share options granted under the Share Option Scheme as equity-settled share-based payment expenses and the capital reserve of the Group and the Company of $13,170,000 (2010: $nil) and $13,170,000 (2010: $nil) respectively during the year.

38. Business combinations – 2010

(a) On 2 June 2010, the Group and Pu Er Sheng An Di Property Company Limited（普洱聖安迪置業有限公司）("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 was engaged in mining and processing of gold mines and sales of gold products. The acquisition of Mojiang Company was to continue the expansion of the Group's gold mining operations.

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	(10,734)
Deferred tax liabilities (note 34(a))	(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.

38. Business combinations – 2010 (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 31 December 2010.

(iii) The trade and other receivables represented 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 were included in the consolidated income statement during the year ended 31 December 2010.

(v) The gain on bargain purchase upon 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 Group together with the shareholder's loan due by Decent Group to Simple Best at a consideration of $1,380,000,000 which 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 a 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 31(a)). 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 was engaged in mining and processing of gold mines and sales of gold products. The acquisition of Decent Group was to continue the expansion of the Group's gold mining operations.

38. Business combinations – 2010 (Continued)

(b) (Continued)

The fair values of identifiable assets and liabilities of Decent Group as at the date of completion on the acquisition were 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 34(a))	(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 31(a))	460,000
Issue of 342,857,142 ordinary shares	
Shares issued at an 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 35(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)

38. Business combinations – 2010 (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 a 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 31 December 2010.

(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 were included in the consolidated income statement during the year ended 31 December 2010.

(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 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 2010, nor was it intended to be a projection of future results.

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

	Note	$'000
Mojiang Company	(a)	12,588
Decent Group	(b)	50,470
		63,058

The total acquisition-related costs for the acquisitions of Mojiang Company and Decent Group (notes (a)(iv) and (b)(iv)) are $21,546,000 included in the consolidated income statement during the year ended 31 December 2010.

39. Purchase of a mining right through acquisition of subsidiaries – 2010

On 21 December 2010, the Group and 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 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 upon 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 held a mining right for a gold mine in Henan in the PRC and had not commenced business at the date of completion of acquisition. The acquisition was accounted for as an asset acquisition. The acquisition of Wah Heen Group was 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

39. Purchase of a mining right through acquisition of subsidiaries – 2010 (Continued)

	$'000
Consideration is satisfied by:	
Cash	230,000
Issue of 328,185,328 ordinary shares	
Shares issued at an 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 35(b)(iii))	561,197
Unsecured payable at amortised cost (note 32)	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 had not commenced any business at the date of completion of acquisition. 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 completion on the acquisition and 31 December 2010.

(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 were recognised and included in the cost of acquisition.

40. Financial risk management and fair values

The Group's major financial instruments include pledged deposits, cash and cash equivalents, trade and other receivables and payables, bank and other borrowings, derivative financial instruments and convertible bonds. Details of the financial instruments are disclosed in respective notes. The risk associated with these financial instruments include credit, liquidity, interest rate, currency risks and equity price risk. 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 and bank balances. 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 two months 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 82% (2010: 99%) 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 12% (2010: 0%) of the total trade debtors at 31 December 2011.

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.

Except for the financial guarantees given by the Company as set out in note 45, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 45.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 24.

(b) Liquidity risk

At 31 December 2011, the Group has net current liabilities of approximately $465,659,000 (2010: $149,620,000). 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 and financial institutions and may consider the raising of debts to meet its liquidity requirements in the short and longer term.

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.

40. Financial risk management and fair values (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 and 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 and other borrowings which contain a repayment on demand clause which can be exercised at the lender'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 and other borrowings is prepared based on the scheduled repayment dates.

	The Group									
	2011					2010				
	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
Non-derivative financial liabilities										
Trade and other payables (including unsecured payables)	370,137	387,535	387,535	-	-	315,152	356,728	86,728	270,000	–
Bank loans and overdrafts	421,016	537,139	164,303	31,070	341,766	166,811	166,811	166,811	–	–
Other borrowings	668,413	853,766	230,972	475,074	147,720	–	–	–	–	–
Convertible bonds	218,964	252,037	13,537	238,500	-	215,100	265,537	13,500	13,537	238,500
	1,678,530	2,030,477	796,347	744,644	489,486	697,063	789,076	267,039	283,537	238,500
Derivative financial liabilities										
Derivative financial instruments	39,309	56,267	-	-	56,267	–	–	–	–	–

	The Company									
	2011					2010				
	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
Non-derivative financial liabilities										
Amounts due to subsidiaries	40,493	40,493	40,493	-	-	76,753	76,753	76,753	–	–
Bank loans	287,783	403,906	31,070	31,070	341,766	–	–	–	–	–
Other payables	16,939	16,939	16,939	-	-	4,360	4,360	4,360	–	–
Convertible bonds	218,964	252,037	13,537	238,500	-	215,100	265,537	13,500	13,537	238,500
	564,179	713,375	102,039	269,570	341,766	296,213	346,650	94,613	13,537	238,500
Derivative financial liabilities										
Derivative financial instruments	39,309	56,267	-	-	56,267	–	–	–	–	–

40. Financial risk management and fair values (Continued)

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings and bank balances and fair value interest rate risk in relation to fixed-rate bank and other borrowings and pledged bank deposits.

(i) *Interest rate profile*

The following table details the interest rate profile of the Group's and the Company's bank and other borrowings and bank deposits at the end of the reporting period:

	The Group				The Company			
	2011		2010		**2011**		2010	
	Effective interest rates %	**'000**	Effective interest rates %	'000	**Effective interest rates %**	**'000**	Effective interest rates %	'000
Variable rate borrowings:								
Bank loans	**1.7-7.2**	**71,558**	1.7	37,534		**-**		-
Bank overdrafts		**-**	5.0	2		**-**		-
Other borrowings	**17**	**520,591**		-		**-**		-
		592,149		37,536		**-**		-
Fixed rate borrowings:								
Bank loans	**7.2-15.0**	**349,458**	4.8-5.3	129,275	**15.0**	**287,783**		-
Other borrowings	**14.5**	**147,822**		-		**-**		-
		497,280		129,275		**287,783**		-
Total borrowings		**1,089,429**		166,811		**287,783**		-
Fixed rate borrowings as a percentage of total net borrowings		**46%**		77%		**100%**		-
Variable rate bank balances	**0.1-1.3**	**85,975**	0.1-1.1	96,894	**0.1**	**29,480**	0.1-1.1	52,528
Fixed rate pledged bank deposits	**0.1-0.5**	**39,036**	-	-	**0.1**	**15,600**		-

(ii) *Sensitivity analysis*

All of the bank and other borrowings and pledged bank deposits 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 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate bank and other borrowings and bank balances, with all other variables held constant, would decrease/increase the Group's and increase/decrease the Company's profit after tax and retained profits by approximately $5,062,000 (2010: $594,000) and $295,000 (2010: $525,000) respectively. 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 2010.

40. Financial risk management and fair values (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 consolidated 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 in 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 is a continuing appreciation of AUD against $.

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Assets/(liabilities)				
Available-for-sale financial asset				
AUD	**118,785**	129,894	**–**	–
Cash and cash equivalents				
AUD	**326**	7	**31**	6
USD	**11,769**	20	**11,769**	16
Pledged bank deposits				
USD	**15,600**	–	**15,600**	–
Bank loan				
USD	**(287,783)**	–	**(287,783)**	–
Derivative financial instruments				
USD	**(39,309)**	–	**(39,309)**	–
Total assets				
AUD	**119,111**	129,901	**31**	6
USD	**27,369**	20	**27,369**	16
Total liabilities				
USD	**(327,092)**	–	**(327,092)**	–

40. Financial risk management and fair values (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 2011			
AUD	**5%**	**16**	**5,939**
	(5%)	**(16)**	**(5,939)**
At 31 December 2010			
AUD	5%	–	6,495
	(5%)	–	(6,495)
The Company			
At 31 December 2011			
AUD	**5%**	**2**	**–**
	(5%)	**(2)**	**–**
At 31 December 2010			
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.

40. Financial risk management and fair values (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 2010.

(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 annually against performance. At 31 December 2011, 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 $5,939,000 (2010: $6,495,000).

(g) Financial instruments carried at fair value

The following table presents the carrying amount of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, Financial instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	The Group				The Company			
	2011		2010		**2011**		2010	
	Level 1 $'000	**Level 2 $'000**	Level 1 $'000	Level 2 $'000	**Level 1 $'000**	**Level 2 $'000**	Level 1 $'000	Level 2 $'000
Assets								
Available-for-sale financial asset	**118,785**	**-**	129,894	–	**-**	**-**	–	–
Liabilities								
Derivative financial instruments	**-**	**39,309**	–	–	**-**	**39,309**	–	–

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

40. Financial risk management and fair values (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 and other borrowings and unsecured payable

The fair value of bank and other borrowings and unsecured 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 listed equity investments are based on listed market price at the end of the reporting period.

(iii) Derivative financial instruments

An external independent valuation company, with appropriate recognised professional qualifications, is engaged to value the derivative financial instruments 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 derivative financial instruments are adopted. The basis for determining the fair value is disclosed in note 30.

(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 above, the fair values of cash and bank balances, trade and other receivable and payables of the Group and the Company are not materially different from their carrying amounts as at 31 December 2011 and 2010.

41. Commitments

(a) At 31 December 2011, the Group had contracted capital commitments in respect of acquisition of gold mining rights and exploration rights of $2,689,000 (2010: $95,175,000) (notes 18(a)(iii) and (b)) and fixed assets of $5,106,000 (2010:$ 2,655,000) (note 20).

(b) At 31 December 2011, the Group had authorised but not contracted for significant capital commitments in respect of acquisition of gold mining rights and exploration rights and fixed assets (2010: nil), details of which are referred to notes 18(a)(i) and (ii) and 20.

(c) At 31 December 2011, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2011 **$'000**	2010 $'000
Within 1 year	**5,153**	654
After 1 year but within 5 years	**3,457**	826
After 5 years	**1,388**	–
	9,998	1,480

The Group is the lessee in respect of a number of properties for an initial period of one to ten years. None of the leases includes contingent rentals.

(d) The Company did not have any significant commitments as at 31 December 2011 and 2010.

42. 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.

43. Related party transactions

(a) During the years ended 31 December 2011 and 2010, the Group had the following related party transactions:

(i) During the year, Mr. Chang Yim Yang (“Mr. Chang”), an executive director and substantial shareholder of the Company, provided a personal guarantee to Minsheng for two loans granted to the Group of RMB300,000,000 (equivalent to $354,400,000) and RMB150,000,000 (equivalent to $183,891,000) respectively (note 28(a)).

(ii) On 29 December 2011, the Group and Mr. Chang entered into a loan agreement pursuant to which Mr. Chang agreed to lend a loan of $147,822,000 to the Group. The loan is charged an interest rate of 14.5% per annum, unsecured and repayable on 28 December 2013 (note 28). The interest on loan from this related party recognised in the Group’s consolidated income statement during the year was $121,000 (2010:$nil).

(iii) During the year, Mr. Lam Cham (“Mr. Lam”), an executive director and substantial shareholder of the Company, and Mr. Dai Xiaobing (“Mr. Dai”), an executive director of the Company, provided personal guarantees and six individual shareholders of the Company, including Mr. Lam and Mr. Dai, pledged their individual shares of the Company to the Lender for a loan granted to the Company of US$40 million (equivalent to $312 million) (note 29(c)).

(iv) On 17 August 2011 and 25 August 2011, the Group and a third party entered into a loan agreement and a supplement agreement pursuant to which the third party agreed to lend a loan of $140,000,000 to the Group. Mr. Chang and Mr. Dai provided their personal guarantees to the third party for the loan granted to the Group. The loan was charged at an interest rate of 15% per annum, unsecured and fully repaid in December 2011.

43. Related party transactions (Continued)

(a) (Continued)

(v) On 25 January 2011, the Group and a PRC company, which is controlled and owned by Mr. Zhang Shuguang, entered into a loan agreement pursuant to which the PRC Company agreed to lend a loan of RMB10,500,000 (equivalent to $12,404,000) to the Group. Mr. Zhang Shuguang was a senior management officer of the Group at the date of execution of the loan agreement and was subsequently appointed as the Company's director in September 2011. The loan was charged an interest rate of 7% per annum, unsecured and fully repaid on 30 January 2011. The interest on loan from this related party recognised in the Group's consolidated income statement during the year was $7,000 (2010:$nil).

(vi) During the year, a deputy general manager of a subsidiary of the Company provided personal guarantee of RMB20,000,000 (equivalent to $24,670,000) (2010: RMB20,700,000 (equivalent to $24,326,000)) to a bank for a loan of RMB20,000,000 (equivalent to $24,670,000) (2010: RMB20,000,000 (equivalent to $23,504,000)) granted to the Group (note 29(b)).

(vii) During the year ended 31 December 2010, 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 Company 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 29(b)). On 2 March 2011, the Group repaid the bank loan and the bank deposit of the related party pledged as security was released.

(viii) 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 Company 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. The deposit was fully refunded to the Group during the year.

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

43. Related party transactions (Continued)

(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:

	2011 **$'000**	2010 $'000
Short-term employee benefits	**13,624**	9,219
Post-employment benefits	**108**	54
Equity-settled share-based payment expenses	**5,298**	–
	19,030	9,273

44. 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 apply estimates and judgements on matters that are inherently uncertain. In addition to note 37 which contains information about the assumptions and the risk factors relating to fair value of share options granted, certain critical accounting judgements in applying the Group's accounting policies are described below.

(a) Mining rights and mining structures

Mining rights and mining structures are amortised or depreciated using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the ore mines. Proved reserves refer to the economically mineable part of measured resources. Probable reserves include economically mineable part of indicated resources. The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgements and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting mineral prices and costs change. Reserve estimates are based on current production forecasts, prices and economic conditions. The directors exercise their judgement in estimating the total proved and probable reserves of the ore mines.

44. Accounting estimates and judgements (Continued)

(b) Renewal of mining rights

The Group's mining rights will expire during the period from August 2012 to March 2016 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.

(c) Depreciation and amortisation

Fixed assets, other than mining structures, are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. 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.

(d) 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.

(e) Impairments

In considering the impairment losses that may be required for the Group's mining rights, mining structures, fixed assets, deposits paid for gold mining rights 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.

44. Accounting estimates and judgements (Continued)

(f) 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.

(g) 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.

(h) Fair value of derivative financial instruments

The fair value of derivative financial instruments that are not traded in active markets are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are periodically reviewed. To the extent practical, models use only observable data, however areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the fair values of derivative financial instruments.

(i) 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 changes 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.

(j) 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.

44. Accounting estimates and judgements (Continued)

(k) Environmental contingencies

During the year and up to the date of approval of these financial statements, the Group has not involved in any environmental remediation at this initial stage of gold mining activities and has complied with the existing environmental legislation requirements. The PRC government, however, may move further towards more rigorous enforcement of applicable laws and the adoption of more stringent environmental standards. Accordingly, the amount of such future costs is indeterminable by the Group. Under existing environmental 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 for the current reporting period.

45. 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 2011, such facilities were drawn down by the subsidiary to the extent of $34,553,000 (2010: $37,536,000). The maximum liability of the Company under the guarantee issued represents the amount drawn down by the subsidiary of $34,553,000 (2010: $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.

46. Major non-cash transactions

During the year ended 2010, the Group had major non-cash transactions for the acquisitions of subsidiaries. Part of the considerations were settled by the issue of the Company's shares and convertible bonds and the Group's unsecured payable, details of which are referred to notes 38(b) and 39.

47. Litigation

During the year, a former employee filed a claim against a subsidiary of the Group in the PRC for compensation for a lung disease which, as alleged by the former employee, was caused by his work for the subsidiary during the employment period from 1998 to 2004. On 26 December 2011, a district court in Chifeng City, Inner Mongolia, the PRC, judged that the subsidiary was the last employer of this former employee (the "First Court Judgement"). On 20 January 2012, the subsidiary filed an appeal to the Intermediate Court of Chifeng City, Inner Mongolia, the PRC to set aside the First Court Judgement. The court hearing on the subsidiary's appeal is not yet determined. The directors of the Company are of opinion, after having sought legal advice, that the subsidiary has strong and valid grounds to defend in the claim and the trial will not be made within one year after the end of the reporting period, and the maximum liability of the subsidiary under the claim is not more than RMB400,000 (equivalent to $493,000). In view of the above reasons and the insignificant amount of the claim, the directors have considered that no provision for the claim has been made in the Group's financial statements during the year.

48. Events after the reporting period

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

(a) On 16 January 2012, the Group entered into an agreement with an independent third party, China Resource SZITIC Trust Co., Ltd. (華潤深國投信托有限公司) ("China Resource"), pursuant to which China Resource agreed to lend the Group a loan of RMB300 million (equivalent to $368 million) which is secured by a mining right of the Group and fixed assets, guarantees given by Mr. Chang and a subsidiary of the Group. On 10 February 2012, the Group drew the loan.

(b) As further detailed in note 18(a)(i), on 20 January 2012, the Group and the Vendor entered into a supplement letter of intent, pursuant to which the Group would pay an amount not exceeding RMB300 million (equivalent to $368 million) to the Vendor within 60 days from the date of the supplement letter of intent. The title certificates of two mining rights held by Sinowise, through its subsidiary in Yunnan in the PRC, would be kept in custody by the Group upon the Group's payment of the above amount to the Vendor. The Vendor would extend the Exclusive Period for a six-month period up to 21 July 2012. Subsequent to the reporting period and up to the date of approval of these financial statements, the Group paid further deposit of RMB250 million (equivalent to $307 million) to the Vendor.

(c) On 6 February 2012, the Group and Eastgold entered into a supplement agreement to revise the payment term of cash consideration payable, which would be settled by the Group on 20 December 2012, in relation to its acquisition of Wah Heen Group (note 32). Pursuant to the supplement agreement, both parties agreed that the Group's outstanding principal amount of the cash consideration of $220,000,000 due to Eastgold would be settled by the issue of 151,933,701 new ordinary shares of the Company of $0.125 each at an issue price of $1.448 within one month upon the date of the supplement agreement. On 14 February 2012, 151,933,701 new ordinary shares of the Company were issued to Eastgold.

49. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2011

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new and revised standards and interpretations which are not yet effective for the year ended 31 December 2011.

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.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[6]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statetments[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2014.
6 Effective for annual periods beginning on or after 1 January 2015.

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, except as described below.

HK(IFRIC)-Int 20 addresses the recognition of waste removal costs that are incurred in surface mining activity during the production phase of a mine as an asset, as well as the initial measurement and subsequent measurement of the stripping activity asset. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the costs incurred are accounted for in accordance with HKAS 2 Inventories. To the extent that the benefit is improved access to ore and when criteria set out in the interpretation are met, the waste removal costs are recognised as a stripping activity asset under non-current assets. The Group expects to adopt the interpretation from 1 January 2013.

Five Years Summary

(Expressed in Hong Kong dollars)

	2007 $'000	2008 $'000	2009 $'000	2010 $'000	**2011** **$'000**
Assets and liabilities					
Total assets	206,521	143,012	715,496	4,484,736	**6,150,184**
Total liabilities	(141,746)	(73,357)	(199,983)	(1,463,385)	**(2,592,472)**
Net assets	64,775	69,655	515,513	3,021,351	**3,557,712**
Equity attributable to the owners of the Company	64,775	69,655	515,513	3,021,351	**3,557,712**

	2007 $'000	2008 $'000	2009 $'000	2010 $'000 (Restated)	**2011** **$'000**
Results					
Turnover					
Continuing operations	150,729	139,541	19,370	168,154	**1,119,298**
Discontinued operations	19,863	–	75,778	4,880	**–**
	170,592	139,541	95,148	173,034	**1,119,298**
Profit/(loss) before taxation					
Continuing operations	(18,830)	(52,209)	193	80,722	**571,441**
Discontinued operations	154,588	–	(25,984)	(36,354)	**16,498**
	135,758	(52,209)	(25,791)	44,368	**587,939**
Income tax					
Continuing operations	–	–	(3,399)	(22,438)	**(170,533)**
Discontinued operations	–	–	–	–	**–**
	–	–	(3,399)	(22,438)	**(170,533)**
Profit/(loss) for the year					
Continuing operations	(18,830)	(52,209)	(3,206)	58,284	**400,908**
Discontinued operations	154,588	–	(25,984)	(36,354)	**16,498**
	135,758	(52,209)	(29,190)	21,930	**417,406**

Corporate Information

Board of Directors

Executive Directors

LAM Cham *(Chairman)*
DAI Xiaobing *(Co-Chairman)*
CHANG Yim Yang
DENG Guoli
ZHANG Shuguang *(Chief Executive Officer)*
ZHANG Liwei

Non-executive Director

WANG John Peter Ben

Independent Non-executive Directors

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

Company Secretary

LAI Sai Wo

Authorised Representatives

LAM Cham
DAI Xiaobing

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Registered Office

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Grand Cayman
KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

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

Auditors

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

Legal Advisers

As to Hong Kong law:
Angela Ho & Associates

As to PRC law:
Bastion Law Firm

Principal Bankers

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

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

Website of the Company

http://cpm.etnet.com.hk

Shareholders Reference

Financial Calendar

Annual general meeting	25 May 2012

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

CPM

China Precious Metal Resources Holdings Co., Ltd.
中國貴金屬資源控股有限公司

Incorporated in the Cayman Islands with limited liability
於開曼群島註冊成立之有限公司