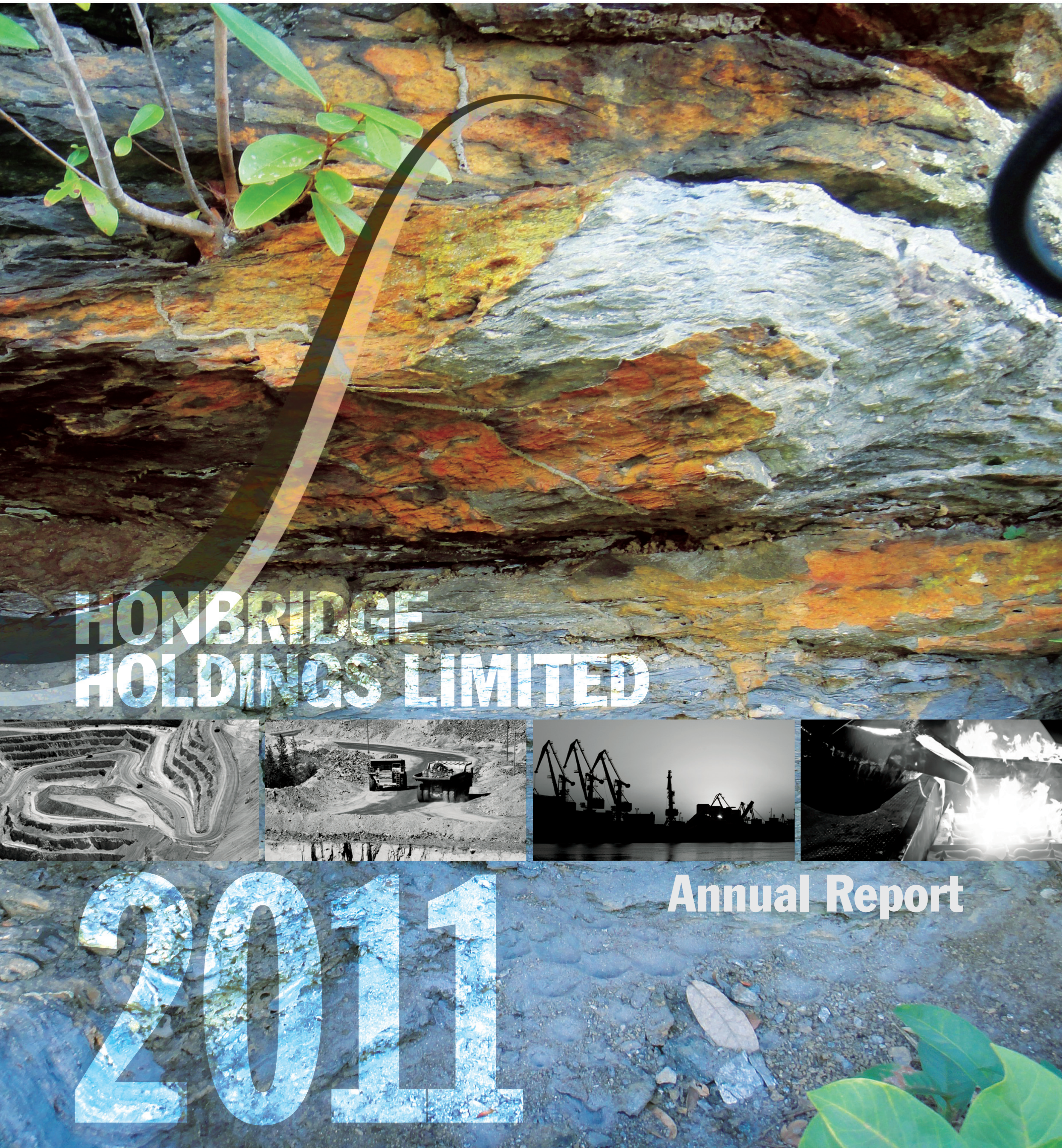
HONBRIDGE HOLDINGS LIMITED

洪 橋 集 團 有 限 公 司

(Stock Code: 8137)



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. He Xuechu *(Chairman)*
Mr. Liu Wei, William *(Chief Executive Officer)*
Mr. Shi Lixin

Non-Executive Directors

Mr. Yan Weimin
Mr. Ang Siu Lun Lawrence

Independent Non-Executive Directors

Mr. Chan Chun Wai, Tony
Mr. Fok Hon
Mr. Ma Gang

COMPLIANCE OFFICER

Mr. Liu Wei, William

COMPANY SECRETARY

Mr. Lam King Ho *CPA(US), CPA(HK), FCCA*

AUTHORISED REPRESENTATIVES

Mr. Liu Wei, William
Mr. Lam King Ho

MINING TECHNICAL COMMITTEE

Dr. Dai Ta Gen
Dr. Liu Jian Xin
Dr. Luo Bao Lin
Dr. Wu Xi Qing

AUDIT COMMITTEE

Mr. Chan Chun Wai, Tony *(Committee Chairman)*
Mr. Fok Hon
Mr. Ma Gang

REMUNERATION COMMITTEE

Mr. Fok Hon *(Committee Chairman)*
Mr. Ma Gang
Mr. Chan Chun Wai, Tony
Mr. He Xuechu
Mr. Liu Wei, William

AUDITOR

BDO Limited

PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

Scotia Centre
4th Floor, P.O. Box 2804
George Town, Grand Cayman
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 2703, 27th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
18th Floor, Fook Lee Commercial Centre
Town Plaza, 33 Lockhart Road
Wanchai
Hong Kong

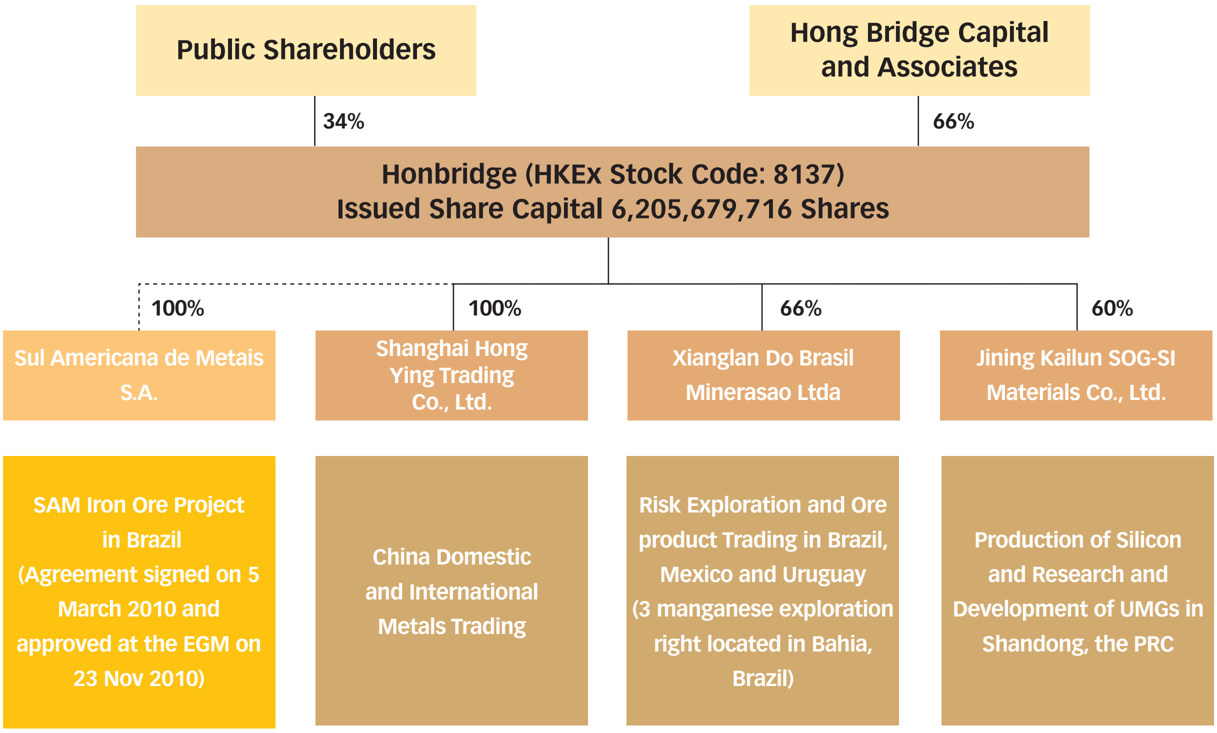
STOCK CODE

8137

COMPANY WEBSITE

www.8137.hk

Corporate Structure



Chairman's Statement

I report the activities of the Company and its subsidiaries (together "the Group") for the year ended 31 December 2011.

BUSINESS REVIEW

Sales of the Group's highly purified silicon has increased 18.0% year on year in 2011. The Group is now focusing on stabilising the output of the highly purified silicon products. Despite the increase in sales volume, prices are still subject to the risks of short term fluctuation that are affected by the market supply and demand.

The mineral resources and steel metal trading arm contributed HK$1,698 million revenue to the Group in its first year's full operation, which provided steady cashflow and good return to the Group.

Since entering into a share purchase agreement on 5 March 2010 with an independent third party Grupo Votorantim's wholly owned subsidiary Votorantim Novos Negócios Ltda. ("VNN") to acquire 100% interest of a company having rich iron mineral resources in Brazil Sul Americana de Metais S.A. ("SAM"), the Group has made substantial progress towards the completion of the acquisitions. Resources have been confirmed. Benefication tests, environmental evaluation, preliminary engineering design are moving on schedule.

The directors believe that the acquisitions of SAM will make the business strategy and scope of the Company more focused. Our resources and energy sector (including mining and the iron ore project) is becoming the Group's principal business.

Chairman's Statement

PROSPECTS

The Company has disposed of the business associated with magazine publishing and advertising activities in the first quarter of 2011. The disposal will enable the Group to focus on the resources and energy sector with better growth potential, and enables the Group to have a clearer business strategy.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our shareholders, customers and cooperative partners for their continued support during 2011 and all staff for their hard work.

He Xuechu
Chairman

Hong Kong
28 March 2012

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 December 2011, the Group recorded turnover of HK$1,757 million which comprised HK$1,698 million from mineral resources and steel metal trading and HK$59 million from the sale of highly purified silicon. Loss for the year was HK$387 million which is HK$63 million less than that for the last year. The decrease was mainly due to the net effect of decrease in amortisation of share options cost of HK$298 million, increase in impairment of goodwill of HK$31 million, increase in fair value loss on derivative financial assets of HK$4 million, decrease in fair value loss on loan to SAM of HK$8 million, increase in impairment of property, plant and equipment of HK$12 million, and increase in impairment of exploration and evaluation assets of HK$196 million (net of income tax credit) that have no impact to the Group's cashflows.

In late 2010, the Board decided to leverage the limited financial resources of Xianglan Brazil and their connection in South America to set up subsidiaries in Mexico and Uruguay. The Group has also built an iron ore storage centre. Despite some fruitful initial development, as a result of the sudden implementation of new governing policy by the Mexican government in the second half of 2011 that has a significant change in the iron ores export rules, the iron ores trading business of the Group has been suspended. The Group is assessing the latest development of the iron ores export rules of the Mexican government in order to decide further actions. Resources of Xianglan Brazil has no significant change in 2011. For the three manganese licenses held by Xianglan Brazil, the Company has been considering between self development and reselling. In the past year, the price of manganese ores was ever decreasing. As the Company has concentrated its financial resources on the SAM iron mining project, no further geological work was done on the Manganese project. The Company does not rule out the possibility to seek for reselling the Manganese project in due course.

On 17 January 2011, the Company entered into an Iron Pellet Feed Long Term Supply and Purchase Agreement with Valin Iron and Steel Group Co., Ltd. ("Valin"). Pursuant to which the Company agreed to sell and Valin agreed to purchase no more than 10,000,000 tons of iron ores per annum for a term of 15 years starting from the production of SAM in Brazil.

On 29 March 2011, the Company entered into a legally binding Framework Agreement with Capital Steel Holdings Limited ("Capital Steel"). Pursuant to which Capital Steel will disburse to the Group a maximum of US$1,500,000,000 as prepayment to secure the long term supply of 10,000,000 tons of iron concentrate per annum at a discount to market price by the Company after the production of SAM in Brazil. Capital Steel will be granted an option to convert the prepayment into equity interest of the Company, on the condition that Capital Steel will not hold more than 30% equity interest of the Company. Capital Steel may also inject other resources such as iron ore mines to the Company.

On 26 May 2011, the Company entered into a non-legally binding Memorandum of Understanding with China Communications Construction Company Limited ("China Communications Construction"). Pursuant to which, the Group agreed to give priority in engaging China Communications Construction to be in charge of the ancillary port construction of SAM project in Brazil. China Communications Construction may also participate in the equity of and invest in the SAM project.

The wholly owned subsidiary of the Company in Shanghai, Shanghai Hongying Trading Co. Ltd. has developed the domestic and international metal products trading business that brings steady cashflow and good return to the Company. Sales of Shanghai Hongying Trading during the year ended 31 December 2011 reached RMB1,384 million.

On 21 October 2010, Shanghai Hongying Trading has appointed an non-exclusive distributor of metal products in China with estimated connected transaction amounts of not exceeding RMB300 million, RMB2,000 million and RMB2,100 million for each of the financial years ending 31 December 2010, 2011 and 2012 respectively.

PROGRESS OF ACQUISITION OF BRAZIL IRON MINING PROJECT SUL AMERICANA DE METAIS S.A.

On 5 March 2010, Honbridge and its wholly-owned subsidiary entered into a legally binding agreement ("the Formal Acquisition Agreement") with an independent third party — Votorantim Novos Negócios Ltda. (VNN) (which is a wholly-owned subsidiary of the Grupo Votorantim) and its related enterprises, that Honbridge is acquiring of 100% interests of SAM, a VNN's iron ore subsidiary, for not more than USD405 million. The payment for this acquisition is scheduled by five installments based on the progress of the project accordingly: Resource confirmation is made — USD10 million; Beneficiation test reached a satisfactory level — USD65 million; Obtained all the required licenses and approvals for starting the construction — USD115 million; and Port and mine being operated respectively — USD100 million each. The acquisition has been approved in the extraordinary general meeting of shareholders of Honbridge on 23 November 2010.

I. Exploration Right

Upon the moment of signing the SPA, SAM held about 83 Exploration Rights in Minas and Bahia states in Brazil, covering an area of approximately 1,155 km^2, and were divided into a total of 9 blocks (5, 6, 7, 8, 9, 10, 11, 12 and 13), which main mineral is iron.

As of the releasing date of this report, SAM has 81 Exploration Rights in total, covering an area of 113,979.72 hectares (1,139.79 km^2), among which 3 new Exploration Rights are obtained by bid, and 5 we originally possessed are discarded.

II. Resources Estimation

The detailed exploration drilling of Block 8 has been completed on 21 January 2011. Geologica e Sondagens Ltda, the largest drilling company in Brazil, has drilled a total of 462 drill holes, which lead to a cumulative length of 65,627.69 meters. SGS-Geosol Laboratorios Ltda, the world's leading testing company, applied testing on drilling cores; Golder Associate, the world's leading mining consultancy, made the following resources estimation based on the Australian JORC standard with the cut-off grade (14%): Measured Resources — 1.135 billion tons; Indicated Resources — 1.479 billion tons; and Inferred Resources — 1 million tons, total RoM: 2.6 billion tons (average detected grade: 20.3%). According to the estimation of experts, the actual minable resources can be higher than 95%. According to the beneficiation results, every 3.6 tons of RoM can produce one ton of concentrate, and Block 8 itself can already produce 720 million tons of concentrate. If the annual capacity is 25 million tons, its life-span will be about 27 years.

SAM has only done a preliminary exploration in Block 7 with a total of 53 drilling holes, which leads to a cumulative length of 6,617 meters. Coffey Mining, a well-known mining consultancy in the world, made the following resources estimation based on the Australian JORC standard with cut-off grade (15%): Indicated Resources — 25.2 million tons; Inferred Resources — 1.031 billion tons; total RoM: 1.056 billion tons; and Prospective Resources — approximately 2 billion tons, total RoM in Block 7: 3 billion tons. The distance of Block 7 and 8 is 25 km, which their mineral types are very similar. Block 7 has not done the infill drilling program yet.

SAM only did general screening and exploratory drilling in the other seven mineral blocks (5, 6, 9, 10, 11, 12 and 13), and have found the existence of iron ore mineral body which leads to a brightening prospects, the iron ore grade of these blocks are higher than those in Block 7 and 8, it is very likely that its resources estimation is more than several billion tons.

SAM just gained a new exploration right outside the existing mining area, and Vale also received few of new exploration rights nearby, which shows that the world's largest iron ore company has also begun to endorse this area.

There are a number of mines which have more than 100 million tons of deposits around SAM's deposits. They are unable to afford substantial large infrastructure facilities independently, and are likely to merge by other large-scale mining projects. Therefore, SAM as a whole will have the opportunity to become a huge iron ore project which has more than 10 billion tons of iron ore resources.

III. Beneficiation Test

The Company has sent out two process experts from China to Brazil for nine months to lead and supervise the beneficiation tests on site. They have finished multiple comparative tests on 6 different processing routes by usage of about 5 tons of cores selected from Block 8. They have achieved important results, including: one single beneficiation flow sheet is suitable for all ROMS; the grade of final concentrate is not lower than 65% Fe; all the chemical ingredients of the final product are fully complied with Chinese standards, and the product can be used by all the major steel manufactures in China; and the metal iron recovery can be as high as 80%–87%, that means about 3.6 tons of ROM can produce 1 ton of concentrate, the grade of which is not less than 65% Fe.

SAM has also completed crushing tests, such as SAG (semi-autogeneous grinding) test, HPRG (high pressure rolling grinding) test and dry pre-treatment test in China and in America respectively, and all in all, all the laboratory tests from ROM to concentrate had been finished.

Based on the laboratory tests mentioned above, the Company has defined the processing route of MAG + MAG and MAG + FLO as the 2 major viable options.

The Company has also decided to implement further beneficiation tests for 9 items recently, and all these tests can make us to define more accurately on: the exact size of pre-concentration and final product; the exact processing route; the standards and index that SAM needs to be complied with BFS level of feasibility study; the viability of higher grade of final product if floatation method is being used in final concentration phase; and the relevant standards and index for the first six years of mining. The Company has also decided to do the pilot trial for at least continuous 72 hours, so as to define the exact types of equipment and facilities and to have a more accurate CAPEX and OPEX. It is expected that all further beneficiation tests will be finished in 6 months.

According to the directors' understanding on the SPA established with VNN on 5 March 2010, after all the beneficiation tests being finished and a satisfactory economic appraisal being proposed based on the test results, the Company needs to pay USD 65 million to VNN as the second installment payment.

IV. Development Plan Phase 1

According to the independent technical consultation report issued by Coffey Mining, it is estimated that the total investment amount for the project is approximately USD3 billion, which includes constructing an open-pit mine and beneficiation plant with an annual capacity of 25 million tons of 65% or above Fe concentrate only in block 8, as well as installing infrastructure facilities such as slurry pipelines and port for iron ore. It is estimated that the total CAPEX for mining, beneficiation, pipeline and port construction and other miscellaneous purposes are USD372 million, 1.049 billion, 1.003 billion, 390 million and 185 million respectively. Although the grade of the RoM is relatively low, it also has a relatively low strip ratio, and can therefore be more easily crushed and beneficiated. The FOB operating cost for each ton of concentrate is estimated to be USD23.73, which is very competitive. It is expected that the construction would start in early 2013, and the production would start in the second-half year of 2014. The life-span of the mine is approximately 27 years (2.6 billion tons x 95% ÷ 3.6 ÷ 25 million tons).

The Company is considering to work on block 7 as phase 2 of our mining project. Subject to the local water supply, SAM should be able to expand the yearly production to 70 million tons of concentrate.

The exploration result of the other seven remaining mine areas will be studied, and there will be many small mine areas in the vicinity for integration.

1. *Mining*

It is an open-pit mine, with 15° low angle. Around 88 million tons of ore and waste being extracted every year.

SAM has submitted the final exploration report to DNPM for two mine areas at block 8 (831.028/2007 and 831.029/2007) on 5 April 2011. The report has been officially approved by DNPM and published on the Government Gazette on 7 March 2012. SAM has a maximum period of one year to submit the final feasibility report to DNPM.

2. *Beneficiation Plant*

The location of the beneficiation plant is defined and the preliminary engineering has been finished. The geotechnical drilling has also been finished in the plant area. Availability of detailed engineering will be started right after all beneficiation test results.

3. *Tailing*

The tailing dam will be located at the natural trench near the beneficiation plant. The tailings will be disposed at the dam for the first two years, and then backfilled to the goaf. The tailing study and acid drainage test are completed.

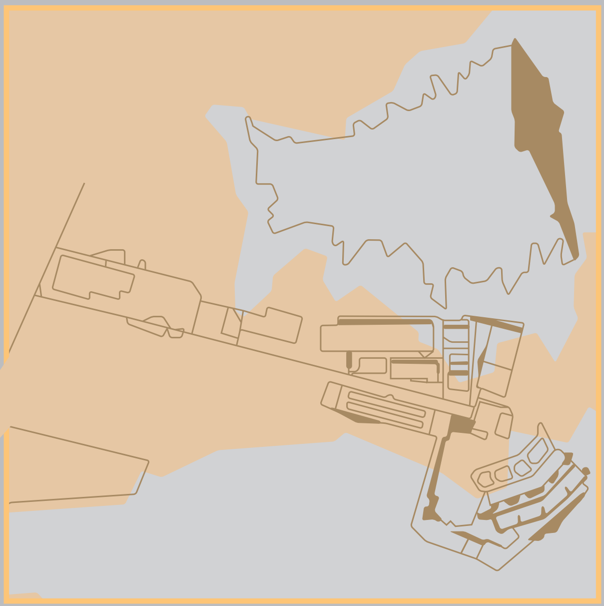
4. *Water*

SAM has obtained 60% of the Water Rights, and has carried out a Global Minimum Cost Study for the collection of water from three different rivers. SAM has also preliminarily confirmed to build a dam at Vacaria River, which not only fulfills the need of phase 1 operation, but also obtains further support from the Minas State Government for the Project.

5. *Electricity*

The Braziliatan Nional Grid has committed SAM to provide electricity. SAM itself has been carrying out a Global Minimum Cost Study regarding the electricity transformer engineering.

SAM Iron Ore Project in Brazil



6. ***Slurry Pipeline for Logistic***

The data research collection of landowners' information in Block 8 and the pipeline (beneficiation plant to the proposed port) is nearly completed.

The geological map of the slurry pipeline is almost completed. The pipeline might be 10 km shortened than the originally estimated length 490 km. The pipeline refinement study is completed, and it is confirmed that the pipeline corridor will be 30 meters wide. The pipeline geotechnical engineering drilling study is being carried out.

Until the end of February 2011, SAM has made the about 50 roadshows and presentations in almost 20 cities along the mine area and slurry pipeline corridor by the help of local union and community organization, over 2,000 local people participate the roadshows and presentations.

Management Discussion and Analysis

7. ***Port***

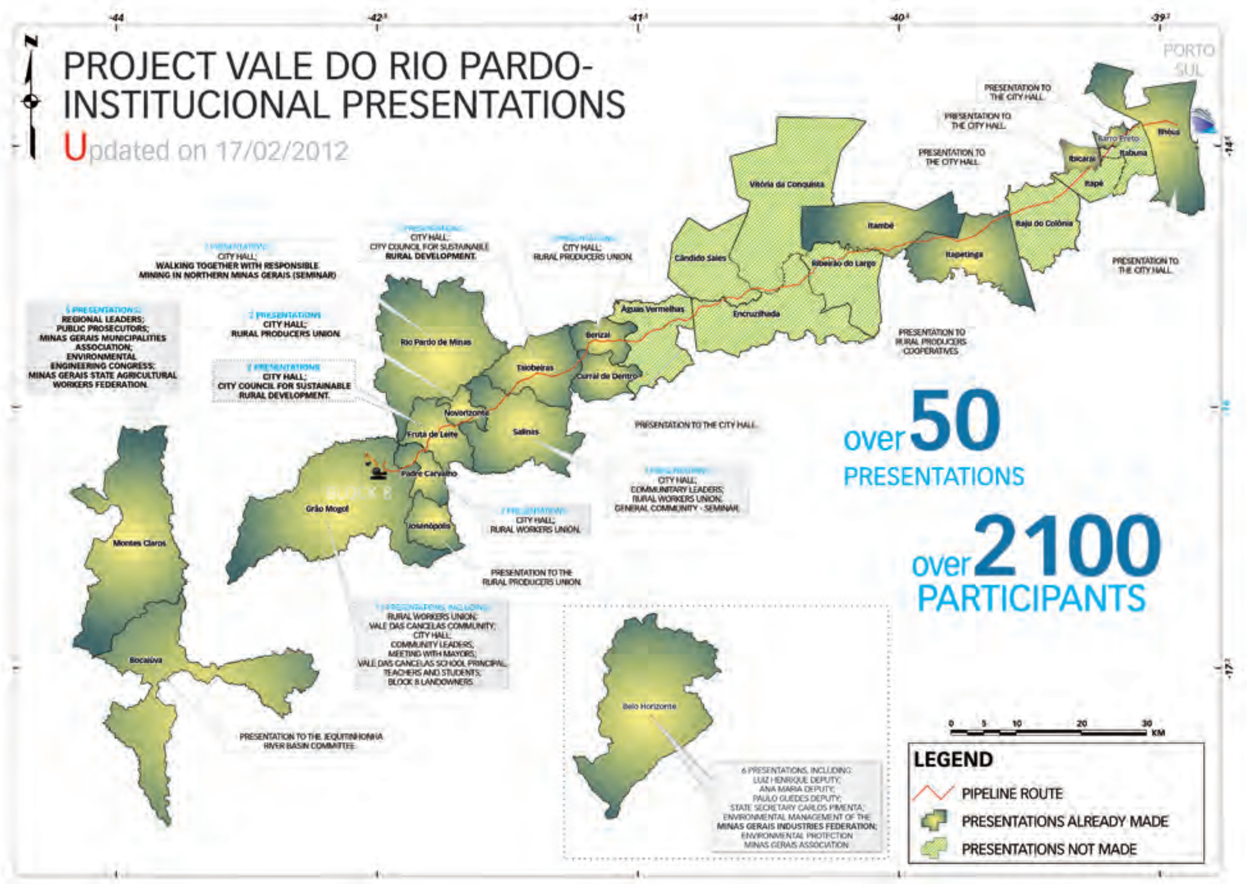
   The location of the port is preliminary defined near to Illeus, Bahia, a marine outfall which connects the West-East railway being built in Brazil. Bahia government is taking leading role in all the matters relating to the port.

   SAM is now negotiating with government on the operational model of the TUP, a combined private port, and the components of SPE. IBAMA of Federal government has accepted the EIA for the port and the preliminary license (LP) is expected to be granted shortly. As long as the detailed engineering is being approved, the Installment License (LI) will be granted to start construction for the port.

8. ***Environmental Impact Assessment (EIA)***

   The Environmental Impact Assessment (EIA) for the construction of mining and beneficiation plant and the logistic pipeline of the SAM project is basically finished. The EIA report consists of 14 chapters, and composed of 81 short reports, containing 5,000 pages in total (excluding maps, etc.). BRANDT, which is a professional consultancy responsible for writing and editing our EIA report, is currently amending the report with supplementary information.

   SAM is currently performing proofreading. It is expected that the report to be organized and published by late March, and to be submitted to the Brazilian federal government, and various government departments at the vicinity of our mining and beneficiation plant and slurry pipeline in early April 2012.



V. The Assistance of Local Organizations in Brazil

VNN must assist all the work in order to get all the installments.

SAM have signed a MOU with the MG and BA governments respectively, the local governments will provide comprehensive assistance for the project.

The opinion of the directors: the political and economic environments, water, electricity, labor and other conditions Brazil may be better compared to other major iron-producing regions.

VI. Cooperation with Large State-owned Enterprises in China

Cooperation Agreements, MOU and frameworks agreements have been signed with 5 large state-owned enterprises in China:

1. ***Xinwen Mining Group Co. Ltd.***

   Xinwen Mining is the project manager of SAM iron ore project until the production period, and Honbridge would pay 30 million shares as remuneration for their work.

   Honbridge issued 300 million shares of options to Xinwen Mining with an exercise price per share at HKD3.15. Xinwen Mining would invest at least USD500 million into the project, while the form and timing of the investment is to be decided.

2. ***Shandong Iron and Steel Group Co.***

   A full-scale cooperation which details to be decided.

3. ***Hunan Valin Steel Holdings Ltd.***

   Supplying 10 million tons of iron concentrates to Valin annually.

4. ***Capital Steel Holdings Ltd.***
Capital Steel will disburse USD1.5 billion as prepayment to off take 10 million tons of iron concentrates annually for a period of 15 years. Capital Steel may inject other iron ore projects to Honbridge.

Capital Steel may obtain Honbridge's shares, but its shareholding will not exceed 30%.

5. ***China Communications Construction Co.***
Port EPC.

Honbridge is having discussions with several conglomerates on various aspects of cooperation; no concrete agreement is yet reached at this moment.

VII. Capital

The acquisition consideration of the SAM project is approximately USD405 million at maximum, the first phase of the development plan is around USD3 billion, which is approximately USD3.4 billion in total.

Honbridge has conditionally secured USD2 billion of development funding (Capital Steel — USD1.5 billion; Xinwen Mining USD500 million). In addition, the Company is discussing with a number of potential project contractors to handle part of the construction procedures in a way of BT or BOT. The Company is also discussing with some leasing organizations about the financial arrangements of some large machineries and equipment, as well as liaising with banks with some loan arrangement. The Directors expect to raise the development funds for the project acquisition and necessary development funding in different ways, and may even raise funds by placing shares or issuing bonds in the capital market.

The resources estimation of the SAM iron ore deposit in Brazil has been confirmed, the Company has released USD10 million as a deposit and has paid USD0.42 million to Lit Mining, a VNN's subsidiary, as the performance bonus for an earlier completion of the resource confirmation.

Up to the date of the these results announcement, the Company has disbursed USD32.09 million as a loan to SAM for pre-feasibility study and other usages.

From now until Honbridge obtain all the licenses and approvals to start the construction, the capital requirement of Honbridge is as following:

1.	Feasibility Study	USD 50 million
2.	Land acquisition and other contingency funding	USD 60 million
3.	Payment to VNN when the Beneficiation Tests reach a satisfactory level	USD 65 million
4.	Payment to VNN when obtaining all the licenses and approvals to start the construction	USD 115 million

Considering land acquisition (point 2) is not a compulsory (by instead paying royalty fees during production period); Honbridge's capital requirement will be from USD115 million to USD290 million.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2011, the Group's operation was mainly financed by the internal financial resources and the substantial shareholder of the Group.

As at 31 December 2011, the Group had net current assets of HK$14.7 million (31 December 2010: HK$55.1 million). Current assets comprised inventories of HK$17.9 million, restricted bank deposits of HK$37.5 million, cash and cash equivalents of HK$35.8 million, trade and bills receivables of HK$262.1 million, prepayments and other receivables of HK$718.3 million, and derivative financial assets of HK$11.3 million. Current liabilities comprised trade and bills payables of HK$202.2 million, other payables, accrued expenses and receipts in advance of HK$701.9 million, borrowings of HK$157.6 million and loan from a minority equity holder of a subsidiary of HK$6.5 million.

As at 31 December 2011, the gearing ratio of the Group which is measured by total loans and borrowings to total equity was 0.46 (31 December 2010: 0.24).

The Board is of opinion that taking into account the internal financial resources of the Group and the financial support provided by the substantial shareholder, the Group has sufficient working capital for its present requirements.

FUND RAISED

During the year, the Company has placed 77,760,000 new shares of HK$1.50 each to an independent third party to raise a total of HK$116,640,000.

MAJOR ACQUISITIONS

On 5 March 2010, the Company entered into a legally binding definitive agreement with Votorantim Novos Negocios Ltda. ("VNN") and its subsidiaries in which the Group will acquire 100% interest of SAM for USD390 million.

According to the loan agreement entered into between the Company and SAM, the Company has remitted over USD30 million to SAM, for the purposes of resource confirmation, beneficiation tests and pre-feasibility study. SAM plans to construct a processing plant in Block 8 and related infrastructure facilities carrying capacity of 25 million tonnes of 65% iron concentrate per year.

As at the date of this report, the acquisition of SAM has not been completed. For details of the acquisition, please refer to the circular of the Company dated 5 November 2010 and relevant subsequent announcements.

SIGNIFICANT INVESTMENT PLANS

Save as disclosed above, as at 31 December 2011, the Group did not have any significant investment plans.

CAPITAL COMMITMENTS

As at 31 December 2011, the Group has contracted but not provided for capital commitments in relation to the acquisition of SAM amounting to USD380 million (equivalent to approximately HK$2,956,818,000). Other property, plant and equipment capital commitments amounted to approximately HK$1,867,000.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group did not have any significant contingent liabilities.

PROSPECT

The Company has disposed of the business associated with magazine publishing and advertising activities in the first quarter of 2011. The disposal will enable the Group to focus on the resources and energy sector with better growth potential, and enables the Group to have a clearer business strategy.

Regarding to the minerals and iron & steel products trading business, the Group has appointed a non-exclusive distributor in China through its wholly owned subsidiary established in Shanghai, Hongying Trading, to develop the metal trading business in China and other overseas markets.

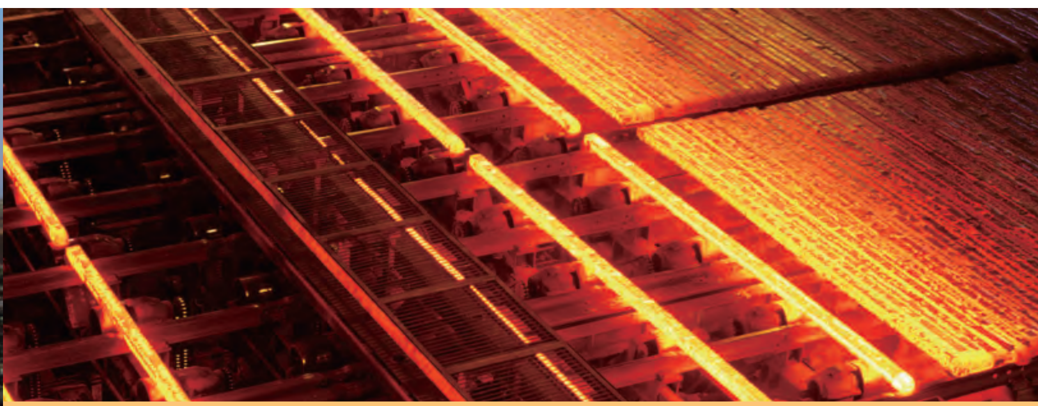
The Company hopes that the major tasks for the phase one development plan of the SAM Iron Ore can be completed during the year, which includes the completion of the acquisition, the progression in obtaining various approvals from the Brazil government, completion of the construction design and the completion of the construction bidding.

The Directors expect that the minerals and other metal trading business will bring steady cashflow and good return to the Company.

EMPLOYEES

As at 31 December 2011, the total number of employees of the Group was 148 (2010: 194). Employees' cost (including directors' emoluments) amounted to HK$62.6 million for the year (2010: HK$64.1 million).

The Group considers its employees as its most valuable assets. In addition to salary, other fringe benefits such as medical subsidies, life insurance, provident fund and subsidised training programs are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on performance. Share options have also been granted to certain employees of the Group.



Our management team has a successful capital market turnaround track record and a high standard mining consultant team

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. He Xuechu, aged 49, is the Chairman of the Company. Mr. He has extensive experience in financial management and in the investment field, is principally responsible for the Group's strategic planning and positioning. Mr. He graduated from 安徽財貿學院 (Anhui Finance and Trade College), the PRC in 1983. Since then, he has worked in 中華人民共和國商業部 (the Domestic Trade Ministry of the PRC), and China Resources (Holdings) Co. Ltd. During the period from 2001 to 2005, Mr. He was a director and shareholder of a number of companies, the shares of which are listed on the Stock Exchange, including Shanghai Zendai Property Limited (stock code: 0755) and Geely Automobile Holdings Limited (stock code: 0175). Mr. He is also director of Divine Mission Holdings Limited, Kailun Photovoltaic Materials Investments Limited, 濟寧凱倫光伏材料有限公司 (Jining Kailun Sog-Si Materials Co., Ltd.*), Infinite Sky Investments Limited and New Trinity Holdings Limited, etc., all being subsidiaries of the Company.

Mr. Liu Wei, William, aged 47, is the Chief Executive Officer of the Company. Mr. Liu has over 10 years of experience in corporate banking and corporate finance, including his previous employment with The Hongkong Chinese Bank Ltd. and Lippo Group. During the period from 2004 to 2006, Mr. Liu was a director of Hans Energy Company Limited (stock code: 0554), the shares of which are listed on the Stock Exchange. Mr. Liu was also a director of China Metal and Technologies (H.K.) Limited, a private company engaged in the trading of non-ferrous metal. He was the managing director of a private company engaged in media business. Mr. Liu was experienced in the publication business and was involved in the publication of 世界經濟論壇 (World Economic Review), 今日健康生活 (Healthy Life Today) and 中國新聞周刊 (China News Weekly) during his tenure with the above private company. Mr. Liu holds a master degree in business administration from the University of San Francisco. Mr. Liu is also director of Divine Mission Holdings Limited, Kailun Photovoltaic Materials Investments Limited, 濟寧凱倫光伏材料有限公司 (Jining Kailun Sog-Si Materials Co., Ltd.), Infinite Sky Investments Limited, New Trinity Holdings Limited, Honbridge International Trading Company Limited and 上海洪鷹貿易有限公司 (Shanghai Hongying Trading Co. Ltd.), all being subsidiaries of the Company. Mr. Liu is also a director of New Potential Development Limited, a company principally engaged in the after sale services of automobiles.

Mr. Shi Lixin, aged 44, a postgraduate diploma holder in business administration from the University of Wales College, Newport, has experience in mergers and acquisitions and project finance. Mr. Shi is the chief executive officer of 萬博港工業品超市有限公司 (Wanbo Industrial Provision & Exposition Co., Ltd.) since 2003 and was once the special assistant to the chairman of 湖南投資集團股份有限公司 (Hunan Investment (Group) Corporation). Mr. Shi was also the chief executive officer of a company which was involved in the business procurement of 湘潭高新技術產業開發區 (Xiangtang Hi-Tech Industrial Development Zone), which in turn contains the 湘潭(德國)工業園 (Xiangtang (Germany) Industrial Park). Mr. Shi is also director of 濟寧凱倫光伏材料有限公司 and 上海洪鷹貿易有限公司 (Shanghai Hongying Trading Co. Ltd.).

NON-EXECUTIVE DIRECTORS

Mr. Ang Siu Lun, Lawrence, aged 51, holds a Bachelor of Science degree in physics and computer science and a Master Business Administration degree from the Chinese University of Hong Kong. Prior to joining the Group, Mr. Ang worked in a number of major international investment banks for seventeen years with extensive experience in equity research, investment banking and financial analysis, focusing on China asset market, automobile industry and investment banking business. Mr. Ang is an executive director of Geely Automobile Holdings Limited (HK Stock Code: 175) and an independent non-executive director of Genvon Group Limited (HK Stock Code: 2389). Mr. Ang assists the Group's capital market activities and investor relations.

Biographical Details of Directors and Senior Management

Mr. Yan Weimin, aged 44, graduated from Central South University in 1989 majoring in automation. He also holds an EMBA degree of United Business Institutes (UBI) in Belgium. Mr. Yan has 20 years experience in the trading of mineral products. He has served in Shanghai Guohong Trading Co. Ltd. as the general manager and Shanghai Yingyue Industrial Co. Ltd as the chairman. Mr. Yan is responsible as the Group's contact person for Mainland China's steel conglomerates, mining corporations, and port and mining construction enterprises. He is also a director and the chairman of 上海洪鷹貿易有限公司 (Shanghai Hongying Trading Co. Ltd.).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chun Wai, Tony, aged 40, joined the Company as Independent Non-Executive Director in October 2007. Mr. Chan is a Certified Public Accountant and works as a director in a certified public accounting practice. He has extensive experience in general assurance and business advisory services in both Hong Kong and the PRC. Moreover, Mr. Chan has extensive experience in public listings in Hong Kong and Singapore, mergers and acquisitions as well as corporate finance. He holds a Master degree in Business Administration from the Manchester Business School. Mr. Chan is now the independent non-executive director of Hans Energy Company Limited, Wai Chun Mining Industry Group Company Limited and Oriental City Group Holdings Limited, the shares of which are listed on the Hong Kong Stock Exchange. He is also an independent non-executive director of China Nutrifruit Group Limited, the share of which is listed on American Stock Exchange.

Mr. Fok Hon, aged 54, is a director for several companies in Hong Kong including All Leaders Publication Group Ltd., which is engaged in media and publishing business, including publication of financial monthly "All Asian Leaders", commercial forum and seminar relevant services, e-commerce platform "Chinese-No.1.com" which only serves global high-end Chinese business leaders, and etc.. Since 2000 Mr. Fok became the founding director and at present the director of The Global Foundation of Distinguished Chinese Ltd., a charitable organization registered in Hong Kong.

Mr. Ma Gang, aged 55, graduated from Anhui Finance and Trade College, the PRC in 1983 with a Bachelor degree in Economics. Between 2004 and 2006, Mr. Ma was employed as the vice managing director of Shanghai HongYe Real Estate Development Co. Ltd. which is principally engaged in properties development business.

MINING TECHNICAL COMMITTEE

Dr. Dai Ta Gen, aged 59, graduated from Central South University of Technology with his doctorate degree in 1989 and is the Dean of Geosciences and Environmental Engineering Faculty of Central South University as well as a professor and a tutor of doctoral students. Being the expert who takes the special allowance from the State Council, Dr. Dai participates in major posts in geological sector. He is also the vice president of Hunan Geology Society, the president of Hunan Society of Mineralogy, Petrology and Geochemistry and a member of Teaching Committee of Applied Geology in Education Department.

Dedicated in geological studies for more than 30 years, Professor Dai has made significant achievements in the area, especially in the prospecting for successive mineral resources.

Dr. Liu Jian Xin, aged 49, obtained the Globe Exploration and Information Technology doctoral degree from Central South University in 2006. Dr. Liu is the Dean of Information Physics Engineering Faculty of Central South University as well as a professor and a tutor of doctoral students. Dr. Liu is a leader of the Hunan Province Higher Education "Mineral Resources and Disasters Exploration" research innovation team.

Dr. Liu has many years of experience in mineral resources exploration, and engineering exploration theoretical and applied studies. He possesses stable research direction and has received well-recognized achievements in prediction and precise position of high depth mineral resources, production mines high depth globe physics three dimensional mapping, globe physics high precision processing and comprehensive explanation, engineering globe physics exploration, etc. Dr. Liu is also one of the selected experts for the New Century National Talents Programme.

Dr. Liu is also the ninth and tenth Hunan Province committee member of the Political Consultative Conference, the chairman of Hunan Province Globe Physics Society and a committee member of Chinese Geophysical Society.

Dr. Luo Bao Lin, aged 64, educated at Tsinghua University and Chinese Academy of Sciences and obtained the degree of Doctor of Engineering from Chinese Acedemy of Sciences. Dr. Luo is also a research professor and doctoral supervisor in the Chinese Academy of Sciences. Dr. Luo has been a visiting scholar and visiting professor in The University of British Columbia, Canada and Kunsan National University, South Korea. He is an Honorary Member of the Chinese Society of Particuology. Dr. Luo is also an expert who takes the special allowance from the State Council.

Dr. Wu Xiqing, aged 49, awarded a bachelor degree in ore beneficiation by Central South College of Mining and Metallurgy in 1984, a master degree in Minerals Processing by Central South University of Technology in 1988, and a doctor of philosophy (PhD) in Minerals Engineering by the Imperial College of Science, Technology and Medicine, University of London in 2002. Dr. Wu is a senior engineer and the deputy dean of the Minerals Processing Department at the Central South University.

Dr. Wu has dedicated his career to developing theory and application in Minerals Processing and Resources Multiple-Exploration, participating in and taking charge of many research and engineering projects in China and abroad. He is well experienced in minerals processing including the beneficiation of low-grade iron, non-ferrous metals and rare metallic ores.

Dr. Wu has been in charge of the beneficiation test of SAM in Brazil since 12 October 2010.

SENIOR MANAGEMENT

Mr. Lam King Ho, aged 42, joined the Company in 2007. Mr. Lam has worked as the financial controller of an overseas oil engineering company and assisted its public listing in Hong Kong. He has also worked as the chief financial officer of a paper products company and assisted its public listing in the United States. Prior to that, Mr. Lam has extensive listed companies audit and advisory experience in the Beijing and Hong Kong offices of the largest international accounting firms. He holds a bachelor degree in accounting and finance and a postgraduate diploma in business administration. He is a practising certified public accountant and a member of the Hong Kong Institute of Certified Public Accountants, the American Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Directors' Report

The Directors of the Company present their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 19 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 36 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: Nil).

FINANCIAL SUMMARY

A summary of the results of the Group for the last five financial years is set out on page 112 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 36 to the consolidated financial statements.

DIRECTORS

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

Executive Director:

Mr. He Xuechu *(Chairman)*
Mr. Liu Wei, William *(Chief Executive Officer)*
Mr. Shi Lixin

Non-Executive Director:

Mr. Yan Weimin
Mr. Ang Siu Lun Lawrence

Independent Non-Executive Director:

Mr. Chan Chun Wai, Tony
Mr. Fok Hon
Mr. Ma Gang

In accordance with Article 116 of the Articles of Association of the Company, Mr. Shi Lixin and Mr. Chan Chun Wai, Tony will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. All other remaining Directors continue in office.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors entered into a service contract with the Company which shall continue thereafter unless and until terminated by either party serving to the other not less than three months' notice in writing.

None of the Directors has entered into any service contract or has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2011, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

Long positions in the ordinary shares of HK$0.001 each of the Company

	Number of shares in the Company					
Name of director	Beneficial owner	Interest of spouse	Interest of controlled corporation	Number of Share option[2]	Total	Approximate percentage of shareholding (%)
HE Xuechu	—	22,460,000	4,065,000,000[1]	—	4,087,460,000	65.87
LIU Wei, William	—	—	—	40,000,000	40,000,000	0.64
SHI Lixin	—	—	—	30,000,000	30,000,000	0.48
YAN Weimin	30,000,000	—	—	30,000,000	60,000,000	0.97
ANG Siu Lun, Lawrence	—	—	—	15,000,000	15,000,000	0.24
CHAN Chun Wai, Tony	—	—	—	3,000,000	3,000,000	0.05
FOK Hon	—	—	—	3,000,000	3,000,000	0.05
MA Gang	—	—	—	3,000,000	3,000,000	0.05

Note:

1. The 4,065,000,000 shares were held by Hong Bridge Capital Limited ("Hong Bridge"). Mr. HE Xuechu is the controlling shareholder and director holding 68% equity interest of Hong Bridge.

2. This refers to the number of underlying shares of the Company covered by its share option scheme.

Save as disclosed above and the interests as disclosed below, none of the Directors or chief executives of the Company had, as at 31 December 2011, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company received from each of the Independent Non-Executive Directors, Mr. Chan Chun Wai, Tony, Mr. Fok Hon and Mr. Ma Gang, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company still considers all of the Independent Non-Executive Directors to be independent.

SHARE OPTION SCHEME

The Company's existing share option scheme (the "Scheme") was adopted on 20 December 2001 and became effective on 8 January 2002. Particulars of the Scheme as required under the GEM Listing Rules are set out below:

(i) Summary of the Scheme

1. *Purpose of the Scheme*

The purpose of the Scheme is to recognise and motivate the contribution of the Employees (as defined in subsection headed "Participants of the Scheme" below) and other person(s) who may make a contribution to the Group and to provide incentives and help the Company in retaining its existing Employees and recruiting additional Employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

2. *Participants of the Scheme*

The Board of Directors of the Company or a duly authorised committee thereof (the "Board"), may, at its discretion, makes offers to any full time or part time employee (including any executive and non-executive director or proposed executive and non-executive director) of the Group (the "Employees"), adviser, consultant, contractor, client or supplier who have contributed to the Group (collectively the "Participants"), to take up options to subscribe for shares of HK$0.001 each in the share capital of the Company ("Shares") in accordance with the provisions of the Scheme.

3. *Total number of Shares available for issue under the Scheme*

Pursuant to the letter issued by the Stock Exchange on 7 January 2002, the total number of Shares available for issue under options which may be granted under the Scheme is 612,591,971 Shares, being 10% of the issued share capital immediately following refreshment of the Scheme on 5 May 2011.

As at 31 December 2011, an aggregate of 437,240,000 Shares were issuable pursuant to share options granted. For the year ended 31 December 2011, 2,000,000 options were exercised by the grantee and 6,000,000 options were cancelled pursuant to the Scheme.

As at 31 December 2011, the total number of Shares available for issue pursuant to the grant of further options under the Scheme was 612,591,971, representing approximately 9.9% of the issued share capital of the Company as at 31 December 2011.

4. ***Maximum entitlement of each participant***
No Participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12 month period up to the date of grant to such Participant would exceed 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the GEM Listing Rules) abstaining from voting.

5. ***Period within which the Shares must be taken up under an option***
An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

6. ***Minimum period, if any, for which an option must be held before it can be exercised***
At the time of granting an option, the Board may, at its discretion, specify the minimum period(s), if any, for which an option must be held before it can be exercised.

7. ***Amount payable upon acceptance of the option and the period within which the payment must be made***
HK$1.00 shall be paid within 5 business days from the date of offer of the option.

8. ***Basis of determining the exercise price of the option***
The exercise price for Shares under the Scheme shall be a price determined by the Board, but in any case will not be less than the higher of:

   (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading day;

   (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer; or

   (c) the nominal value of a Share.

9. ***Remaining life of the Scheme***
Subject to early termination of the Scheme pursuant to the terms thereof, the Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Scheme becomes effective, i.e. 8 January 2002 and ending on 7 January 2012.

Details of the principal terms of the Scheme are summarised under the sub-section headed "SHARE OPTION SCHEME" in Appendix IV to the Prospectus of the Company dated 31 December 2001.

(ii) Details of options granted

Particulars and movements during the year of the outstanding share options granted under the Scheme and Option Deed were as follows:

Name or category of participant	Number of share options: Outstanding as at 01/01/2011	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31/12/2011	Date of grant of share options (Note a)	Exercise period of share options	Exercise price per share option (Note b) HK$	Price immediately preceding the grant date of share options (Note c) HK$	Price immediately preceding the exercise date of share options HK$
Director											
LIU Wei, William	10,000,000	—	—	—	—	10,000,000	22/11/2007	22/05/2008–21/11/2012	1.20	1.20	N/A
	30,000,000	—	—	—	—	30,000,000	06/05/2010	06/05/2011–05/05/2018	2.60	2.13	N/A
SHI Lixin	10,000,000	—	—	—	—	10,000,000	22/11/2007	22/05/2008–21/11/2012	1.20	1.20	N/A
	20,000,000	—	—	—	—	20,000,000	06/05/2010	06/05/2011–05/05/2018	2.60	2.13	N/A
YAN Weimin	30,000,000	—	—	—	—	30,000,000	06/05/2010	06/05/2011–05/05/2018	2.60	2.13	N/A
ANG Siu Lun, Lawrence	15,000,000	—	—	—	—	15,000,000	06/05/2010	06/05/2011–05/05/2018	2.60	2.13	N/A
CHAN Chun Wai, Tony	3,000,000	—	—	—	—	3,000,000	06/05/2010	06/05/2011–05/05/2018	2.60	2.13	N/A
FOK Hon	3,000,000	—	—	—	—	3,000,000	06/05/2010	06/05/2011–05/05/2018	2.60	2.13	N/A
MA Gang	3,000,000	—	—	—	—	3,000,000	06/05/2010	06/05/2011–05/05/2018	2.60	2.13	N/A
Sub-total	124,000,000	—	—	—	—	124,000,000					
Employee	21,000,000	—	(2,000,000)	—	(6,000,000)	13,000,000	06/05/2010	06/05/2011–05/05/2018	2.60	2.13	3.00
Strategic cooperative partner (Xinwen)	300,000,000	—	—	—	—	300,000,000	25/11/2010	25/11/2010–24/11/2013	3.15	3.09	N/A
Others	240,000	—	—	—	—	240,000	15/04/2002	15/04/2003–07/01/2012	0.69	0.68	N/A
Total	445,240,000	—	(2,000,000)	—	(6,000,000)	437,240,000					

Notes:

(a) Share options granted on 15 April 2002 are subject to a vesting period and becoming exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage
In the first year	Nil
In the second year	$33^1/_3$%
In the third year	$33^1/_3$%
After the third year	$33^1/_3$%

Share options granted on 22 November 2007 are subject to a vesting period of six months and becoming exercisable in whole after then.

Share options granted on 6 May 2010 are subject to a vesting period and becoming exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage
In the first year	Nil
In the second year	25%
After the second year	75%

Share options granted on 25 November 2010 under the Option Deed are exercisable on whole on the date of grant of the share options.

(b) The price of the Shares disclosed as immediately preceding the grant date of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options.

(c) The weighted average closing price of the Shares immediately before the date on which the options were exercised.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31 December 2011, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company, its ultimate holding company or any of its subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or the chief executive, or any of their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "CONNECTED TRANSACTIONS" below, no contracts of significance to which the Company, its ultimate holding company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or subsisted during the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2011, the following persons, other than the Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Long Positions of Substantial Shareholders in the Ordinary Shares of HK$0.001 Each of the Company

	Number of Shares in the Company				
Name of Shareholder	**Beneficial owner**	**Interest of spouse**	**Interests of controlled corporation**	**Total number of shares held**	**Approximate percentage of shareholding** (%)
Hong Bridge	4,065,000,000	—	—	4,065,000,000	65.50
HE Yuechu	—	22,460,000	4,065,000,000 (Note 1)	4,087,460,000	65.87
FOO Yatyan (Note 2)	22,460,000	4,065,000,000	—	4,087,460,000	65.87
LI Xing Xing	—	—	4,065,000,000 (Note 3)	4,065,000,000	65.50
Brilliant People Limited	1,000,000,000 (Note 4)	—	—	1,000,000,000	16.11

Notes:

1. The 4,065,000,000 shares were held by Hong Bridge. Mr. HE Xuechu is the controlling shareholder and director holding 68% equity interest of Hong Bridge.

2. Ms. FOO Yatyan is the spouse of Mr. HE Xuechu.

3. Mr. LI Xing Xing holds 32% equity interest of Hong Bridge.

4. The 1,000,000,000 shares held by Brilliant People Limited represent 600,000,000 shares of the Company and HK$400,000,000 convertible notes with an initial conversion price of HK$1.0 per conversion share of the Company.

Save as disclosed above, as at 31 December 2011, the Company had not been notified by any other persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

MANAGEMENT SHAREHOLDERS

So far as the Directors are aware, other than those disclosed under the sections headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and "SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES" above, there is no other person who is directly or indirectly interested in 5% or more of the share capital of the Company then issued and who is able, as a practical matter, to direct or influence the management of the Company.

CONNECTED TRANSACTIONS

For the year ended 31 December 2011, the Group has sold approximately HK$171 million of steel products to Shanghai Yingyue Industrial Co. Ltd., a company connected with a non-executive director of the Company, Mr. YAN Weimin. The transactions are determined at arm's length and have been pre-approved by the shareholders of the Company at the extraordinary general meeting on 23 November 2010.

For the year ended 31 December 2011, the Group has imputed interest on loans from ultimate holding Company of HK$14,407,000, and imputed interest on loan from a minority equity holder of a subsidiary of HK$312,000.

As at 31 December 2011, Hong Bridge Capital Limited, the ultimate holding company of the Company, provided loans aggregating HK$275,200,000 to the Group. The loans are interest free in the first two years and bear interest at prime rate minus 1.25% per annum in the third year.

DIRECTORS' AND MANAGEMENT SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Mr. FOK Hon, an Independent Non-executive Director of the Company, is also the executive director of All Leaders Publication Group Limited. Since All Leaders Publication Group Limited is engaged in the media and publication business. Mr. FOK is regarded as interested in such competing business of the Group for the period from 1 January 2011 to 31 March 2011. Since the Group has disposed the publication business on 31 March 2011, Mr. FOK has ceased to have competing interest with the Group.

Mr. YAN Weimin, a non-executive director of the Company, is a shareholder holding 70% equity interests of Shanghai Yingyue Industrial Co. Ltd. ("Yingyue"), a company incorporated in the PRC. Yingyue is principally engaged in the provision of raw materials for construction (including steel products) in the PRC. An indirect wholly-owned subsidiary of the Company, Shanghai Hongying Trading Co. Ltd. ("Hongying Trading"), is a limited liabilities company incorporated in the PRC for the purpose of carrying out trading of steel and steel related products. Hongying Trading has entered into a distribution agreement with Yingyue, pursuant to which, Yingyue will become a non-exclusive distributor of the steel products sourced by Hongying Trading. Accordingly, Mr. YAN is regarded as interested in such competing business of the Group by virtue of his interest in Yingyue.

Save as disclosed above, none of the Directors or the management shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete or had any conflicts of interest with the business of the Group for the year ended 31 December 2011.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Other than the contracts as disclosed under the section headed "DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE", there was no contract of significance between the Company, its ultimate holding company or its subsidiaries and a controlling shareholder or any of its subsidiaries subsisting during or at the end of the year. Furthermore, there was no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme are set out in note 41 to the consolidated financial statements.

CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2011, the five largest customers of the Group accounted for 91% of the Group's total turnover and the five largest suppliers of the Group accounted for 70% of the Group's total purchases. In addition, the largest supplier accounted for 37% of the Group's total purchases.

None of the Directors, their associates, or shareholders (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest suppliers and customers as at 31 December 2011.

AUDIT COMMITTEE

The Company had established an audit committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting and internal control procedures of the Group. The audit committee comprises Mr. Chan Chun Wai, Tony (Committee Chairman), Mr. Fok Hon and Mr. Ma Gang, who are Independent Non-Executive Directors of the Company.

During the year, the audit committee held four meetings to review and comment on the Company's 2010 annual report, 2011 half-yearly report and quarterly reports as well as the Company's internal control procedures.

The Group's annual results for the year ended 31 December 2011 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2011, neither the Company, its ultimate holding company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDITORS

The financial statements of the Company for the year ended 31 December 2009 were audited by Grant Thornton ("GTHK"), now known as JBPB & Co. Due to a merger of the business of GTHK and BDO Limited ("BDO") to practice in the name of BDO as announced on 26 November 2010, GTHK resigned and BDO was appointed as auditor of the Company effective from 2 December 2010. The financial statements of the Company for the years ended 31 December 2010 and 2011 were audited by BDO.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO as auditor of the Company.

On behalf of the Board
He Xuechu
Chairman

Hong Kong
28 March 2012

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasizes accountability and transparency and are adopted in the best interests of the Company and its shareholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company complied with the Code on Corporate Governance Practices (the "CG Code") of the GEM Listing Rules throughout the year ended 31 December 2011 with the exception that the Articles of Association of the Company does not provide that (a) every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting of the Company after their appointment. In view of good corporate governance practices, all Directors have agreed to comply with the GEM Listing Rules and that their term of appointment will be limited accordingly. Furthermore, every director of the Company, including those appointed for a specific term, voluntarily retires from his office by rotation at least once every three years notwithstanding that he is not required to do so by the Articles of Association of the Company. Amendments to the Articles of Association of the Company have been proposed at the forthcoming Annual General Meeting in order to bring the Articles of Association of the Company in line with the changes brought about by the amendments to GEM Listing Rules as well as the provisions of the CG Code.

BOARD COMPOSITION AND BOARD PRACTICES

The Board of Directors (the "Board") of the Company composed of 8 Directors, including the Chairman, the Chief Executive Officer who are Executive Directors, another Executive Director, 2 Non-Executive Directors and 3 Independent Non-Executive Directors. Over one third of the Board are Independent Non-Executive Directors who have appropriate professional qualifications in accounting or related financial management expertise. Their biographies are set out in the Biographical Details of Directors and Senior Management Section on pages 19 to 21 of this annual report.

Review will be made regularly on the Board composition to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Group. Also, a balanced composition of Executive Directors and Independent Non-Executive Directors is maintained to ensure independence and effective management. The Company has satisfied the GEM Listing Rules in having one of the Independent Non-Executive Directors with appropriate accounting qualifications and expertise to chair the Audit Committee.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-Executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

A formal written procedure and policy have been adopted by the Board for the appointment of new directors. When selecting potential candidates for directors, skills, experience, expertise, his devotion of time, conflicts of interests are key factors for consideration. For the year ended 31 December 2011, no Nomination Committee has been set up, and hence, the nomination and selection process are performed by the Board. The Board meets at least once a year in discussing whether the composition, size, structure of the Board is adequate. The Board met once with a majority of Directors present. According to the Articles of Association of the Company, one-third, and not exceeding one-third of Directors are subject to reelection. The CG Code states that all Directors must rotate at least once every three years. Despite the non-provision of the clause in the Articles of Association of the Company, every director of the Company, including those appointed for a specific term, voluntarily retires from his office by rotation at least once every three years notwithstanding that he is not required to do so by the Articles of Association of the Company.

In accordance with the latest recommended best practice of the Code on Corporate Governance Practices effective on 1 April 2012, the Board has set up a nomination committee on 28 March 2012 to (i) review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes; (ii) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of, individuals nominated or directorships; (iii) assess the independence of independent non-executive directors; and (iv) make recommendations to the board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive officer.

The roles of the Chairman and the Chief Executive Officer are exercised by separate individuals with a view to reinforce their independence and accountability. Key and important decisions shall be fully discussed at the board meetings. All Directors have been fully consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the Company Secretary. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and receive adequate and reliable information in a timely manner.

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the executive committee, comprising all of the Executive Directors. They report periodically to the Board their work and business decisions.

The Board meets regularly and held eight meetings in 2011:

	Attendance
Executive Director	
He Xuechu *(Chairman)*	6/8
Liu Wei, William *(Chief Executive Officer)*	8/8
Shi Lixin	7/8
Non-Executive Director	
Yan Weimin	8/8
Ang Siu Lun Lawrence	5/8
Independent Non-Executive Director	
Chan Chun Wai, Tony	6/8
Fok Hon	4/8
Ma Gang	7/8

Notice of at least seven business days are given to the Directors for regular meetings. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Articles of Association of the Company. The Company Secretary ensures that the procedure and all applicable rules and regulations are strictly and fully complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any reasonable time on reasonable notice by any Directors.

Director shall have full access to information of the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules for Directors. In addition, the Board has established similar guidelines for relevant employees who are likely in possession of unpublished price sensitive information in relation to the Group or its securities.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transaction throughout the year ended 31 December 2011.

INTERNAL CONTROL

Recognising that a well-designed and effective system of internal control is crucial to safeguard the assets of the Company and the shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirement of GEM Listing Rules, the Directors also acknowledge that they have overall responsibility for the Company's internal control, financial control and risk management and shall monitor its effectiveness from time to time. Therefore, regular review of financial statements of subsidiaries are carried out by the qualified accountant of the Company.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company about its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 34 to 35 of this annual report.

AUDITORS' REMUNERATION

For the year ended 31 December 2011, the Auditors of the Company received approximately HK$1,200,000 for audit services and HK$50,000 for non-audit services.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 23 March 2005. The Committee members are Mr. Fok Hon (Chairman of the Committee), Mr. Ma Gang, Mr. Chan Chun Wai, Tony, Mr. He Xuechu and Mr. Liu Wei, William. The Committee met once in 2011 and was attended by all Committee members. The policy for the remuneration of Executive Directors and the Senior Management was reviewed by the Committee. Remuneration, including basic salary, performance bonus, of the Executive Directors and Senior Management is based on skills, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability, as well as industry practice. Granting share options is considered as one of the means for giving long term benefits to and retaining staff.

Remuneration, comprising directors' fees, of Independent Non-Executive Directors is subject to annual assessment for shareholders' approval at the annual general meeting. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

AUDIT COMMITTEE

The Company had established an audit committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting and internal control procedures of the Group. The audit committee comprises Mr. Chan Chun Wai, Tony (Committee Chairman), Mr. Fok Hon and Mr. Ma Gang, who are Independent Non-Executive Directors of the Company.

During the year, the audit committee held four meetings to review and comment on the Company's 2010 annual report, 2011 half-yearly report and quarterly reports as well as the Company's internal control procedures.

The Group's annual report for the year ended 31 December 2011 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

Independent Auditor's Report

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To the shareholders of Honbridge Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Honbridge Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 36 to 111, which comprise the consolidated and company's statement of financial position as at 31 December 2011, and 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, in accordance with the terms of our engagement, 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 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 loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Lo Ngai Hang
Practising Certificate Number P04743

Hong Kong, 28 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Re-presented)
CONTINUING OPERATIONS			
Revenue	5	**1,756,598**	49,785
Direct operating expenses		**(1,740,781)**	(50,399)
Other operating income	7	**9,678**	4,321
Selling and distribution costs		**(851)**	(663)
Administrative expenses		**(32,036)**	(23,752)
Other operating expenses	8	**(50,029)**	(44,885)
Share-based payment expenses	37	**(51,861)**	(349,883)
Impairment of exploration and evaluation assets	17	**(298,247)**	—
Impairment of goodwill	20	**(31,051)**	—
Operating loss	8	**(438,580)**	(415,476)
Finance costs	9	**(52,373)**	(32,397)
Loss before income tax		**(490,953)**	(447,873)
Income tax credit	10	**101,404**	—
Loss after income tax from continuing operations		**(389,549)**	(447,873)
DISCONTINUED OPERATIONS			
Profit/(Loss) for the year from discontinued operations	11	**3,001**	(1,640)
Loss for the year		**(386,548)**	(449,513)
Other comprehensive income, including reclassification adjustments			
Exchange (loss)/gain on translation of financial statements of foreign operations		**(158,573)**	101,570
Other comprehensive income for the year, net of tax		**(158,573)**	101,570
Total comprehensive income for the year		**(545,121)**	(347,943)
Loss for the year attributable to:			
Owners of the Company	12	**(304,839)**	(445,650)
Non-controlling interests		**(81,709)**	(3,863)
		(386,548)	(449,513)
Total comprehensive income attributable to:			
Owners of the Company		**(409,952)**	(378,586)
Non-controlling interests		**(135,169)**	30,643
		(545,121)	(347,943)
Loss per share from continuing and discontinued operations	13		
— Basic		**HK(4.96) cents**	HK(7.45) cents
— Diluted		**N/A**	N/A
Loss per share from continuing operations	13		
— Basic		**HK(5.01) cents**	HK(7.42) cents
— Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**26,757**	36,577
Exploration and evaluation assets	17	**1,581,000**	2,114,385
Prepaid land lease payments	18	**21,700**	21,136
Goodwill	20	**—**	34,910
Deposits for acquisition of business	21	**81,265**	78,000
Loans to an acquiring business	22	**219,808**	141,503
		1,930,530	2,426,511
Current assets			
Inventories	23	**17,918**	8,686
Trade and bills receivables	24	**262,138**	8,074
Prepayments and other receivables	25	**718,342**	11,599
Derivative financial assets	26	**11,295**	44,354
Restricted bank deposits	28	**37,498**	—
Cash and cash equivalents	28	**35,838**	30,046
		1,083,029	102,759
Current liabilities			
Trade and bills payables	29	**202,207**	8,206
Other payables, accrued expenses and receipts in advance	30	**701,917**	28,309
Borrowings	31	**157,678**	11,148
Loan from a minority equity holder of a subsidiary	33	**6,541**	—
		1,068,343	47,663
Net current assets		**14,686**	55,096
Total assets less current liabilities		**1,945,216**	2,481,607
Non-current liabilities			
Borrowings	31	**—**	266
Loans from ultimate holding company	32	**262,390**	283,851
Loan from a minority equity holder of a subsidiary	33	**—**	6,229
Convertible bonds	34	**226,485**	189,333
Deferred tax liabilities	35	**538,725**	719,584
		1,027,600	1,199,263
Net assets		**917,616**	1,282,344

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	**2011 HK$'000**	2010 HK$'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital	36	**6,206**	6,126
Reserves	38	**550,991**	780,630
		557,197	786,756
Non-controlling interests		**360,419**	495,588
Total equity		**917,616**	1,282,344

He Xuechu
Chairman

Liu Wei, William
Director

Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**209**	408
Investments in subsidiaries	19	**736,396**	937,367
Deposits for acquisition of business	21	**3,265**	—
Loans to an acquiring business	22	**219,808**	141,503
		959,678	1,079,278
Current assets			
Prepayments and other receivables	25	**2,270**	1,529
Derivative financial assets	26	**11,295**	44,354
Amounts due from subsidiaries	27	**86,180**	86,176
Cash and cash equivalents	28	**2,847**	1,617
		102,592	133,676
Current liabilities			
Other payables and accrued expenses	30	**1,340**	1,687
Amounts due to subsidiaries	27	**1,078**	1,078
		2,418	2,765
Net current assets		**100,174**	130,911
Total assets less current liabilities		**1,059,852**	1,210,189
Non-current liabilities			
Loans from ultimate holding company	32	**262,390**	283,851
Convertible bonds	34	**226,485**	189,333
		488,875	473,184
Net assets		**570,977**	737,005
EQUITY			
Share capital	36	**6,206**	6,126
Reserves	38	**564,771**	730,879
Total equity		**570,977**	737,005

He Xuechu
Chairman

Liu Wei, William
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Re-presented)
Cash flows from operating activities of continuing and discontinued operations			
(Loss)/Profit before income tax:			
Continuing operations		**(490,953)**	(447,873)
Discontinued operations		**3,001**	(1,640)
		(487,952)	(449,513)
Adjustments for:			
Depreciation of property, plant and equipment	16	**2,374**	1,461
Amortisation of prepaid land lease payments	18	**473**	454
Impairment of property, plant and equipment	8	**12,036**	—
Impairment of exploration and evaluation assets	17	**298,247**	—
Impairment of goodwill	20	**31,051**	—
Interest expense on other loans	9	**502**	677
Interest expense on convertible bonds	9	**37,152**	24,063
Interest expense on loans from ultimate holding company	9	**14,407**	7,361
Interest expenses on loan from a minority equity holder of a subsidiary	9	**312**	296
Fair value loss on initial recognition of loans to an acquiring business	8	**4,667**	13,115
Fair value loss on derivative financial assets	8	**33,059**	28,879
Share-based payments		**51,861**	349,883
Bank interest income	7	**(53)**	(21)
Interest income on loans to an acquiring business	7	**(7,426)**	(4,049)
Loss on disposal of property, plant and equipment		**89**	—
Gain on disposal of subsidiaries	44	**(4,241)**	—
Operating loss before working capital changes		**(13,442)**	(27,394)
Increase in inventories		**(9,232)**	(2,662)
Increase in trade and bill receivables		**(257,956)**	(945)
Increase in prepayments and other receivables		**(707,923)**	(720)
Increase/(Decrease) in trade and bills payables		**198,958**	(339)
Increase in other payables, accrued expenses and receipts in advance		**677,998**	6,119
Cash used in operations		**(111,597)**	(25,941)
Interest paid on other loans		**(502)**	(677)
Net cash used in operating activities		**(112,099)**	(26,618)

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Re-presented)
Cash flows from investing activities			
Interest received	7	**53**	21
Purchases of property, plant and equipment	16	**(3,397)**	(3,423)
Deposits paid for acquisition of business	21	**(3,265)**	(78,000)
Decrease in deposits paid for acquisition of property, plant and equipment		**—**	407
Increase in restricted bank deposits	28	**(37,498)**	—
Acquisition of subsidiaries and businesses (net of cash and cash equivalents acquired)	43	**—**	18,982
Disposal of subsidiaries, net of cash disposed	44	**444**	—
Loans to an acquiring business		**(75,546)**	(150,569)
Net cash used in investing activities		**(119,209)**	(212,582)
Cash flows from financing activities			
Drawdown of borrowings		**153,779**	5,876
Drawdown of loans from ultimate holding company		**60,399**	253,800
Repayments of borrowings		**(9,311)**	(9,978)
Repayments of loans from ultimate holding company		**(90,000)**	—
Proceeds from issue of share capital		**121,938**	1,440
Net cash generated from financing activities		**236,805**	251,138
Net increase in cash and cash equivalents		**5,497**	11,938
Cash and cash equivalents at 1 January		**30,046**	16,240
Effect of foreign exchange rate changes		**295**	1,868
Cash and cash equivalents at 31 December		**35,838**	30,046
Analysis of cash and cash equivalents			
Cash at banks and in hand		**35,838**	30,046

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to the owners of the Company									Non-controlling interests	Total equity
	Share capital	Share premium*	Capital reserve*	Other reserve*	Share-based payment reserve*	Translation reserve*	Convertible bond equity reserve*	Accumulated losses*	Total		
	HK$'000	HK$'000	HK$'000	HK$000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010	5,513	44,511	(327)	5,848	3,537	72	—	(82,495)	(23,341)	16,470	(6,871)
Issue of shares (note 36)	612	481,588	—	—	—	—	—	—	482,200	—	482,200
Shares issued under share option scheme	1	1,635	—	—	(196)	—	—	—	1,440	—	1,440
Forfeiture of share options	—	—	—	—	(972)	—	—	972	—	—	—
Equity-settled share-based transactions (note 37)	—	—	—	—	315,403	—	—	—	315,403	—	315,403
Arising from loans from ultimate holding company (note 32)	—	—	—	26,336	—	—	—	—	26,336	—	26,336
Issue of convertible bonds	—	—	—	—	—	—	363,304	—	363,304	—	363,304
Arising from acquisition of subsidiaries (note 43)	—	—	—	—	—	—	—	—	—	448,465	448,465
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	10	10
Transactions with owners	613	483,223	—	26,336	314,235	—	363,304	972	1,188,683	448,475	1,637,158
Loss for the year	—	—	—	—	—	—	—	(445,650)	(445,650)	(3,863)	(449,513)
Other comprehensive income											
Currency translation	—	—	—	—	—	67,064	—	—	67,064	34,506	101,570
Total comprehensive income	—	—	—	—	—	67,064	—	(445,650)	(378,586)	30,643	(347,943)
At 31 December 2010 and 1 January 2011	6,126	527,734	(327)	32,184	317,772	67,136	363,304	(527,173)	786,756	495,588	1,282,344
Issue of shares (note 36)	78	116,660	—	—	—	—	—	—	116,738	—	116,738
Shares issued under share option scheme	2	6,647	—	—	(1,449)	—	—	—	5,200	—	5,200
Arising from loans from ultimate holding company (note 32)	—	—	—	6,267	—	—	—	—	6,267	—	6,267
Equity-settled share-based transactions (note 37)	—	—	—	—	51,861	—	—	—	51,861	—	51,861
Forfeiture of share option	—	—	—	—	(3,142)	—	—	3,142	—	—	—
Disposal of subsidiaries (note 44)	—	—	327	—	—	—	—	—	327	—	327
Transactions with owners	80	123,307	327	6,267	47,270	—	—	3,142	180,393	—	180,393
Loss for the year	—	—	—	—	—	—	—	(304,839)	(304,839)	(81,709)	(386,548)
Other comprehensive income											
Currency translation	—	—	—	—	—	(105,113)	—	—	(105,113)	(53,460)	(158,573)
Total comprehensive income	—	—	—	—	—	(105,113)	—	(304,839)	(409,952)	(135,169)	(545,121)
At 31 December 2011	6,206	651,041	—	38,451	365,042	(37,977)	363,304	(828,870)	557,197	360,419	917,616

* The aggregate amount of these balances of HK$550,991,000 (2010: HK$780,630,000) is included as reserves in the consolidated statement of financial position.

1. GENERAL INFORMATION

Honbridge Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Revision) of the Cayman Islands. The address of the Company's registered office is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands and the Company's principal place of business is Suite 2703, 27th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 19. The Company and its subsidiaries are collectively referred to as the "Group" hereinafter. The directors of the Company (the "Directors") consider the ultimate holding company to be Hong Bridge Capital Limited ("Hong Bridge"), a company incorporated in the British Virgin Islands with limited liability. Other than the disposal of subsidiaries as described in note 44, there were no significant changes in the Group's operations during the year.

The financial statements on pages 36 to 111 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as described in note 3. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The financial statements are presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000"), except when otherwise indicated.

2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group have applied for the first time the following new standards, amendments and interpretations (the "New HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKAS 32	Classification of Rights Issues
HK(IFRIC)-Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

Other than as noted below, the adoption of the New HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKFRS 3 (Amendment) — Business Combinations

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements.

2. ADOPTION OF NEW OR AMENDED HKFRSs – CONTINUED

HKAS 24 (Revised) — Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has revised its accounting policy for the identification of its related parties and has reassessed counterparties of transactions in accordance with the revised definition. The reassessment did not result in new related parties being identified. Related parties identified in prior years remain unchanged under the new accounting policy and the Group concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous years.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

New or amended HKFRSs that have been issued but are not yet effective

At the date of approval of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group for the year ended 31 December 2011.

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 32	Presentation — Offsetting Financial Assets and Financial Liabilities[5]
HKFRS 9	Financial Instruments[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 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]
HKAS 19 (2011)	Employee Benefits[4]
HK(IFRIC)-Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine[4]

Notes:

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

2. ADOPTION OF NEW OR AMENDED HKFRSs – CONTINUED

Amendments to HKAS 1 (Revised) — Presentation of Items of Other Comprehensive Income

The amendments change the disclosure of items presented in other comprehensive income in the statement of comprehensive income and require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The title used by HKAS 1 for the statement of comprehensive income has changed to "Statement of profit or loss and other comprehensive income". However, HKAS 1 permits entities to use other titles.

HKFRS 9 Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for de-recognition of financial assets and financial liabilities.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor.

An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

The Group is in the process of making an assessment of the potential impact of these new or amended HKFRSs that have been issued but are not yet effective and the Directors so far concluded that the application of these or amended HKFRSs will have no material impact on the Group's financial statements.

Notes to the Financial Statements

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared under historical cost convention except for certain financial instruments which are measured at fair values as explained in the accounting policies set out below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The consolidated financial statements have been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Group suffered loss of HK$387 million (2010: HK$450 million) for the year ended 31 December 2011. The going concern basis has been adopted on the basis that the Company's holding company, Hong Bridge Capital Limited, has undertaken to provide continuing financial support to the Group to meet its liabilities as they fall due and to maintain the Group as a going concern for a period at least up to 31 March 2013.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

3.2 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Business combination and basis of consolidation – continued

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in those non-controlling interest having a deficit balance.

3.3 Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, 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 are presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.4 Foreign currency translation

The financial statements are presented in HK$, which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into the HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

When a foreign operation is disposed of, such exchange differences are reclassified from equity to profit or loss as part of the disposal gain or loss.

3.5 Revenue recognition

Revenue comprises the fair value for the sale of goods, net of value added tax ("VAT"), and rendering of services, net of rebates and discounts. 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 as follows:

— Sale of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

— Sale of magazines is recognised when the magazines are delivered and title has passed, with advance subscription fee received from subscribers recorded as receipts in advance.

— Advertising income is recognised on the date of the relevant publication issue or on time basis by reference to the period in which the advertisement is published.

— Promotion and marketing income is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

— Interest income is recognised on a time-proportion basis using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.6 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

3.7 Property, plant and equipment

Property, plant and equipment, other than construction in progress ("CIP"), are stated at acquisition cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use.

Depreciation on property, plant and equipment, other than CIP, is provided to write off the cost less their estimated residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold buildings	5% or over the lease term, whichever is shorter
Leasehold improvements	20% or over the lease term, whichever is shorter
Plant and machinery	10% to 20%
Furniture and office equipment	20%
Motor vehicles	20%

The assets' estimated residual values, depreciation methods and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

CIP represents leasehold buildings, plant and machinery under construction and is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. CIP is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.7 Property, plant and equipment – continued

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

3.8 Prepaid land lease payments

Prepaid land lease payments represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

3.9 Exploration and evaluation assets

Exploration and evaluation assets acquired in a business combination are initially recognised at fair value and subsequently stated at cost less accumulated impairment losses.

Exploration and evaluation assets include topographical and geological surveys, exploratory drillings, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure incurred prior to obtaining the legal rights to explore an area is written off as incurred.

When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to tangible and intangible assets according to the nature of the exploration and evaluation assets. If any project is abandoned during the exploration and evaluation stage, the related exploration and evaluation assets thereon will be written off to profit or loss.

3.10 Impairment of non-financial assets (other than goodwill)

Property, plant and equipment, exploration and evaluation assets, prepaid land lease payments and investments in subsidiaries are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.10 Impairment of non-financial assets (other than goodwill) – continued

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— Significant financial difficulty of the debtor;

— A breach of contracts, such as a default or delinquency in interest or principal payments;

— It becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.11 Financial assets – continued

Impairment of financial assets – continued

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss for the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

3.12 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average basis, and in case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

3.13 Cash and cash equivalents

For the purpose of the statement of financial position and the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and at banks, which are not restricted as to use.

3.14 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.15 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

3.16 Financial liabilities

The Group's financial liabilities include trade and bills payables, other payables, borrowings, convertible bonds, loans from ultimate holding company, loan from a minority equity holder of a subsidiary, convertible bonds and amounts due to subsidiaries. They are included in line items in the statement of financial position as "Trade and bills payables", "Other payables, accrued expenses and receipts in advance", "Borrowings", "Convertible bonds", "Loans from ultimate holding company", "Loan from a minority equity holder of a subsidiary" and "Amounts due to subsidiaries".

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Financial liabilities at amortised cost

Borrowings, loan from a minority equity holder of a subsidiary, loans from ultimate holding company and amounts due to subsidiaries are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss/other reserve over the respective period of borrowings/loan from a minority equity holder of a subsidiary and loans from ultimate holding company using the effective interest method.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.16 Financial liabilities – continued

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 the 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.

Convertible bond issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as convertible bonds equity reserve.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bond.

When the bond is converted, the convertible bonds equity reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the convertible bonds equity reserve is released directly to accumulated losses.

Trade and other payables

They are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3.17 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.17 Accounting for income taxes – continued

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if, the Group has the legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if, the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

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

3.18 Retirement benefit costs and short-term employee benefits

Retirement benefits to employees are provided through several defined contribution plans. Details of the retirement benefits schemes are set out in note 41.

Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contribution recognised in respect to defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.18 Retirement benefit costs and short-term employee benefits – continued

Defined contribution plan – continued

The Group contributes to a defined contribution retirement benefit scheme ("MPF scheme") under the Mandatory Provident Fund Scheme Ordinance which is available to its employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are calculated as percentages of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the MPF scheme.

The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

Pursuant to the relevant regulations of the People's Republic of China (the "PRC ") government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the Group is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to profit or loss as incurred. There were no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

Short-term employee benefits

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.19 Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the share-based payment reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. The value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.19 Share-based payments – continued

All share-based compensation is recognised as an expense in profit or loss with a corresponding credit to share-based payment reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the vested share options are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

3.20 Research and development costs

Cost associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

All other development costs are expensed as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.21 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset 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 being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

3.22 Provisions and contingent liabilities

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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 uncertain future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. These are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

3.23 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to executive directors are determined following the Group's major product and service lines. Each of operating segments is managed separately as each of the product and service lines requires different resources.

The Group has identified the following reportable segments:

(i) "Mineral resources exploration and trading" segment involves research and exploration of mineral resources and trading of copper and steel.

(ii) "Silicon products" segment involves production and sale of silicon products.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.23 Segment reporting – continued

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that corporate income and expenses which are not included in arriving at the operating results of the operating segment, which primarily applies to the Group's headquarter.

Segment assets and liabilities exclude corporate assets and liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to deferred tax liabilities and the Group's headquarter.

3.24 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 key management personnel of the Group or the Company's parent.

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

- (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 the employees of 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 key management personnel of the entity (or of a parent of the entity).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.24 Related parties – continued

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 and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

3.25 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, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of comprehensive income, 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.6. The recoverable amounts of cash-generating units have been determined based on fair value less cost to sell calculations. These calculations require the use of estimates. When fair value less cost to sell calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

(ii) Impairment of non-financial assets (other than goodwill and exploration and evaluation assets)

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of non-financial assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the Directors take into consideration assumptions that are mainly based on market conditions existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(iii) Net realisable value of inventories

These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the reporting date.

(iv) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of the customers/debtors and current market conditions. When the Group's management determines that there are indicators of significant financial difficulties of the trade customers/debtors such as default or delinquency in payments, impairment of receivables are estimated. The Group's management reassesses the impairment of receivables at the reporting dates.

When the Group's management determines the receivables are uncollectible, they are written off against the impairment provision of receivables.

(v) Depreciation and amortisation

The Group depreciates the property, plant and equipment and amortises the prepaid land lease payments in accordance with the accounting policies stated in notes 3.7 and 3.8 respectively. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the assets.

(vi) Impairment of intangible assets — "exploration and evaluation assets"

The carrying value of exploration and evaluation assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The Directors consider all facts and circumstances occurred to judge whether these facts and circumstances would suggest that the carrying amount of the exploration and evaluation assets may exceed its recoverable amount (i.e. impaired). Management reassesses the impairment of intangible assets at the reporting dates.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

(vii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees/consultants by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 37.

(viii) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(ix) Contractual obligation of a financial liability

A financial instrument or its component parts should be classified upon initial recognition as a financial liability or equity instrument according to the substance of the contractual arrangement, not its legal forms. The Group determined the convertible bonds issued contained a liability component on the basis that on settlement, the Group will deliver either cash or another financial asset, or its own shares whose value is determined to exceed substantially the value of the cash or other financial assets. Although the Group does not have an explicit obligation to deliver cash or another financial asset, the holder of the asset has in substance been guaranteed a minimum amount equal to at least the cash/other financial asset settlement amount.

5. REVENUE

Revenue, which is also the Group's turnover, represents total invoiced value of goods supplied and income from provision of services. Revenue recognised during the year is as follows:

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Sale of silicon products	**58,727**	49,785	**—**	—	**58,727**	49,785
Sale of copper and steel products	**1,666,181**	—	**—**	—	**1,666,181**	—
Sale of iron ore and manganese products	**31,690**	—	**—**	—	**31,690**	—
Sale of magazines	**—**	—	**3,315**	2,724	**3,315**	2,724
Advertising income	**—**	—	**494**	8,809	**494**	8,809
Promotion and marketing income	**—**	—	**558**	12,213	**558**	12,213
	1,756,598	49,785	**4,367**	23,746	**1,760,965**	73,531

A further analysis of the Group's revenue by activity is set out in note 6 to the financial statements.

6. SEGMENT INFORMATION

The Group has identified its operating segment and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation and review of performance.

The Group's operating businesses are organised and managed separately according to the nature of product and service, with each segment representing a strategic business segment that offers different products and services in Mainland China and Latin America.

The Company is an investment holding company and the principal places of the Group's operation are in Hong Kong, Mainland China and Latin America. For the purpose of segment information disclosures under HKFRS 8, the Group regarded service in Mainland China (i.e. the PRC) as its country of domicile.

Publications operation has been discontinued in the current year. The segment information reported in the following does not include any amounts for these discontinued operations, which are described in more details in note 11.

6. SEGMENT INFORMATION – CONTINUED

Information regarding the Group's reportable segments provided to the Group's most senior management (i.e. the executive directors) is set out below:

	Mineral resources exploration and trading HK$'000	Silicon products HK$'000	Total HK$'000
Year ended 31 December 2011			
Reportable segment revenue (external customers)	1,697,871	58,727	1,756,598
Reportable segment loss	(331,529)	(12,299)	(343,828)
Reportable segment assets	2,623,534	72,226	2,695,760
Reportable segment liabilities	1,021,777	45,226	1,067,003
Capital expenditure	2,361	1,007	3,368
Impairment loss on exploration and evaluation assets	(298,247)	—	(298,247)
Impairment loss on goodwill	(31,051)	—	(31,051)
Impairment loss on property, plant and equipment	—	(12,036)	(12,036)
Interest income	(44)	(9)	(53)
Interest expense	91	721	812
Depreciation	313	1,795	2,108
Amortisation charge	—	473	473
Year ended 31 December 2010			
Reportable segment revenue (external customers)	—	49,785	49,785
Reportable segment loss	(3,970)	(6,322)	(10,292)
Reportable segment assets	2,166,563	80,111	2,246,674
Reportable segment liabilities	545	42,678	43,223
Capital expenditure	—	3,419	3,419
Interest income	—	(21)	(21)
Interest expense	—	973	973
Depreciation	48	1,103	1,151
Amortisation charge	—	454	454

6. SEGMENT INFORMATION – CONTINUED

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2011 HK$'000	2010 HK$'000
Reportable segment revenue	**1,756,598**	49,785
Publications (discontinued operations)	**4,367**	23,746
Group revenue	**1,760,965**	73,531
Reportable segment loss	**(343,828)**	(10,292)
Other operating income	**7,427**	4,051
Administrative expenses	**(13,406)**	(16,420)
Other operating expenses	**(37,726)**	(43,905)
Share-based payment expenses	**(51,861)**	(349,883)
Finance costs	**(51,559)**	(31,424)
Loss before income tax and discontinued operations	**(490,953)**	(447,873)
Reportable segment assets	**2,695,760**	2,246,674
Segment assets of discontinued operations	**—**	6,921
Property, plant and equipment	**209**	408
Deposit for acquisition of a business	**81,265**	78,000
Loans to an acquiring business	**219,808**	141,503
Prepayments and other receivables	**2,270**	1,529
Derivative financial assets	**11,295**	44,354
Cash and cash equivalents	**2,952**	9,881
	3,013,559	2,529,270
Reportable segment liabilities	**1,067,003**	43,223
Segment liabilities of discontinued operations	**—**	9,248
Other payables and accrued expenses	**1,340**	1,687
Convertible bonds	**226,485**	189,333
Loans from ultimate holding company	**262,390**	283,851
Deferred tax liabilities	**538,725**	719,584
	2,095,943	1,246,926

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6. SEGMENT INFORMATION – CONTINUED

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas:

	2011 HK$'000	2010 HK$'000
Revenues from external customers		
Mainland China	**1,756,598**	49,785
Reportable segment revenue from external customers	**1,756,598**	49,785
Non-current assets		
Hong Kong	**301,281**	172
Mainland China	**47,768**	56,885
Latin America	**1,581,481**	2,149,543
Reportable segment non-current assets	**1,930,530**	2,206,600

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets (other than goodwill) is determined based on the physical location of the asset. In case of goodwill, it is determined based on the location of operations.

During the year ended 31 December 2011, over 80% of the Group's revenues depended on 3 major customers in the mineral resources exploration and trading segment. The revenue generated from these 3 major customers are HK$603,040,000, HK$418,898,000 and HK$416,641,000 respectively.

7. OTHER OPERATING INCOME

	Continuing operations		Discontinued operations		Consolidated	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Bank Interest income	**53**	21	**—**	—	**53**	21
Imputed interest on advances to an acquiring business	**7,426**	4,049	**—**	—	**7,426**	4,049
Gain on disposal of subsidiaries	**—**	—	**4,241**	—	**4,241**	—
Sundry income	**2,199**	251	**—**	1	**2,199**	252
	9,678	4,321	**4,241**	1	**13,919**	4,322

8. OPERATING LOSS

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Operating loss is arrived at after charging:						
Auditor's remuneration	**1,200**	800	**—**	—	**1,200**	800
Cost of inventories recognised as expense	**1,710,361**	38,323	**2,636**	12,070	**1,712,997**	50,393
Depreciation	**2,353**	1,372	**21**	89	**2,374**	1,461
Amortisation of prepaid land lease payments	**473**	454	**—**	—	**473**	454
Loss on disposal of property, plant and equipment	**89**	—	**—**	—	**89**	—
Minimum lease payments paid under operating leases in respect of rental premises	**3,328**	—	**81**	329	**3,409**	329
Net foreign exchange loss	**643**	29	**—**	—	**643**	29
Other operating expenses:						
— Impairment and write-off of receivables	**—**	—	**—**	199	**—**	199
— Fair value loss on initial recognition of loans to an acquiring business	**4,667**	13,115	**—**	—	**4,667**	13,115
— Research and development costs	**—**	940	**—**	—	**—**	940
— Transaction costs of business combination	**—**	1,911	**—**	—	**—**	1,911
— Fair value loss on derivative financial assets (note 34)	**33,059**	28,879	**—**	—	**33,059**	28,879
— Impairment of property. plant and equipment	**12,036**	—	**—**	—	**12,036**	—
— Others	**267**	40	**—**	—	**267**	40
	50,029	44,885	**—**	199	**50,029**	45,084

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For the year ended 31 December 2011

9. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest charges on other borrowings wholly repayable within five years	**502**	677	**—**	—	**502**	677
Imputed interest on convertible bonds	**37,152**	24,063	**—**	—	**37,152**	24,063
Imputed interest on loans from ultimate holding company	**14,407**	7,361	**—**	—	**14,407**	7,361
Imputed interest on loan from a minority equity holder of a subsidiary	**312**	296	**—**	—	**312**	296
	52,373	32,397	**—**	—	**52,373**	32,397

10. INCOME TAX CREDIT

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Deferred tax (note 35)						
Current year	**101,404**	—	**—**	—	**101,404**	—

During the year ended 31 December 2011 and 31 December 2010, no provision for Hong Kong profits tax has been provided by the Group as the Group had no estimated assessable profit arising in or derived from Hong Kong.

Taxation on profits assessable elsewhere have been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during both years.

With the effect of the PRC enterprise income tax on 1 January 2008, enterprise income tax rates for domestic and foreign enterprises were unified at 25%. Upon expiry of the tax holiday and tax relief, the new PRC corporate income tax rate of 25% is applicable to 濟寧凱倫光伏材料有限公司 ("Kailun PV (Jining)") and Shanghai Hongying Trading Co. Limited, being the subsidiaries of the Group established as wholly foreign-owned enterprise in the PRC.

During the year ended 31 December 2011, the corporate income tax rates in Brazil, Mexico and Uruguay of 34%, 30% and 25% are applicable to Xianglan Do Brasil Mineracao Ltda ("Xianglan Brazil"), Xianglan Minerales de Mexico, S.A. de C.V. and Sinwon S.A. respectively.

10. INCOME TAX CREDIT – CONTINUED

No provision for tax has been provided by the Company as the Company had no estimated assessable profit arising in or derived from Hong Kong (2010: Nil).

Reconciliation between income tax credit and accounting loss at applicable tax rates:

	2011 HK$'000	2010 HK$'000
(Loss)/Profit before income tax:		
Continuing operations	**(490,953)**	(447,873)
Discontinued operations	**3,001**	(1,640)
	(487,952)	(449,513)
Tax on loss before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**(80,512)**	(74,170)
Tax effect of different tax rates of subsidiaries	**(59,004)**	(1,205)
Tax effect of non-deductible expenses	**37,950**	74,800
Tax effect of non-taxable revenue	**(2,140)**	(1,076)
Tax effect of prior year's unrecognised tax losses utilised this year	**(1)**	(5)
Tax effect of unrecognised tax losses	**2,276**	1,613
Tax effect on temporary difference not recognised	**27**	43
Income tax credit	**(101,404)**	—

11. DISCONTINUED OPERATIONS

On 31 January 2011, the Company entered into a sale and purchase agreement with Win Gain Investments Limited to sell the entire share capital of Great Ready Assets Limited and its subsidiaries. The disposal was completed on 31 March 2011.

The operations of Great Ready Assets Limited and its subsidiaries represented the entire business segment of publications of the Group and therefore they are presented as discontinued operations in 2011 Group accounts in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The comparative consolidated statements of comprehensive income, loss before income tax stated in the consolidated statements of cash flows and the relevant disclosure notes for profit or loss items are re-presented for discontinued operations.

11. DISCONTINUED OPERATIONS – CONTINUED

An analysis of the results and cash flows of the discontinued operations included in the consolidated statement of comprehensive income and the consolidated statement of cash flows are as follows:

	2011 HK$'000	2010 HK$'000
Revenue (note 5)	**4,367**	23,746
Other operating income	**—**	1
Expenses	**(5,607)**	(25,387)
Loss before income tax from discontinued operations	**(1,240)**	(1,640)
Income tax expense	**—**	—
Loss after income tax from discontinued operations	**(1,240)**	(1,640)
Gain on disposals of subsidiaries (note 44)	**4,241**	—
Profit/(Loss) for the year from discontinued operations attributable to the owners of the Company	**3,001**	(1,640)
Operating cash inflows	**1,533**	50
Total cash inflows	**1,533**	50

12. LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Of the consolidated loss attributable to the owners of the Company of HK$304,839,000 (2010: HK$445,650,000), a loss of HK$346,094,000 (2010: HK$437,549,000) (note 38) has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE

(a) From continuing and discontinuing operations

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK$304,839,000 (2010: HK$445,650,000) and the weighted average of approximately 6,147,456,000 (2010: approximately 5,981,678,000) ordinary shares in issue during the year.

For the year ended 31 December 2011 and 2010, diluted loss per share attributable to the owners of the Company was not presented because the impact of the exercise of the share options and convertible bonds was anti-dilutive.

(b) From continuing operations

The calculation of basic loss per share from continuing operations is based on the loss attributable to owners of the Company from continuing operations of HK$307,840,000 (2010: HK$444,010,000) and the weighted average of approximately 6,147,456,000 (2010: approximately 5,981,678,000) ordinary shares in issue during the year.

For the year ended 31 December 2011 and 2010, diluted loss per share from continuing operations attributable to the owners of the Company was not presented because the impact of the exercise of the share options and convertible bonds was anti-dilutive.

13. LOSS PER SHARE – CONTINUED

(c) From discontinued operations

Basic earnings per share attributable to the owners of the Company from discontinued operation was HK0.05 cent per share (2010: loss per share of HK0.03 cent), based on the profit attributable to the owners of the Company from discontinued operation of HK$3,001,000 (2010: loss of HK$1,641,000) and the weighted average of approximately 6,147,456,000 (2010: approximately 5,981,678,000) ordinary shares in issue during the year.

For the year ended 31 December 2011 and 2010, diluted earnings/loss per share from discontinued operations attributable to the owners of the Company was not presented because the impact of the exercise of the share options and convertible bonds was anti-dilutive.

14. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Wages and salaries	**8,241**	9,681	**1,974**	7,721	**10,215**	17,402
Share-based payments	**51,861**	45,990	**—**	—	**51,861**	45,990
Pension costs — defined contribution plans	**409**	407	**81**	325	**490**	732
	60,511	56,078	**2,055**	8,046	**62,566**	64,124

Included in staff costs are key management personnel compensation and comprises the following categories:

	2011 HK$'000	2010 HK$'000
Short-term employee benefits	**3,052**	1,870
Post-employment benefits	**24**	24
Share-based payments	**43,148**	37,453
	46,224	39,347

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15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS
(a) Directors' emoluments

The emoluments paid or payable to the directors were as follows:

	Fees HK$'000	Salaries and allowances HK$'000	Contribution to defined contribution plan HK$'000	Equity-settled share-based payment expenses HK$'000	Total HK$'000
Year ended 31 December 2011					
Executive directors					
HE Xuechu	**797**	**—**	**12**	**—**	**809**
LIU Wei, William	**1,075**	**—**	**12**	**12,446**	**13,533**
SHI Lixin	**—**	**820**	**—**	**8,298**	**9,118**
Non-executive directors					
YAN Weimin	**—**	**—**	**—**	**12,446**	**12,446**
ANG Siu Lun, Lawrence	**—**	**—**	**—**	**6,223**	**6,223**
Independent non-executive directors					
CHAN Chun Wai, Tony	**120**	**—**	**—**	**1,245**	**1,365**
FOK Hon	**120**	**—**	**—**	**1,245**	**1,365**
MA Gang	**120**	**—**	**—**	**1,245**	**1,365**
	2,232	**820**	**24**	**43,148**	**46,224**
Year ended 31 December 2010					
Executive directors					
HE Xuechu	378	—	12	—	390
LIU Wei, William	612	—	12	10,804	11,428
SHI Lixin	—	520	—	7,203	7,723
Non-executive directors					
YAN Weimin	—	—	—	10,804	10,804
ANG Siu Lun, Lawrence	—	—	—	5,402	5,402
Independent non-executive directors					
CHAN Chun Wai, Tony	120	—	—	1,080	1,200
FOK Hon	120	—	—	1,080	1,200
MA Gang	120	—	—	1,080	1,200
	1,350	520	24	37,453	39,347

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

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS – CONTINUED

(b) Five highest paid individuals

The five individuals whose total emoluments were the highest in the Group for the year included five (2010: five) directors whose emoluments are reflected in the analysis presented above.

The five individuals whose total emoluments excluding the equity-based share-based payment expenses were the highest in the Group for the year included three (2010: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2010: three) individuals during the year are as follows:

	2011 **HK$'000**	2010 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**1,216**	2,276
Pension — defined contribution plans	**24**	36
	1,240	2,312

The emoluments fell within the following band:

	Number of individuals	
	2011	2010
Emolument band		
Nil–HK$1,000,000	**2**	3

During the year, no emoluments were paid by the Group to the directors or the two (2010: three) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2010							
Cost	8,565	924	12,818	915	805	18,848	42,875
Accumulated depreciation	(1,021)	(402)	(7,652)	(390)	(316)	—	(9,781)
Net book amount	7,544	522	5,166	525	489	18,848	33,094
Year ended 31 December 2010							
Opening net book amount	7,544	522	5,166	525	489	18,848	33,094
Additions	—	—	882	775	12	1,754	3,423
Acquisition of subsidiaries (note 43)	—	—	—	33	256	—	289
Depreciation	(376)	(185)	(532)	(203)	(165)	—	(1,461)
Exchange realignment	268	—	195	20	33	716	1,232
Closing net book amount	7,436	337	5,711	1,150	625	21,318	36,577
At 31 December 2010							
Cost	8,876	924	14,181	1,750	1,120	21,318	48,169
Accumulated depreciation and impairment	(1,440)	(587)	(8,470)	(600)	(495)	—	(11,592)
Net book amount	7,436	337	5,711	1,150	625	21,318	36,577
Year ended 31 December 2011							
Opening net book amount	**7,436**	**337**	**5,711**	**1,150**	**625**	**21,318**	**36,577**
Additions	**—**	**—**	**15**	**808**	**1,587**	**987**	**3,397**
Disposals	**—**	**—**	**—**	**(19)**	**(70)**	**—**	**(89)**
Transfers	**7,435**	**—**	**—**	**—**	**—**	**(7,435)**	**—**
Disposals of subsidiaries (note 44)	**—**	**—**	**—**	**(151)**	**—**	**—**	**(151)**
Depreciation	**(727)**	**(185)**	**(792)**	**(312)**	**(358)**	**—**	**(2,374)**
Impairment loss	**—**	**—**	**—**	**—**	**—**	**(12,036)**	**(12,036)**
Exchange realignment	**536**	**—**	**264**	**5**	**31**	**597**	**1,433**
Closing net book amount	**14,680**	**152**	**5,198**	**1,481**	**1,815**	**3,431**	**26,757**
At 31 December 2011							
Cost	**16,937**	**924**	**14,901**	**2,106**	**2,695**	**15,767**	**53,330**
Accumulated depreciation and impairment	**(2,257)**	**(772)**	**(9,703)**	**(625)**	**(880)**	**(12,336)**	**(26,573)**
Net book amount	**14,680**	**152**	**5,198**	**1,481**	**1,815**	**3,431**	**26,757**

Note: For the year ended 31 December 2011, the Directors reviewed the carrying amount of property, plant and equipment with reference to the business operated by the Group. The Directors considered that the carrying amounts of certain property, plant and equipment exceeds its recoverable amounts in view of the outstanding technical issues, impairment loss of HK$12,036,000 (2010: Nil) has been identified and recognised in the consolidated statement of comprehensive income.

16. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

As at 31 December 2011 and 2010, the building ownership certificates of the Group's leasehold buildings have not yet been obtained. The land use rights certificates where these buildings are situated have already been obtained and have been included in the prepaid land lease payments (note 18). In the opinion of the independent PRC legal advisors of Kailun PV (Jining), Kailun PV (Jining) is entitled to obtain the building ownerships certificates without legal impediment and is entitled to lawfully and validly use the buildings during the year.

Company

	Leasehold improvements HK$'000	Furniture and office equipment HK$'000	Total HK$'000
At 1 January 2010			
Cost	924	176	1,100
Accumulated depreciation	(402)	(75)	(477)
Net book amount	522	101	623
Year ended 31 December 2010			
Opening net book amount	522	101	623
Additions	—	5	5
Depreciation	(185)	(35)	(220)
Closing net book amount	337	71	408
At 31 December 2010			
Cost	924	181	1,105
Accumulated depreciation	(587)	(110)	(697)
Net book amount	337	71	408
Year ended 31 December 2011			
Opening net book amount	**337**	**71**	**408**
Additions	**—**	**31**	**31**
Disposals	**—**	**(7)**	**(7)**
Depreciation	**(185)**	**(38)**	**(223)**
Closing net book amount	**152**	**57**	**209**
At 31 December 2011			
Cost	**924**	**193**	**1,117**
Accumulated depreciation	**(772)**	**(136)**	**(908)**
Net book amount	**152**	**57**	**209**

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17. EXPLORATION AND EVALUATION ASSETS

Group

	2011 HK$'000	2010 HK$'000
Cost		
At 1 January	**2,114,385**	—
Acquisition of subsidiaries (note 43)	**—**	1,969,118
Impairment loss	**(298,247)**	—
Exchange realignment	**(235,138)**	145,267
At 31 December	**1,581,000**	2,114,385

The exploration and evaluation assets represented the rights to explore and identify prospective deposits of mineral resources in the Bahia State of Brazil and the expenditures incurred in the search for mineral resources.

Details of exploration licenses owned by Xianglan Brazil at 31 December 2011 are as follows:

License number:	DNPM-872.734/2006	DNPM-872.958/2006	DNPM-870.140/2007
Location:	State of Bahia, Brazil	State of Bahia, Brazil	State of Bahia, Brazil
Valid until:	23 March 2013	23 March 2013	23 March 2013
Area:	20 km^2	20 km^2	18 km^2

Under Brazilian mining rules and regulations, extensions of the above exploration licenses after the expiry may be granted, subject to the discretion of Departamento Nocional de Producao Mineral, which is the National Department of Mineral Production under the Ministry of Mines and Energy in Brazil. The Directors are of the opinion and confident that if the extension requests are filed in observance with the regulatory requirements, there is no reason to believe that such extensions will not be granted.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

For the year ended 31 December 2011, the Directors of the Company reviewed the carrying amount of exploration and evaluation assets, impairment loss of HK$298,247,000 (2010: Nil) has been identified and recognised in the consolidated statement of comprehensive income in view of the significant drop in the selling price of manganese ores during the year.

18. PREPAID LAND LEASE PAYMENTS

Group

	2011 HK$'000	2010 HK$'000
At 1 January		
Cost	**22,329**	21,545
Accumulated amortisation	**(1,193)**	(705)
Net book amount	**21,136**	20,840
For the year ended 31 December		
Opening net book amount	**21,136**	20,840
Amortisation	**(473)**	(454)
Exchange realignment	**1,037**	750
Net book amount	**21,700**	21,136
At 31 December		
Cost	**23,436**	22,329
Accumulated amortisation	**(1,736)**	(1,193)
Net book amount	**21,700**	21,136

The prepaid land lease payments represented up-front payments to acquire long-term interest in the usage of land situated in the PRC, which are held under medium term leases.

19. INVESTMENTS IN SUBSIDIARIES

Company

	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**986,896**	987,867
Less: Impairment loss recognised	**(250,500)**	(50,500)
	736,396	937,367

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19. INVESTMENTS IN SUBSIDIARIES – CONTINUED

Company – continued

Particulars of the principal subsidiaries at 31 December 2011 are as follows:

Name of subsidiary	Place of incorporation and kind of legal entity	Particulars of issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
Divine Mission Holdings Limited ("Divine Mission")	British Virgin Islands, limited liability company	20,000 ordinary shares of US$1 each	60%	—	Investment holding
Kailun Photovoltaic Materials Investments Limited	Hong Kong, limited liability company	10,000,000 ordinary shares of HK$1 each	—	60%	Investment holding
Kailun PV (Jining)	PRC, limited liability company	Registered capital of US$10,000,000	—	60%	Production and sale of silicon products
Xianglan Do Brasil Mineracao Ltda ("Xianglan Brazil")	Brazil, limited liability company	5,738,140 ordinary shares of BRL 1 each	—	66%	Research and exploration of mineral resources (Manganese)
Shanghai Hongying Trading Co. Limited ("Shanghai Hongying")	PRC, limited liability company	Registered capital of US$1,000,000	—	100%	Trading of copper and steel product
Xianglan Minerales de Mexico, S.A. de C.V.	Mexico, limited liability company	300 shares of 1,000 Pesos each	—	62.70%	Trading of iron and manganese ores
Sinwon S.A.	Uruguay, limited liability company	20,000 shares of 1 New Peso each	—	66%	Trading of iron and manganese ores

The financial statements of the above subsidiaries are examined by BDO Limited or other member firm of BDO global network for statutory purpose or Group consolidation purpose.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

For the year ended 31 December 2011, the Directors of the Company considered the reviewed the carrying amount of investment in subsidiaries, impairment of HK$200,000,000 (2010: Nil) has been identified and recognised in profit or loss during the year in view of the significant impairment of goodwill and exploration and evaluation assets of Xianglan Brazil during the year.

20. GOODWILL

Group

The amount of the goodwill capitalised as an asset recognised in the consolidated statement of financial position, arising from business combinations, is as follows:

	2011 **HK$'000**	2010 HK$'000
At 1 January		
Gross carrying amount	**70,596**	35,686
Accumulated impairment	**(35,686)**	(35,686)
Net carrying amount	**34,910**	—
Carrying amount at 1 January	**34,910**	—
Acquisition of subsidiaries (note 43)	**—**	32,511
Impairment losses	**(31,051)**	—
Exchange realignment	**(3,859)**	2,399
Net carrying amount at 31 December	**—**	34,910
At 31 December		
Gross carrying amount	**66,737**	70,596
Accumulated impairment	**(66,737)**	(35,686)
Net carrying amount	**—**	34,910

The goodwill allocated to cash generating unit of silicon product was fully impaired during the year ended 31 December 2009. The carrying amount of goodwill at 31 December 2010, represented goodwill arising from acquisition of Xianglan Brasil Group (note 43) and was allocated to the cash generating unit of mineral resources exploration.

The calculation of the recoverable amounts for the cash generating units given above were determined based on fair value less cost to sell calculations using discounted cash flow technique, covering a detailed five-year budget plan, followed by an extrapolation of expected cash flows at the growth rates stated below for further fifteen years. For mineral resources exploration, the growth rates reflect the expected selling prices, production and sale volume of mineral resources based on historical data and future market analysis.

The key assumptions used for calculations of recoverable amounts are:

	Mineral resources exploration
Growth rate	6%
Discount rate	21%

20. GOODWILL – CONTINUED

Group – continued

The Group's management's key assumptions for the Group include stable profits margin, have been determined based on past performance and its expectations for the market share after taking into consideration published market forecast and research. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Apart from the considerations described in determining the recoverable amounts of the cash generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its estimates.

In view of the significant drop in the selling price of manganese ores during the year, the Directors considered that the expected cash flows from the cash generating unit of mineral resources exploration was not sufficient to recover the carrying amount of relevant goodwill. Accordingly, impairment of goodwill of HK$31,051,000 (2010: Nil) was made during the year.

21. DEPOSITS FOR ACQUISITION OF BUSINESS

On 5 March 2010, Infinite Sky Investments Limited ("Infinite Sky"), a wholly-owned subsidiary of the Company, entered into the share purchase agreement (the "SAM Agreement") to acquire the entire issued share capital of Sul Americana de Metais S.A ("SAM") in Brazil (the "SAM Acquisition") with a total consideration of US$390 million (equivalent to approximately HK$3,042 million) (the "Total Consideration"). Further details of the Total Consideration are set out in note 40.

As at 31 December 2010, in connection with the SAM Acquisition, Infinite Sky had deposited with an escrow agent US$10 million (equivalent to approximately HK$78 million), together with any interest or other income accrued or earned thereon. During the year, the Group has released such amount to the seller.

During the year, the Company had paid additional US$420,000 (equivalent to approximately HK$3,265,000) to the seller, according to the terms of the Agreement.

22. LOANS TO AN ACQUIRING BUSINESS

Group and Company

This represented advances to SAM which are unsecured and interest-free. When the SAM Acquisition is completed and SAM becomes the subsidiary of the Company, such advances will become an inter-company balance of the Company. The advances shall be used exclusively for the purposes of conducting the mineral resources exploration work by SAM. The loans are repayable on the earlier of (i) the amount of US$115 million to become payable by the Group under the SAM Agreement; and (ii) the termination of the SAM Agreement. Further details of the loans to SAM are set out in the Company circular dated 5 November 2010.

23. INVENTORIES

Group

	2011 HK$'000	2010 HK$'000
Raw materials	**7,063**	3,308
Work-in-progress	**4,963**	—
Finished goods	**5,892**	5,378
	17,918	8,686

24. TRADE AND BILLS RECEIVABLES

Group

	2011 HK$'000	2010 HK$'000
Trade receivables	**1,263**	8,826
Less: Impairment of trade receivables	**—**	(752)
Trade receivables, net	**1,263**	8,074
Bills receivables	**260,875**	—
Trade and bills receivables, net	**262,138**	8,074

As at 31 December 2011, bills receivables of HK$210,868,000 (2010: Nil) were pledged to the banks for trading facilities and bank borrowings. Besides, bills receivables of HK$48,773,000 (2010: Nil) were either endorsed to suppliers or discounted to banks with resource. These receivables continue to be recognised as assets in the consolidated financial statements as the Group is still exposed to credit risk on these receivables as at the end of the reporting date. Accordingly, the liabilities associated with such bills, mainly borrowings and trade payables as disclosed in notes 31 and 29 respectively, are not derecognised in the consolidated financial statements as well.

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. Movement in the provision for impairment of trade receivables is as follows:

	2011 HK$'000	2010 HK$'000
At 1 January	**752**	553
Impairment loss and allowances charged to profit or loss	**—**	199
Disposal of subsidiaries	**(752)**	—
At 31 December	**—**	752

24. TRADE AND BILLS RECEIVABLES – CONTINUED

Group – continued

As at 31 December 2010, the Group's trade and bills receivables were individually determined to be impaired. The individually impaired receivables were recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised. The Group did not hold any collateral over these balances.

The Group allows a credit period from 30 days to 120 days to its trade customers. The following is aging analysis of net trade and bills receivables at the reporting date:

	2011 **HK$'000**	2010 HK$'000
0–30 days	**1,202**	5,550
31–60 days	**—**	1,087
61–90 days	**—**	305
91 to 180 days	**260,875**	616
Over 180 days	**61**	516
	262,138	8,074

Aging analysis of trade and bills receivables that were past due as at the reporting date but not impaired, based on the due date is as follows:

	2011 **HK$'000**	2010 HK$'000
Neither past due nor impaired	**262,077**	3,004
1–90 days past due	**—**	3,938
91–180 days past due	**—**	616
Over 180 days past due	**61**	516
	61	5,070
	262,138	8,074

Trade and bills receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

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

25. PREPAYMENTS AND OTHER RECEIVABLES

Group

	2011 HK$'000	2010 HK$'000
Deposits	**3,462**	129
Prepayments	**1,625**	5,500
Other receivables	**6,800**	5,970
Payment in advances	**706,455**	—
	718,342	11,599

Company

	2011 HK$'000	2010 HK$'000
Deposits	**1,913**	—
Prepayments	**357**	—
Other receivables	**—**	1,529
	2,270	1,529

Other receivables of the Company and of the Group that were neither past due nor impaired related to a wide range of debtors for whom there was no recent history of default.

26. DERIVATIVE FINANCIAL ASSETS

Group and Company

	2011 HK$'000	2010 HK$'000
Embedded derivatives in convertible bonds (note 34)	**11,295**	44,354

The derivative financial assets are reported at their fair values and determined by the Directors with reference to the valuation performed by an independent firm of professional valuers on Trinomial option pricing model basis.

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27. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

Company

The amounts due are unsecured, interest-free and repayable on demand.

28. RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

As at 31 December 2011, restricted bank deposits of HK$37,498,000 (2010: Nil) represented guaranteed deposits placed in banks in the PRC for securing the Group's banking facilities.

Restricted bank deposits and cash at bank earn interest at floating rates based on the daily bank deposit rates.

As at 31 December 2011, the Group had cash and bank balances denominated in Renminbi ("RMB") amounting to approximately HK$65,333,000 (2010: HK$11,330,000), which were deposited with the banks in the PRC and held in hand. RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

29. TRADE AND BILLS PAYABLES

Group

	2011 HK$'000	2010 HK$'000
Trade payables	**63,360**	8,206
Bills payables	**138,847**	—
	202,207	8,206

The credit terms of trade payables vary according to the terms agreed with different suppliers. The following is aging analysis of trade and bills payables at the reporting dates:

	2011 HK$'000	2010 HK$'000
0–30 days	**59,135**	2,938
31–60 days	**—**	743
61–90 days	**445**	605
91–180 days	**139,794**	762
Over 180 days	**2,167**	3,158
Trade payables under endorsed bills	**666**	—
	202,207	8,206

30. OTHER PAYABLES, ACCRUED EXPENSES AND RECEIPTS IN ADVANCE

Group

	2011 HK$'000	2010 HK$'000
Other payables	**21,103**	20,889
Accrued expenses	**1,614**	3,571
Receipts in advance from third parties	**275,941**	3,849
Receipts in advance from a related company in which Mr. Yan Weimin, a director of the Company, has controlling interests	**403,259**	—
	701,917	28,309

Company

	2011 HK$'000	2010 HK$'000
Accrued expenses	**1,340**	1,687

31. BORROWINGS

Group

	Notes	Original currency	2011 HK$'000	2010 HK$'000
Non-current				
Government loans — unsecured	(i)	RMB	**—**	266
Current				
Government loans — unsecured	(i)	RMB	**2,590**	2,202
Bank loans — unsecured	(ii)	RMB	**3,700**	5,876
Bank loans — secured	(iii)	RMB	**103,281**	—
Financial liabilities on bills discounted with recourse		RMB	**48,107**	—
Other loans — unsecured	(iv)	RMB	**—**	3,070
			157,678	11,148
Total borrowings			**157,678**	11,414

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31. BORROWINGS – CONTINUED

Group – continued

At 31 December 2011, the Group's borrowings were repayable as follows:

	2011 HK$'000	2010 HK$'000
Government loans repayable:		
Within one year or on demand	**2,590**	2,202
In the second year	**—**	266
	2,590	2,468
Bank loans repayable:		
Within one year or on demand	**106,981**	5,876
Financial liabilities on bills discounted with recourse:		
Within one year or on demand	**48,107**	—
Other loans repayable:		
Within one year or on demand	**—**	3,070

Notes:

(i) Government loans comprise an interest-free loan of HK$1,293,000 (the "Government Interest Free Loan") granted by the local government of the PRC. The local government of the PRC agreed to waive the repayment of the Government Interest Free Loan on the conditions that the projects in the local county satisfy the requirements set by the local government. Other government loans of HK$1,175,000 are unsecured and interest-free.

(ii) Bank loan was guaranteed by 濟寧市天翔機械制造有限公司. The Group has not recognised the financial impact in respect of this guarantee as its fair value cannot reliably measured and no transaction price was recorded. The interest rate of bank loans is 5.75% (2010: 5.75%) per month.

(iii) Bank loan was secured by bills receivables pledge to bank and bear floating interest rate which is based on 6-month interest rate of the People's Bank of China.

(iv) Other loans are unsecured and bear floating interest rate which is based on the monthly interest rate of The People's Bank of China. The loan has been fully repaid during the year.

(v) The Group provided guarantee of approximately RMB3,000,000 (approximately HK$3,701,000) to the bank in connection with banking facilities granted by the bank to 濟寧市天翔機械制造有限公司 and no provision for the Group's obligation under the guarantee contract has been made as the directors considered that it was not probable that the repayment of this borrowing would be in default.

In the opinion of the Directors, the carrying values of the current borrowings are considered to be a reasonable approximation of fair values due to their short term maturities.

32. LOANS FROM ULTIMATE HOLDING COMPANY

Group and Company

As at 31 December 2010, the loans were unsecured and not repayable within three years from the drawdown dates. The loans were interest-free in the first two years and bear interest at prime rate minus 1.25% per annum in the third year. Hong Bridge did not demand repayment of the loans from the Company with at least 12 months from the financial statements approval date.

As at 31 December 2011, the loans are unsecured and repayable from 2013 to 2014. The loans are interest-free in the first two years from drawdown dates and bear interest at prime rate minus 1.25% per annum in the third year.

The fair value of the liability component, included in the balance, was calculated using a market interest rate. The residual amount, representing the difference arising from at fair value and at the nominal value of the loans from ultimate holding company, is included in equity.

The fair value of the liability component of the balance was calculated using cash flows discounted at a rate based on the estimated discount rate of 5%.

Interest expense on the loans from ultimate holding company is calculated using the effective interest method by applying effective interest rate of 5% to the liability component.

33. LOAN FROM A MINORITY EQUITY HOLDER OF A SUBSIDIARY

Group

The loan is unsecured, interest-free and repayable in the amount of HK$6,800,000 on 21 October 2012. Therefore, it is classified as current liabilities as at 31 December 2011 while it was classified as non-current liabilities as at 31 December 2010.

The fair value of the balance was calculated using a market interest rate. The residual amount, representing the difference arising from at fair value and at the nominal value of loan from a minority equity holder of a subsidiary, is included in equity.

The fair value of the balance was calculated using cash flows discounted at a rate based on the estimated discount rate of 5%.

Interest expense on the loan from a minority equity holder of a subsidiary is calculated using the effective interest method by applying effective interest rate of 5%.

34. CONVERTIBLE BONDS

Group and Company

	2011 **HK$'000**	2010 HK$'000
Convertible bonds	**226,485**	189,333

The convertible bonds were issued on 24 March 2010 and are convertible into ordinary shares of the Company after two years from the date of issue of the bonds and before the maturity date on 23 March 2015. The bonds can be converted into 400,000,000 ordinary shares of the Company per HK$1 bond at par.

The convertible bonds are interest-free and not redeemable by the bond holder but the Company has the sole and absolute discretion on redemption.

The conversion option embedded in the convertible bonds meets the definition of equity instrument of the Company, and therefore it is classified as equity and presented separately from the liability components of the convertible bonds. The other embedded derivative (i.e. the call option of the Company) is separated from host debt because their economic characteristics and risks are not closely related to those of the host debt and is accounted for as financial assets at fair value through profit or loss. The liability component is initially recognised at its fair value and is subsequently measured at amortised cost.

The carrying amount of the convertible bonds was denominated in HK$. At 31 December 2011, the convertible bonds are repayable as follows:

	2011 **HK$'000**	2010 HK$'000
Within one year	**—**	—
In the second to fifth years	**226,485**	189,333
	226,485	189,333

The convertible bonds recognised in the statement of financial position are calculated as follows:

	2010 HK$'000
Fair value of convertible bond at issue date	455,341
Fair value of equity component at issue date	(363,304)
Fair value of call option portion at issue date	73,233
Fair value of liability component on initial recognition	165,270

34. CONVERTIBLE BONDS – CONTINUED

Group and Company – continued

At initial recognition, the fair value of the liability component of the convertible bonds was calculated using cash flows discounted at a rate based on the estimated discount rate of 19.34%. The fair values of the equity component and the call option portion of the convertible bonds are determined by the Directors with reference to the valuation performed by an independent firm of professional valuers on Trinomial option pricing model basis.

The liabilities components of the convertible bonds recognised in the consolidated and company's statement of financial position are as follow:

	2011 **HK$'000**	2010 HK$'000
At 1 January	**189,333**	—
Issuance of the convertible bonds	**—**	165,270
Imputed interest expenses (note 9)	**37,152**	24,063
At 31 December	**226,485**	189,333

Interest expense on the convertible bonds is calculated using the effective interest method by applying effective interest rate of 19.34% to the liability component.

The fair value movements in the derivative financial assets embedded in the convertible bonds, the call option, for the year ended 31 December 2011 are as follows:

	2011 **HK$'000**	2010 HK$'000
At 1 January	**44,354**	—
On initial recognition	**—**	73,233
Fair value loss recognised in profit or loss (note 8)	**(33,059)**	(28,879)
At 31 December	**11,295**	44,354

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35. DEFERRED TAX

Group

Deferred taxation is calculated in full on temporary differences under the liability method using the tax rates applicable in the tax jurisdiction concerned.

The following are the major deferred tax (assets)/liabilities recognised by the Group and movements thereon during the current and prior reporting years.

	Fair value adjustments arising from exploration and evaluation assets HK$'000	Fair value adjustments arising from prepaid land lease payments HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2010	—	693	1	(1)	693
Charge/(credit) to profit or loss	—	—	(1)	1	—
Acquisition of subsidiaries (note 43)	669,500	—	—	—	669,500
Exchange realignment	49,391	—	—	—	49,391
At 31 December 2010 and 1 January 2011	718,891	693	—	—	719,584
Credit to profit or loss (note 10)	(101,404)	—	—	—	(101,404)
Exchange realignment	(79,455)	—	—	—	(79,455)
At 31 December 2011	**538,032**	**693**	**—**	**—**	**538,725**

Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2011, the Group has unused tax losses of HK$38,333,000 (2010: HK$28,686,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams and there was no taxable temporary difference related to accelerated tax depreciation as at year ended 31 December 2011. This tax loss has no expiry date.

Company

No deferred tax has been provided in the financial statements of the Company as there are no material temporary differences (2010: Nil).

36. SHARE CAPITAL

	Number of shares '000	Total HK$'000
Authorised:		
Ordinary shares of HK$0.001 each at 31 December 2010 and 2011	1,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2010	5,512,720	5,513
Consideration shares issued for financial advisory service	2,000	2
Consideration shares issued for consultancy and technical support	10,000	10
Exercise of share option under share option scheme 2007	1,200	1
Consideration shares issued for acquisition of business	600,000	600
At 31 December 2010 and 1 January 2011	6,125,920	6,126
Share capital issued under Subscription agreement (note (i))	77,760	78
Exercise of share option under share option scheme 2010 (note (ii))	2,000	2
At 31 December 2011	**6,205,680**	**6,206**

Note:

(i) Pursuant to the Subscription Agreement entered between the Company and the Subscriber, Zhe Shuang Investment Holdings Group Limited, the Subscriber has conditionally subscribed for and the Company has conditionally agreed to allot and issue a total number of 77,760,000 shares at HK$1.50 each.

(ii) During the year ended 31 December 2011, a total of 2,000,000 share options granted in 2007 were exercised at the exercise price of HK$2.60. The fair value per option granted in 2010 was HK$0.72.

All new ordinary shares issued during the year ended 31 December 2011 have the same rights as other ordinary shares of the Company in issue.

37. SHARE OPTIONS

(a) Share Option Scheme

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 20 December 2001 and became effective on 8 January 2002 for the primary purpose of providing incentives to directors and eligible employees and will be expired on 7 January 2012. Under the Share Option Scheme, the board of directors of the Company may offer to any director or employee of the Company, or any of its subsidiaries, options to subscribe for shares in the Company.

Under the Share Option Scheme, without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, and the aggregate number of shares in respect of which options may be granted to any individual in any year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

In order to provide the Company with greater flexibility in granting share options to eligible persons under the Share Option Scheme as incentive or rewards for their contribution to the Group, the board proposed to refresh the scheme mandate limit of the Share Option.

An annual general meeting of the Company was held on 5 May 2011 and the above refreshment of the scheme mandate limit of the Share Option Scheme was approved by the independent shareholders.

(b) Option Deed

On 25 November 2010, the Company issued share options to Xinwen pursuant to an option deed dated 26 March 2010 (the "Option Deed") and an aggregate of 300,000,000 share options shall be valid and exercisable for 3 years with effective from the date of grant of share options on 25 November 2010.

At 31 December 2011, an aggregate of 437,240,000 (2010: 445,240,000) shares of the Company were issuable pursuant to share options granted under the Share Option Scheme, representing approximately 7% (2010: 7.3%) of the shares of the Company in issue at that date.

As at 31 December 2011, the total number of shares available for issue pursuant to the grant of further options under the Share Option Scheme was 612,591,971 (2010: 106,148,371), representing approximately 9.9% (2010: 1.7%) of the issued share capital of the Company as at 31 December 2011.

At the date of this Annual Report, the Company had 437,000,000 (2010: 445,240,000) share options outstanding under the option scheme, which represented approximately 7.0% (2010: 7.3%) of shares of the Company in issue at that date. The consideration payable on the grant of an option is HK$1 for each grant transaction. Options may be exercised at any time within the exercisable period.

The exercise price would be determined by the Board but in any case will not be less than higher of: (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a trading day; (2) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer; or (3) the nominal value of a share.

37. SHARE OPTIONS – CONTINUED

The following tables set out the movement in the Share Option Scheme:

Year ended 31 December 2011:

Name or category of participant	Share option type	Number of share options Outstanding at 1 January 2011	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2011
(a) Share Option Scheme					
Share option for directors and employees					
Directors					
Executive directors					
LIU Wei, William	2007	10,000,000	—	—	10,000,000
	2010	30,000,000	—	—	30,000,000
SHI Lixin	2007	10,000,000	—	—	10,000,000
	2010	20,000,000	—	—	20,000,000
Non-executive directors					
Mr. Yan Wei Min	2010	30,000,000	—	—	30,000,000
Mr. Ang Siu Lun, Lawrence	2010	15,000,000	—	—	15,000,000
Independent non-executive directors					
Mr. Chan Chun Wai, Tony	2010	3,000,000	—	—	3,000,000
Mr. Fok Hon	2010	3,000,000	—	—	3,000,000
Mr. Ma Gang	2010	3,000,000	—	—	3,000,000
Sub-total		124,000,000	—	—	124,000,000
Employees					
In aggregate	2010	21,000,000	(2,000,000)	(6,000,000)	13,000,000
Others					
In aggregate	2002	240,000	—	—	240,000
Sub-total		21,240,000	(2,000,000)	(6,000,000)	13,240,000
Total — Share Option scheme		145,240,000	(2,000,000)	(6,000,000)	137,240,000
(b) Option Deed					
Share option for the strategic cooperative partner					
Xinwen	2010	300,000,000	—	—	300,000,000
Total — Option Deed		300,000,000	—	—	300,000,000

37. SHARE OPTIONS – CONTINUED

Year ended 31 December 2010:

			Number of share options				
Name or category of participant		Share option type	Outstanding at 1 January 2010	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2011
(a)	**Share Option Scheme**						
	Share option for directors and employees						
	Directors						
	Executive directors						
	LIU Wei, William	2007	10,000,000	—	—	—	10,000,000
		2010	—	30,000,000	—	—	30,000,000
	SHI Lixin	2007	10,000,000	—	—	—	10,000,000
		2010	—	20,000,000	—	—	20,000,000
	Non-executive directors						
	Mr. Yan Wei Min	2010	—	30,000,000	—	—	30,000,000
	Mr. Ang Siu Lun, Lawrence	2010	—	15,000,000	—	—	15,000,000
	Independent non-executive directors						
	Mr. Chan Chun Wai, Tony	2010	—	3,000,000	—	—	3,000,000
	Mr. Fok Hon	2010	—	3,000,000	—	—	3,000,000
	Mr. Ma Gang	2010	—	3,000,000	—	—	3,000,000
	Sub-total		20,000,000	104,000,000	—	—	124,000,000
	Employees						
	In aggregate	2007	1,200,000	—	(1,200,000)	—	—
		2010	—	23,700,000	—	(2,700,000)	21,000,000
	Others						
	In aggregate	2002	240,000	—	—	—	240,000
	Sub-total		1,440,000	23,700,000	(1,200,000)	(2,700,000)	21,240,000
	Total — Share Option Scheme		21,440,000	127,700,000	(1,200,000)	(2,700,000)	145,240,000
(b)	**Option Deed**						
	Share option for the strategic cooperative partner						
	Xinwen	2010	—	300,000,000	—	—	300,000,000
	Total — Option Deed		—	300,000,000	—	—	300,000,000

37. SHARE OPTIONS – CONTINUED

Details of the share options are as follows:

Share option type	Date of grant	Exercisable period	Exercise price
(a) Share Option Scheme			
2002 (note i)	15 April 2002	15 April 2003 to 7 January 2012	HK$0.69
2007 (note ii & iii)	22 November 2007	22 May 2008 to 21 November 2012	HK$1.20
2010 (a) (note iv & v)	6 May 2010	6 May 2011 to 5 May 2018	HK$2.60
2010 (b) (note iv & v)	6 May 2010	6 May 2012 to 5 May 2018	HK$2.60
(b) Option Deed			
2010 (c) (note vi)	25 November 2010	25 November 2010 to 24 November 2013	HK$3.15

Notes:

(i) Share options granted on 15 April 2002 is subject to a vesting period and became exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage
Within 12 month	Nil
13th–24th month	$33^1/_3$%
25th–36th month	$33^1/_3$%
37th–48th month and thereafter	$33^1/_3$%

(ii) On 22 November 2007, the board of directors proposed to grant 21,200,000 share options to the Company's directors and employees at exercise price of HK$1.20 per share. The grant of share options was approved by the independent non-executive directors on 22 November 2007. Consideration of HK$5 in respect of these newly granted share options was received.

(iii) Share options granted on 22 November 2007 are subject to a vesting period of six months from the date of grant and became exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage
Within 6 month	Nil
7th month thereafter	100%

(iv) On 6 May 2010, the board of directors proposed to grant 127,700,000 share options to the Company's directors and employees at exercise price of HK$2.60 per share. The grant of share options was approved by the independent non-executive directors on 6 May 2010. Consideration of HK$13 in respect of these newly granted share options was received.

37. SHARE OPTIONS – CONTINUED

Notes: – continued

(v) Share options granted on 6 May 2010 are subject to a vesting period and became exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage
In the first year	Nil
In the second year (31,925,000 share option "Lot A")	25%
After the second year (95,775,000 share option "Lot B")	75%

(vi) On 26 March 2010, the Company signed a share option deed with Xinwen. Pursuant to the deed, the Company conditionally granted to Xinwen 300,000,000 share options for a consideration of HK$1, with the rights to require the Company to issue and allot one option share upon the exercise of each option at the exercise price of HK$3.15 per option. On 25 November 2010, the Company granted the share options to Xinwen after the required conditions were fulfilled. The share options were immediately exercisable and are valid for 3 years.

(vii) The share options exercised during the year resulted in an equal number of issued ordinary shares (see also note 36).

(viii) The fair values of options granted under the relevant Share Option Scheme on 15 April 2002, 22 November 2007, Lot A and Lot B on 6 May 2010 and the option granted to Xinwen on 25 November 2010, measured at the date of grant, were approximately HK$5,024,000, HK$3,455,000, HK$23,124,000, HK$93,637,000 and HK$212,813,000 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	14 April 2002	22 November 2007	6 May 2010 Lot A	6 May 2010 Lot B	25 November 2010
Expected volatility	29%	20%	69%	74%	68%
Expected life (in years)	9.7	2.5	2.0	3.0	1.0
Risk-free interest rate	5%	2%	1%	1%	1%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

(ix) For the year ended 31 December 2011, share-based payments of HK$51,861,000 have been included in the consolidated statement of comprehensive income, with a corresponding credit in share-based payment reserve. The amount recorded in share-based payment reserve represented the fair value of share options expense vested during the year. No liabilities were recognised due to share-based payment transactions.

37. SHARE OPTIONS – CONTINUED

Notes: – continued

(x) Share options and weighted average exercise prices are as follows for the reporting period presented:

	2011		2010	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at 1 January	**445,240,000**	**2.91**	21,440,000	1.19
Granted	**—**	**—**	427,700,000	2.98
Exercised	**(2,000,000)**	**2.6**	(1,200,000)	1.20
Forfeited	**(6,000,000)**	**2.6**	(2,700,000)	2.60
Outstanding at 31 December	**437,240,000**	**2.91**	445,240,000	2.91

The share options outstanding at 31 December 2011 had exercise price of HK$0.69, HK$1.20, HK$2.60 or HK$3.15 (2010: HK$0.69, HK$1.20, HK$2.60 or HK$3.15) and a weighted average remaining contractual life of 3 years (2010: 4.1 years).

(xi) 6,000,000 share options have been forfeited due to the reason that one grantee has resigned and left the Company during the year.

38. RESERVES

Other reserve of the Company and of the Group represented to recognise the difference arising from at fair value and at the nominal value of the loans from a shareholder and loan from a minority equity holder of a subsidiary on initial recognition.

Share-based payment reserve of the Company and of the Group represented to recognise the share-based compensation in statement of comprehensive income with a corresponding credit to share-based payment reserve.

Group

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 42 of the consolidated financial statements.

38. RESERVES – CONTINUED

Company

	Share premium HK$'000	Other reserve HK$'000	Share-based payment reserve HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2010	44,511	5,292	3,537	—	(72,982)	(19,642)
Issue of shares	481,588	—	—	—	—	481,588
Shares issued under share option scheme	1,635	—	(196)	—	—	1,439
Recognition of equity-settled share-based transactions	—	—	315,403	—	—	315,403
Recognition of equity component of convertible bonds	—	—	—	363,304	—	363,304
Arising from loans from ultimate holding company	—	26,336	—	—	—	26,336
Forfeiture of share option	—	—	(972)	—	972	—
Transactions with owners	483,223	26,336	314,235	363,304	972	1,188,070
Loss for the year and total comprehensive income for the year	—	—	—	—	(437,549)	(437,549)
At 31 December 2010 and 1 January 2011	**527,734**	**31,628**	**317,772**	**363,304**	**(509,559)**	**730,879**
Issue of shares	**116,660**	**—**	**—**	**—**	**—**	**116,660**
Shares issued under share option scheme	**6,647**	**—**	**(1,449)**	**—**	**—**	**5,198**
Recognition of equity-settled share-based transactions	**—**	**—**	**51,861**	**—**	**—**	**51,861**
Arising from loans from ultimate holding company	**—**	**6,267**	**—**	**—**	**—**	**6,267**
Forfeiture of share option	**—**	**—**	**(3,142)**	**—**	**3,142**	**—**
Transactions with owners	**123,307**	**6,267**	**47,270**	**—**	**3,142**	**179,986**
Loss for the year and total comprehensive income for the year	**—**	**—**	**—**	**—**	**(346,094)**	**(346,094)**
At 31 December 2011	**651,041**	**37,895**	**365,042**	**363,304**	**(852,511)**	**564,771**

39. OPERATING LEASE COMMITMENTS

Group

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

	2011 **HK$'000**	2010 HK$'000
Within one year	**3,281**	164
In the second to fifth year inclusive	**1,166**	—
	4,447	164

The Group leases a number of rented premises under operating leases. The leases run for an initial period of two years. None of the leases include contingent rentals.

Company

The Company did not have any significant operating lease commitments as at 31 December 2011 and 2010.

40. CAPITAL COMMITMENTS

Group

	2011 **HK$'000**	2010 HK$'000
Contracted but not provided for		
Property, plant and equipment	**1,867**	1,779
Proposed acquisition of business*	**2,956,818**	2,964,000
	2,958,685	2,965,779

Company

	2011 **HK$'000**	2010 HK$'000
Contracted but not provided for		
Proposed acquisition of business*	**2,956,818**	2,964,000

* In connection with the SAM Acquisition and pursuant to the SAM Agreement, the Company has to pay the Total Consideration in five stages. A total of US$75 million (being US$10 million (stage 1) plus US$65 million (stage 2)) is payable to the sellers on the date of completion of the SAM Acquisition, subject to the fulfilment of several conditions as stated in the SAM Agreement. The consideration payable at stage 3 depends on the date when the approvals and permits in relation to the commencement of construction of the mine, plant, pipeline and the relevant specified port facilities as detailed in the SAM Agreement are obtained. According to the SAM Agreement, the minimum consideration for stage 3 will be US$111.25 million and the contingent consideration will be US$3.75 million. Pursuant to the SAM Agreement, the principal amounts of the contingent consideration paid at stage 4 and 5 are US$100 million and US$100 million respectively, depending on the relevant specified port operation commencement date and the mining production commencement date. As at 31 December 2011, the Group and the Company had already paid US$10 million (equivalent to approximately HK$78,000,000 (note 21)) for stage 1 and further paid US$420,000 as additional payment, the aggregate principal amount of outstanding considerations for stage 2 to 5 of US$380 million (equivalent to approximately HK$2,957 million) are disclosed as the capital commitment. Further details of the SAM Agreement and the Total Consideration are disclosed in the Company's circular dated 5 November 2010.

Notes to the Financial Statements

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40. CAPITAL COMMITMENTS – CONTINUED

* The Group entered into various co-operation agreements, memorandum of understanding and framework agreement for funding and co-operation in the SAM Acquisition. The Group is also under active negotiation with various third parties for financing activities.

Hong Bridge Capital Limited, the holding company of the Company, and its two shareholders, namely Mr. He Xuechu and Mr. Li Xingxing, undertake that they will render adequate financial support to the Group for completing the acquisition of SAM.

41. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The retirement benefits cost charged to consolidated statement of comprehensive income represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

For members of the MPF Scheme, the Group contributes 5% of the relevant payroll costs to the MPF Scheme, which contribution is matched by the employee. Both the employer's and employees' contribution are subject to a maximum of monthly earnings of HK$20,000 per employee.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employee's basic salary. The employees are entitled to receive their entire contributions and the accrued interest thereon, and 100% of the employer's contributions and the accrued interest thereon upon retirement or leaving the employer after completing 10 years of service or at a reduced scale of between 30% to 90% after completing 3 to 9 years of service.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. There was no forfeited contributions utilised in this manner during the year (2010: Nil). There was no significant amount of forfeited contributions available to reduce future contribution payable by the Group as at 31 December 2011 and 2010.

Employees located in the PRC are covered by the retirement and pension schemes defined by local practice and regulations and which are essentially defined contribution schemes.

The calculation of contributions for the PRC eligible staff is based on certain percentage of the applicable payroll costs.

42. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, during the year, the Group made sales of metal products in the aggregate amount of HK$418,898,000 (2010: Nil) to a related company in which Mr. Yan Weimin, a non-executive director of the Company, is the controlling shareholder. The terms are based on the non-exclusive steel product distribution agreement signed with the related company or mutually agreed.

43. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION

On 24 March 2010, the Group acquired the entire issued share capital of Hill Talent Limited ("Hill Talent") at a consideration of HK$880,000,000. Upon completion of the acquisition, the Group would own the entire equity interests of Hill Talent which would own 66% of equity interest of Xianglan Do Brasil Mineracao Ltda (collectively referred to the "Xianglan Brazil Group"). The Xianglan Brazil Group was principally engaged in research, exploration and commercialization of mineral resources (Manganese).

Details of the net assets acquired and goodwill were as follows:

	2010 HK$'000
Purchase consideration	
Consideration shares	447,720
Convertible bonds	455,341
Total purchase consideration	903,061
Fair value of net assets acquired	(870,550)
Goodwill on acquisition date	32,511

The goodwill was attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of the Xianglan Brazil Group.

In connection with the acquisition of the Xianglan Brazil Group, the transaction costs approximate to HK$1,911,000 had been included in other operating expenses in the consolidated statement of comprehensive income for the year ended 31 December 2010.

43. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION – CONTINUED

The assets and liabilities arising from the acquisition were as follows:

	Fair value at acquisition date HK$'000	Acquiree's carrying amount HK$'000
The assets and liabilities arising from the acquisition were as follows:		
Property, plant and equipment	289	289
Exploration and evaluation assets	1,969,118	1,515
Other receivables and deposits	409	409
Bank and cash balances	18,982	18,982
Other payables, accrued expenses and receipts in advance	(283)	(283)
Deferred tax liabilities	(669,500)	—
Net assets	1,319,015	20,912
Non-controlling interest (34%)	448,465	
Net assets acquired	870,550	
Bank and cash balances in subsidiaries acquired		18,982
Purchase consideration settled in cash		—
Cash inflow on acquisition		18,982

The exploration and evaluation assets were acquired as a result of a business combination of Xianglan Brazil Group during the year ended 31 December 2010 and were initially recognised at their fair values on the acquisition date with reference to the valuation performed by an independent firm of professional valuers.

Since its acquisition, the Xianglan Brazil Group contributed no revenue and net loss of HK$3,970,000 to the Group for the period from 24 March 2010 to 31 December 2010.

Had the combination taken place at 1 January 2010, the revenue and loss for the year ended 31 December 2010 of the Group would have been HK$73,531,000 and HK$450,202,000 respectively. These pro forma information were for illustrative purposes only and were not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor were they intended to be a projection of future results.

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Disposal of subsidiaries

As referred to in note 11, on 31 January 2011, the Group disposed of its entire share capital of Great Ready Assets Limited and its subsidiaries. The net assets of Great Ready Assets Limited and its subsidiaries at the date of disposal were as follows:

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	151
Trade receivables	3,892
Prepayments, deposits and other receivables	1,180
Cash and cash equivalents	556
Trade payables	(4,957)
Other payables and accruals	(4,390)
	(3,568)
Release of reserve upon disposal of subsidiaries	327
Gain on disposal of subsidiaries	4,241
Consideration satisfied by cash	1,000

An analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	HK$'000
Cash consideration received	1,000
Cash and cash equivalents disposed of	(556)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	(444)

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk and interest risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. The management identifies ways to access financial markets and monitors the Group's financial risk exposures. Regular reports are provided to the board of directors.

45.1 Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and financial liabilities.

(i) ***Financial assets***

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets at fair value through profit or loss:				
Derivative financial assets	**11,295**	44,354	**11,295**	44,354
	11,295	44,354	**11,295**	44,354
Loans and receivables:				
Non-current assets				
Deposits for acquisition of business	**81,265**	78,000	**3,265**	—
Loans to an acquiring business	**219,808**	141,503	**219,808**	141,503
	301,073	219,503	**223,073**	141,503
Current assets				
Trade and bills receivables	**262,138**	8,074	**—**	—
Other receivables	**6,800**	5,970	**—**	1,529
Amount due from subsidiaries	**—**	—	**86,180**	86,176
Cash and bank balances	**73,336**	30,046	**2,847**	1,617
	342,274	44,090	**89,027**	89,322
	654,642	307,947	**323,395**	275,179

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

45.1 Categories of financial assets and liabilities – continued

(ii) Financial liabilities

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities at amortised cost:				
Current liabilities				
Trade and bills payables	**202,207**	8,206	**—**	—
Other payables and accrued expenses	**22,717**	23,612	**1,340**	1,687
Amounts due to subsidiaries	**—**	—	**1,078**	1,078
Borrowings	**157,678**	11,148	**—**	—
Loan from a minority equity holder of a subsidiary	**6,541**	—	**—**	—
	389,143	42,966	**2,418**	2,765
Non-current liabilities				
Borrowings	**—**	266	**—**	—
Loans from ultimate holding company	**262,390**	283,851	**262,390**	283,851
Loan from a minority equity holder of a subsidiary	**—**	6,229	**—**	—
Convertible bonds	**226,485**	189,333	**226,485**	189,333
	488,875	479,679	**488,875**	473,184
	878,018	522,645	**491,293**	475,949

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

45.2 Fair value and fair value hierarchy

The Group and the Company use the following hierarchy for determining and disclosing the fair value of financial instruments that are measured at fair value in the statements of financial position:

Level 1: fair value measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: fair value measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial assets or liabilities are categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

(i) ***Assets measured at fair value***

Group and Company

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
As at 31 December 2011				
Derivative financial assets	**—**	**11,295**	**—**	**11,295**
As at 31 December 2010				
Derivative financial assets	—	44,354	—	44,354

(ii) ***Liabilities measured at fair value***

The Group and the Company did not have any financial liabilities measured at fair value as at 31 December 2011 and 2010.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

45.3 Foreign currency risk

The Group's exposure to currency exchange rates is minimal as the group companies usually hold most of their financial assets/liabilities in their own functional currencies. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

45.4 Interest rate risk

The Group's exposure to interest rate risk mainly arises on interest-bearing borrowings at floating rates (see note 31). The exposure to interest rates for the Group's bank deposits is considered immaterial.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The sensitivity analysis demonstrates the Group's exposure to a reasonable possible change in interest rates on its floating rate borrowings with all other variable held constant at the reporting date (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material). If the interest rates had been increased/decreased by 100 (2010: 100) basis points at the beginning of the year, the Group loss for the year and accumulated losses would increase/decrease by approximately HK$977,000 (2010: HK$126,000).

The changes in interest rates do not affect the Group's other components of equity.

The above sensitivity analysis is prepared based on the assumptions that the borrowing period of each loan outstanding at year end resembles that of the current financial year.

The Company's exposure to interest rate risk is minimal as it has no significant interest-bearing assets and liabilities.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

45.5 Credit risk

The Group continuously monitors defaults of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that the Group's financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade, bill and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

45.6 Liquidity risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly.

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As detailed in note 3.1, these financial statements have been prepared on the assumption that the Group and the Company will continue as a going concern. On the basis that Hong Bridge Capital Limited provides continuing financial support to the Group at least up to 31 March 2013, the Directors are satisfied that both the Group and the Company will be able to meet in full their financial obligations as they fall due for the foreseeable future without significant curtailment of operations. Accordingly, the financial statements have been prepared on a going concern basis.

In addition, Hong Bridge Capital Limited, the holding company of the Company, and its two shareholders, namely He Xuechu and Li Xingxing, undertake that they will render adequate financial support to the Group for (1) completing the SAM Acquisition as detailed in note 40; and (2) providing necessary funds for the capital investments and operating working capital for development of the exploration and mining business of Xianglan Do Brasil Mineracao Ltda and SAM.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

45.6 Liquidity risk – continued

As at 31 December 2011 and 2010, the Group's financial liabilities have contractual maturities which are summarised below:

Group

	Within 1 month or on demand HK$'000	1 to 3 months HK$'000	3 to 12 months HK$'000	Over 1 year HK$'000	Total undiscounted amount HK$'000	Total carrying amount HK$'000
At 31 December 2011						
Trade and bills payables	**63,360**	**—**	**138,847**	**—**	**202,207**	**202,207**
Other payables and accrued expenses	**22,717**	**—**	**—**	**—**	**22,717**	**22,717**
Borrowings	**2,590**	**5,551**	**149,537**	**—**	**157,678**	**157,678**
Loans from ultimate holding company	**—**	**—**	**—**	**275,200**	**275,200**	**262,390**
Loan from a minority equity holder of a subsidiary	**—**	**—**	**6,800**	**—**	**6,800**	**6,541**
Convertible bonds	**—**	**—**	**—**	**400,000**	**400,000**	**226,485**
	88,667	**5,551**	**295,184**	**675,200**	**1,064,602**	**878,018**
Financial guaranteed issued:						
Maximum amount guaranteed	**—**	**—**	**—**	**3,701**	**3,701**	**3,701**
At 31 December 2010						
Trade payables	8,206	—	—	—	8,206	8,206
Other payables and accrued expenses	23,612	—	—	—	23,612	23,612
Borrowings	5,272	—	5,876	266	11,414	11,414
Loans from ultimate holding company	—	—	—	304,800	304,800	283,851
Loan from a minority equity holder of a subsidiary	—	—	—	6,800	6,800	6,229
Convertible bonds	—	—	—	400,000	400,000	189,333
	37,090	—	5,876	711,866	754,832	522,645
Financial guaranteed issued:						
Maximum amount guaranteed	—	—	3,526	—	3,526	—

Notes to the Financial Statements

For the year ended 31 December 2011

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

45.6 Liquidity risk – continued

Company

	Within 1 month or on demand HK$'000	1 to 3 months HK$'000	3 to 12 months HK$'000	Over 1 year HK$'000	Total undiscounted amount HK$'000	Total carrying amount HK$'000
At 31 December 2011						
Amounts due to subsidiaries	**1,078**	**—**	**—**	**—**	**1,078**	**1,078**
Other payables and accrued expenses	**1,340**	**—**	**—**	**—**	**1,340**	**1,340**
Loans from ultimate holding company	**—**	**—**	**—**	**275,200**	**275,200**	**262,390**
Convertible bonds	**—**	**—**	**—**	**400,000**	**400,000**	**226,485**
	2,418	**—**	**—**	**675,200**	**677,618**	**491,293**
At 31 December 2010						
Amounts due to subsidiaries	1,078	—	—	—	1,078	1,078
Other payables and accrued expenses	1,687	—	—	—	1,687	1,687
Loans from ultimate holding company	—	—	—	304,800	304,800	283,851
Convertible bonds	—	—	—	400,000	400,000	189,333
	2,765	—	—	704,800	707,565	475,949

46. CAPITAL MANAGEMENT

The Group's objectives when managing capital include:

(i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(ii) To support the Group's stability and growth; and

(iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or raise new debts, or sell assets to reduce debt.

The capital-to-overall financing ratio at reporting date was as follows:

	2011 **HK$'000**	2010 HK$'000
Capital		
Total equity	**917,616**	1,282,344
Loans from ultimate holding company	**(37,895)**	(31,628)
Loan from a minority equity holder of a subsidiary	**(556)**	(556)
Convertible bonds — equity components	**(363,304)**	(363,304)
	515,861	886,856
Overall financing		
Borrowings	**157,678**	11,414
Loans from ultimate holding company	**300,285**	315,479
Loan from a minority equity holder of a subsidiary	**7,097**	6,785
Convertible bonds — equity and liability components	**589,789**	552,637
	1,054,849	886,315
Capital-to-overall financing ratio	**0.49 times**	1.00 times

47. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2011 were approved for issue by the Board of Directors on 28 March 2012.

Financial Summary

FINANCIAL RESULTS

	Year ended 31 December				
	2007 HK$'000 (Re-presented)	2008 HK$'000 (Re-presented)	2009 HK$'000 (Re-presented)	2010 HK$'000 (Re-presented)	**2011 HK$'000**
CONTINUING OPERATIONS					
Revenue	6,161	29,626	10,079	49,785	**1,756,598**
Direct operating expenses	(7,838)	(26,170)	(7,631)	(50,399)	**(1,740,781)**
Other operating revenue	192	389	164	4,321	**9,678**
Selling and distribution costs	(1,862)	(240)	(187)	(663)	**(851)**
Administrative expenses	(1,287)	(10,090)	(12,489)	(23,752)	**(32,036)**
Other operating income/(expenses), net	4,628	(10,923)	(3,031)	(44,885)	**(50,029)**
Share-based payment expenses	—	—	—	(349,883)	**(51,861)**
Impairment of exploration and evaluation assets	—	—	—	—	**(298,247)**
Impairment of goodwill	—	—	(35,686)	—	**(31,051)**
Operating loss	(6)	(17,408)	(48,781)	(415,476)	**(438,580)**
Finance costs	(169)	(2,575)	(3,918)	(32,397)	**(52,373)**
Loss before income tax	(175)	(19,983)	(52,699)	(447,873)	**(490,953)**
Income tax credit	—	—	—	—	**101,404**
Loss for the year from continuing operations	(175)	(19,983)	(52,699)	(447,873)	**(389,549)**
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from discontinued operations	1,704	39	(1,021)	(1,640)	**3,001**
Profit/(loss) for the year	1,529	(19,944)	(53,720)	(449,513)	**(386,548)**
Attributable to:					
Owners of the Company	1,529	(15,729)	(50,136)	(445,650)	**(304,839)**
Non-controlling interests	—	(4,215)	(3,584)	(3,863)	**(81,709)**
Profit/(loss) for the year	1,529	(19,944)	(53,720)	(449,513)	**(386,548)**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011 HK$'000**
Total assets	41,759	137,706	94,204	2,529,270	**3,013,559**
Total liabilities	(22,561)	(106,894)	(101,075)	(1,246,926)	**(2,095,943)**
Non-controlling interests	—	(19,686)	(16,470)	(495,588)	**(360,419)**
Equity attributable to owners of the Company	19,198	11,126	(23,341)	786,756	**557,197**