ANNUAL REPORT 2012

KAISUN ENERGY GROUP LIMITED
凱順能源集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8203

* For identification purpose only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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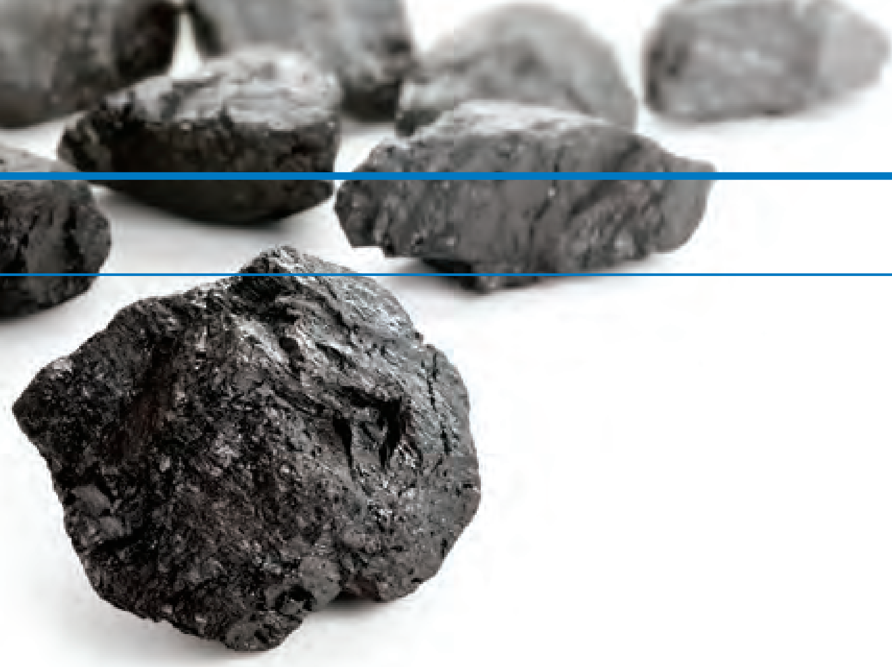
This report, for which the directors (the "Directors") of Kaisun Energy Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



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The English text of this annual report shall prevail over the Chinese text in case of inconsistencies.

Board of Directors

Executive Directors

Mr. Chan Nap Kee, Joseph *(Chairman and acting Chief Executive Officer)*
Dr. Chow Pok Yu, Augustine
Mr. Yang Yongcheng
Mr. Li Hong (Resigned on 25 September 2012)

Independent Non-Executive Directors

Mr. Liew Swee Yean
Mr. Siu Siu Ling, Robert
Dr. Wong Yun Kuen
Mr. Anderson Brian Ralph

Company Secretary

Mr. Leung Lit For
Ms. Young Helen

Audit Committee

Mr. Liew Swee Yean *(Committee Chairman)*
Mr. Siu Siu Ling, Robert
Dr. Wong Yun Kuen
Mr. Anderson Brian Ralph

Remuneration Committee

Dr. Wong Yun Kuen *(Committee Chairman)*
Mr. Chan Nap Kee, Joseph
Mr. Anderson Brian Ralph

Nomination and Corporate Governance Committee

Mr. Siu Siu Ling, Robert *(Committee Chairman)*
Mr. Liew Swee Yuen
Mr. Chan Nap Kee, Joseph

Authorised Representatives

Mr. Chan Nap Kee, Joseph
Mr. Leung Lit For

Compliance Officer

Dr. Chow Pok Yu, Augustine

Auditors

RSM Nelson Wheeler

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

21/F, Chun Wo Commercial Centre,
23–29 Wing Wo Street, Central,
Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

UBS AG
Wing Hang Bank Limited
Bank of Communications Co., Limited

Website

www.kaisunenergy.com

Stock Code

8203

Financial Summary

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years/period is set out as below:

Results

	Year ended 31 December		Period ended 31 December	Year ended 31 March	
	2012	2011	2010	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**583,154**	62,680	59,619	62,806	51,087
(Loss)/profit before tax	**(177,356)**	(1,059,773)	(24,784)	449,624	8,785
Income tax expense	**(828)**	—	(3,454)	(941)	(23)
Less: Loss/(profit) attributable to non-controlling interests	**3,983**	12,062	(3,597)	4,010	(53)
(Loss)/profit attributable to owners of the Company	**(174,201)**	(1,047,711)	(31,835)	452,693	8,709

Assets and Liabilities

	As at 31 December			As at 31 March	
	2012	2011	2010	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**884,872**	1,187,098	3,870,185	3,764,298	1,040,403
Total liabilities	**(202,749)**	(329,886)	(1,383,419)	(1,390,922)	(721,207)
Owners' funds	**653,764**	821,879	1,730,415	1,642,401	279,489

Chairman's Statement

Results

On behalf of the Board of Kaisun Energy Group Limited (the "Company") and its subsidiaries (collectively the "Group"), I am pleased to present the audited consolidated results for the year ended 31 December 2012 (the "Year"). The Group's consolidated turnover for the Year amounted to HK$583.2 million (2011: HK$62.7 million) and total comprehensive income for the Year attributable to owners of the Company amounted to HK$(167.6) million (2011: HK$(1,110.4) million).

Business Review

The Group currently own mining rights and interests in three mines in Tajikistan, including the Kaftar-Hona anthracite deposit, the Zeddi coal deposit and the Mienadu coal deposit. The Group obtained the mining lease with right to mine the Eastern Zone of Fon Yagnob Coal Deposit in Tajikistan in October 2012. In addition, the Group engages in provision of supply chain management services for mineral business.

The Group generated its turnover of approximately HK$583.2 million (2011: HK$62.7 million). The Group has two reportable segments, which are (i) provision of supply chain management services for mineral business, and (ii) production and exploitation of coal in Tajikistan. During the Year, the business segment for provision of supply chain management services for mineral business generated turnover of approximately HK$558.8 million, while the production and exploitation of coal in Tajikistan generated turnover of approximately HK$24.4 million.

Nazar-Aylok Anthracite deposit

Regarding the Tajikistan operation, total group production of coal including the Kaftar-Hona anthracite deposit, the Zeddi coal deposit and the Mienadu coal deposit in 2012 was approximately 110,000 tonnes (2011: approximately 40,000 tonnes). Production for the Fon Yagnob Coal Deposit had commenced in 2013. During the Year, the Group invested into road construction and refurbishment of Tajikistan mines. With improved road infrastructure, production of coal in Tajikistan is expected to increase in 2013.

In order to save interest cost for the Company, the Company had early redeemed the replacement convertible bonds ("Replacement Bonds"). On 28 September 2012, the Company exercised its right of early redemption of the Replacement Bonds held by the Bondholders in accordance with the terms and conditions of the Replacement Bonds, in the aggregate principal amount of approximately HK$108.8 million, representing half of the total outstanding principal amount of the Replacement Bonds, saving future interest cost for the Company. The Company will redeem all remaining outstanding Replacement Bonds on 27 March 2013 (the "Final Redemption"). Upon completion of the Final Redemption, all the outstanding Replacement Bonds will be fully redeemed and cancelled. Besides early redemption of the Replacement Bonds, there is no other purchase, sale or redemption by the Company or any of its subsidiaries of its listed securities during the financial year.

The Company's subsidiary recently obtained a coal trading permit in December 2012 allowing it to trade coal in Xinjiang. Moreover, the Company's subsidiary had set up a coal logistic centre in Kashgar, Xinjiang in November 2012. Kashgar is the only Special Economic Zone of Xinjiang established by the Chinese Government to promote trade with its nearby Central Asian regions such as Tajikistan and Kyrgyzstan. Kashgar is a good strategic location for transporting coal between Central Asia and Xinjiang. These recent attainments add competencies to our Group.

Outlook and Prospects

With the obtaining of the lease with right to mine the Eastern Zone of Fon Yagnob Coal Deposit in October 2012, total Group coal production in 2013 is expected to increase substantially.

Trade between China and Tajikistan amounted to USD669 million ranking China the third largest trading partner with Tajikistan in year 2012. Over half of the trade between Tajikistan and China is attributable to trade between Xinjiang and Tajikistan. In addition, Tajikistan officially becomes the 159th member of the World Trade Organization on 2 March 2013, further expanding the trade opportunities between these two regions in the coming future.

Currently, the Chinese Government is putting in a lot of resources in developing the North Western part of China including Xinjiang and Inner Mongolia. According to the "Twelfth Five-Year" plan by the Chinese Government, the total investment in Xinjiang up to year 2015 will amount to RMB3.6 trillion; the investment in coal and related industry in Inner Mongolia up to year 2015 will amount to RMB212.5 billion by the manufacturing concerns. All participants in Xinjiang and Inner Mongolia coal industry are expected to benefit from the "Twelfth Five-Year" plan by the Chinese Government. Hence, the current economic and business environment between Central Asia including Tajikistan and China in particular Xinjiang and Inner Mongolia is highly favourable.

In order to capture opportunities arising from this favourable economic and business environment, the Group will utilize our resources in Tajikistan and China in particular Xinjiang to enhance forthcoming business development between Central Asia and China. With the synergistic effect created by the Group's coal production (currently second in Tajikistan) and our Xinjiang coal logistic business, the Group is well positioned to capture greater opportunities arising from this recent economic development.

In addition to our recent attainment in Xinjiang, leveraging on our past experience in Inner Mongolia, the Group is looking for suitable opportunities to expand our coal logistic and supply chain management business in Inner Mongolia and Mongolia Republic as well. The Group plans to obtain a coal trading license in Inner Mongolia, making us a fully fledged supply chain management player in Inner Mongolia. With our strategic position in Tajikistan, Xinjiang and Inner Mongolia, the Group is striving to be an important player in the coal industry in North Western part of China.

The Group also continues to seek good quality exploitation stage projects to acquire and develop while the coal market is still comparatively undervalued in order to create more future upside. The Company's current strategy is to acquire late stage exploitation coal mines, partnering with the larger companies or State-Owned Enterprises ("SOEs") to reap rewards from developing these coal mines.


Bituminous Coal of the East Zeddi deposit

Further to the MOU dated 5 July 2012 and on 19 December 2012, the seller, the buyer, the Company and Up Energy Development Group Limited ("Up Energy") entered into the Sale and Purchase Agreement pursuant to which the Seller has conditionally agreed to sell the Company's 52% indirect equity interest in Kamarob at a consideration of HK$394,648,800, being half cash and half consideration shares of Up Energy. Kamarob is the holder of relevant licenses to conduct geological exploitation and coal mining in Kaftar Hona anthracite deposit in Tajikistan.

Details of the announcement can be found in the related announcement dated 10 January 2013 on "http://www.kaisunenergy.com" under "Announcements" section.

The Group's strategy continues to be actively looking for other appropriate investment opportunities in the resources sector. Announcement(s) will be published when appropriate.

Appreciation

On behalf of the Board, I would like to express my sincere gratitude to our fellow directors, staff members, and business partners throughout the Year. The Company's directors and management will dedicate their best efforts to strive for the best interests for its shareholders and business associates.

Chan Nap Kee, Joseph
Chairman

Hong Kong, 21 March 2013

Management Discussion and Analysis

The following discussion and analysis should be read in conjunction with our financial statements together with the accompanying notes included in this annual report. The financial statements have been prepared in accordance with International Financial Report Standards ("IFRSs", each a "IFRS") issued by the International Accounting Standards Board.

Financial Review

Turnover of the Group for the Year from continuing operations amounted to approximately HK$583.2 million (for the year ended 31 December 2011: continuing operations: HK$6.1 million, discontinued operations: HK$56.6 million). Turnover arising from the provision of supply chain management services for mineral business and production and exploitation of coal in Tajikistan amounted to HK$558.8 million and HK$24.4 million respectively.

Gross loss from the Group's continuing and discontinued operations for the Year was approximately HK$45.7 million (for the year ended 31 December 2011: gross profit HK$5.0 million). Gross loss arising from production and exploitation of coal in Tajikistan amounted to HK$59.1 million and gross profit from provision of supply chain management services for mineral business is approximately HK$13.4 million.

For the Year, the total administrative and other operating expenses from the Group's continuing and discontinued operations is approximately HK$111.0 million (for the year ended 31 December 2011: HK$75.8 million). Total administrative and other operating expenses include one-off non-current expenses on licensing expenses to obtain mining lease in Tajikistan and expenses to obtain a coal trading permit in Xinjiang. Such improvement and development can enhance our production and profitability in Tajikistan and supply chain management services for mineral business from Xinjiang in Year 2013.

For the Year, total finance costs from the Group's continuing operations amounted to HK$33.1 million (for the year ended 31 December 2011: HK$21.3 million).

The Group recorded loss for the Year of approximately HK$178.2 million (for the year ended 31 December 2011: HK$1,059.8 million).

The total comprehensive income attributable to owners of the Company for the Year amounted to approximately HK$(167.6) million (for the year ended 31 December 2011: HK$(1,110.4) million).

Liquidity and Financial Resources

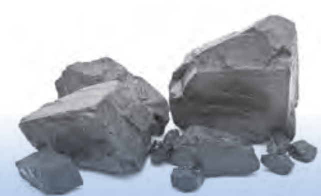
As at 31 December 2012, the Group has bank and cash balances of approximately HK$200.4 million (as at 31 December 2011: HK$294.8 million).

Final Dividend

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the Year (for the year ended 31 December 2011: HK$Nil).

Gearing Ratio

The Group's gearing ratio, which represents the ratio of the Group's total liabilities over the Group's total assets, was 0.23 as at 31 December 2012 (as at 31 December 2011: 0.28).



Capital Structure

During the Year, the Company received exercise notices from the grantees regarding the exercise of share options of conversion into 5,000,000 new shares.

Foreign Exchange Exposure

Majority of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars, Sterling Pound, Tajikistan Somoni ("TJS"), United States dollars and Renminbi ("RMB"). As at 31 December 2012, the Group had no significant exposure under foreign exchange contracts, interests, currency swaps or other financial derivatives.

Income Tax

Details of the treatment of the Group's income tax expense for the Year are set out in note 9 to the financial statements.

Human Resources

As at 31 December 2012, the Group had 112 (as at 31 December 2011: 32) staff in Hong Kong, People's Republic of China ("PRC") and Tajikistan. The Group continues to employ, promote and reward its staff with reference to their performance and experience. In addition to their basic salaries, the Group's employees are also entitled to other fringe benefits such as provident fund. The management will continue to closely monitor the human resources requirements of the Group, and will also put emphasis on the staff quality. During the Year, the Group had not experienced any significant labour disputes which led to the disruption of its normal business operations. The Directors consider the Group's relationship with its employees to be good.

The total staff costs, including Directors' emoluments, amounted to approximately HK$43.8 million (for the year ended 31 December 2011: HK$45.1 million) for the Year.

Segment Report

The detailed segmental analysis are provided in note 40 to the financial statements.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2012.

Litigation

As at 31 December 2012, the Group had no significant pending litigation.

Biography of Directors and Senior Management

Executive Directors

Mr. Chan Nap Kee, Joseph, aged 52, is the chairman and acting chief executive officer of the Group. He was appointed as an executive director in September 2008. He received his master degree majoring in international marketing from the University of Strathclyde and a diploma in China Investment and Trade from Peking University.

Mr. Chan has close to twenty six years of experience in commercial and investment banking, and asset management. From 1994 to now, Mr. Chan has been a founding partner of Oriental Patron Financial Group where he is also an executive director of Oriental Patron Asia Limited and Oriental Patron Securities Limited. Oriental Patron Asia Limited is the investment manager of OP Financial Investments Limited (Stock Code: 1140), a company listed on the Main Board of the Stock Exchange. Mr. Chan is also a non-executive director of Hainan Meilan International Airport Company Limited (Stock Code: 357), a company listed on the Main Board of the Stock Exchange.

Mr. Chan was the deputy manager of Credit Agricole from 1986 to 1994, where he was in charge of the China business. From 1992 to 1994, he was also the co-head of Credit Agricole Asset Management South East Asia Limited.

He holds licenses respectively of Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 9 (asset management) under the Securities and Futures Ordinance (cap. 571 of the Laws of Hong Kong).

Save as disclosed above, as at the date of this report, Mr. Chan did not have other major appointments and professional qualifications, did not hold any positions in the Group and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Dr. Chow Pok Yu, Augustine, aged 60, was appointed as an executive director in November 2008. He is a director of Harmony Asset Limited (Stock Code: 0428), a company listed on the Stock Exchange. He is chairman of Harmony Asset Management Limited which is the investment manager of Harmony Asset Limited. He is also director and independent director of two overseas listed companies namely Celsion Corporation (AMEX: CLSN) and Medifocus Inc. (TSX Venture: MFS) respectively.

Dr. Chow has vast experience in managing public listed companies that are involved in manufacturing, marketing and financial services, and specializes in mergers and acquisitions.

Dr. Chow holds a MSc from London Business School and PhD from University of South Australia. He also holds PhD and Engineering Doctorate from City University of Hong Kong.

Save as disclosed above, as at the date of this report, Dr. Chow did not have other major appointments and professional qualifications, did not hold any positions in the Group and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Yang Yongcheng, aged 44. He was appointed as an executive director in February 2009. He graduated from the Yikezhao League School of Finance (伊盟財經學校) in Inner Mongolia of the PRC and the China Central Radio & TV University, majoring in financial accounting. He holds an EMBA from the Zhongnan University of Economics and Law.

Mr. Yang was appointed as the chief of the finance division of Inner Mongolia Hangjinqi Materials Company (內蒙古杭錦旗物資公司) in September 1989; a manager of Eqianqi Coke-oven Plant of Inner Mongolia Yimei Group (內蒙古伊煤集團鄂前旗焦化廠) in January 2001; a deputy general manager of Inner Mongolia Mengxi Building Materials Company (內蒙古蒙西建材公司) in July 2003; the chairman of Inner Mongolia Mengxi Kaolin Co., Ltd. in August 2005; and the chairman and general manager of Inner Mongolia Mengxi Coal Limited (內蒙古蒙西煤炭有限公司) in January 2008. He has been serving as a director of the joint venture Inner Mongolia Mengxi Minerals Co., Limited since the joint venture was established in September 2008.

Mr. Yang has been involved in senior positions for corporate management for a long period of time, has profound knowledge of the human and economic development environment in the Mengxi region of Inner Mongolia of the PRC, and possesses extensive experience in corporate investment, product and market development as well as operation of minerals enterprises.

Save as disclosed above, as at the date of this report, Mr. Yang did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Independent Non-Executive Directors

Mr. Liew Swee Yean, aged 49, is the chairman of audit committee and member of nomination and corporate governance committee of the Board.

Mr. Liew has over 20 years of experience in finance and general management and is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Liew holds a Master of Business Administration (Executive) Degree from the City University of Hong Kong. He was appointed as an independent non-executive director of Siberian Mining Group Company Limited (Stock Code: 1142) from December 2008.

Save as disclosed above, as at the date of this report, Mr. Liew did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Siu Siu Ling, Robert, aged 60, is the chairman of nomination and corporate governance committee and member of audit committee. He is a partner of the firm Messrs. Robert Siu & Co., Solicitors. Mr. Siu is an independent non-executive director of Incutech Investments Limited (Stock Code: 356), Finet Group Limited (Stock Code: 8317) and China Packaging Group Company Limited (Stock Code: 572), all of which are listed on the Hong Kong Stock Exchange. Mr. Siu was appointed as a director of MBMI Resources Inc. (TSX-V: MBR), a company listed on Toronto Stock Exchange from December 2012.

Mr. Siu holds a bachelor's degree in laws from the University of London and a postgraduate certificate in laws from the University of Hong Kong. He has been admitted as a solicitor in Hong Kong since 1992 and has been admitted as a solicitor in England and Wales since 1993. His main legal practice is in the field of commercial and corporate finance.

Save as disclosed above, as at the date of this report, Mr. Siu did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Dr. Wong Yun Kuen, aged 55, is the chairman of remuneration committee and member of audit committee. He received two B.S. degrees in Geology and Mathematics from University of Wyoming, and Master and Ph.D. degree in Geophysics from Harvard University, and was "Distinguished Visiting Scholar" in finance at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is an Adjunct Professor of Syracuse University, USA, and a member of Hong Kong Securities Institute and a life member of American Geophysical Union.

He is an executive director of UBA Investments Limited, and the independent non-executive director of Bauhaus International (Holdings) Limited, China Sandi Holdings Limited, Climax International Company Limited, Kingston Financial Group Limited, Harmony Asset Limited, Hua Yi Copper Holdings Limited, Kong Sun Holdings Limited, China Yunnan Tin Minerals Group Company Limited, New Island Printing Holdings Limited and Sincere Watch (Hong Kong) Limited.

Save as disclosed above, as at the date of this report, Dr. Wong did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Anderson Brian Ralph, aged 70, is member of audit committee and remuneration committee. He holds a Bachelor of Science Degree in Metaliferous Mining Engineering from the Camborne School of Mines, the University of Exeter and a Master of Science Degree in Petroleum Reservoir Engineering from the University of London.

Mr. Anderson has more than 45 years of global experience (of which 32 years with Shell International) in the mining and energy resources industries.

During his tenure as a Chairman of Royal Dutch/Shell Group of Companies ("Shell") in North East Asia, he was responsible for developing Shell's future business, in particular through the formation of important strategic alliances with two of the major state-owned Chinese petroleum corporations, which have since led to multi-billion dollar investment commitments in the petroleum and petrochemicals sectors in China, including important new business opportunities in coal gasification.

Mr. Anderson's China experience also includes a 6-year involvement with the prestigious China Council for International Co-operation on the Environment and Development and which includes Ministerial and Vice-Ministerial level appointees from within the PRC government, and top-level international members from government and global multilateral organization and businesses. He represented the Shell's group of companies as a council member for 4 years, and has participated as a member of two taskforces involved with energy and sustainable development policy for China.

Mr. Anderson is a founding member and a director of Acura Limited, an energy marketing and consulting firm, founding member and Chairman of CleanCoalGas Limited, a firm focusing on clean coal project development, both registered in Hong Kong, and is the chairman and managing director of Anderson Energy (Hong Kong) Limited, an energy consulting firm advising corporate clients globally.

Senior Management

All the executive directors of the Company are respectively responsible for various aspects of the business and operation of the Group. All executive directors are regarded as members of the senior management team of the Group.

Report of the Directors

The board ("Board") of directors ("Directors") of the Company is pleased to submit its report together with the audited consolidated financial statements ("Financial Statements") of the Company and its subsidiaries (collectively as "the Group") for the year ended 31 December 2012.

Principal Activities and Segment Analysis of Operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 34 to the Financial Statements.

An analysis of the Group's performance for the year ended 31 December 2012 by segments is set out in note 40 to the Financial Statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2012 are set out in the consolidated income statement on page 35.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2012.

Reserves

Movements in the reserves of the Group during the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income and consolidated statement of changes in equity of the Group.

Donations

Charitable and other donations made by the Group during the year ended 31 December 2012 amounted to HK$Nil (for the year ended 31 December 2011: HK$Nil).

Fixed Assets

Details of the movements in fixed assets of the Group are set out in note 16 to the Financial Statements.

Share Capital

Particulars of the share capital of the Company are set out in note 30 to the Financial Statements.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2012 amounted to HK$501,383,947 (as at 31 December 2011: HK$697,797,102). Under Section 34 of the Companies Law of the Cayman Islands, the reserves are available for distribution to shareholders subject to the provisions of the articles of association of the Company (the "Articles") and no distribution shall be paid to shareholders of the Company ("Shareholders") out of the reserves unless the Company shall be able to pay its debts as they fall due in the ordinary course of business of the Group.

Five Years/Period Financial Summary

A summary of the published results and the assets and liabilities of the Group for each of the last five financial years/period is set out on page 4.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of the shares of the Company ("Shares") during the year under review. Neither the Company nor any of its subsidiaries has purchased or sold any Shares during the year under review.

Pension Scheme

According to the legislation of Hong Kong relating to the Mandatory Provident Fund ("MPF"), with effect from 1 December 2000, the Group is required to participate in the MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contributions is limited to HK$1,000 and increased to HK$1,250 from 1 June 2012 for each eligible employee) as calculated under the MPF legislation.

The detailed information of the Group's pension scheme are set out in note 15 to the Financial Statements.

Share Options

A share option scheme (the "Scheme") was adopted by the Shareholders by way of written resolutions passed on 9 December 2003. Details of the Scheme are as follows:

The principal purpose of the Scheme is to enable the Company to grant options to subscribe for Shares ("Options") to the following eligible persons as incentives or rewards for their contributions to the Group:

(1) any full time employee or director of any member of the Group;

(2) any part time employee of any member of the Group who has spent not less than 10 hours per week in providing services to such member of the Group, determined by averaging out the total number of hours so spent in a period of four weeks immediately preceding the week in which the Options are offered to such part time employee; or

(3) any consultant or adviser of or to any member of the Group who has provided technical know-how and consultancy services to such member of the Group in accordance with the terms of a contractual relationship entered into between the consultant or adviser with such member of the Group.

The existing maximum number of Shares which may be issued upon the exercise of all Options to be granted under the Scheme and any other share option schemes of the Company is 235,530,513 Shares, being 43.62% of the Company's issued share capital as at the date on which the dealings in the Shares first commenced on the Stock Exchange and about 9.00% of the Company's issued share capital as at the date of this annual report.

The total number of Shares issued and to be issued upon exercise of the Options granted to a participant ("Participant") (including both exercised or outstanding Options), being any eligible person who accepted the offer of any Option, under the Scheme in any 12-month period must not exceed 1% of the Shares in issue from time to time unless prior approval is obtained from the independent Shareholders of the Company in a general meeting. If a grant of Options to a substantial Shareholder of the Company (as defined in the Rules ("GEM Listing Rules") Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited) or an independent non-executive director of the Company or any of their respective associates (as defined in the GEM Listing Rules) will result in the total number of the Shares issued and to be issued upon exercise of the Options granted or to be granted (including both exercised and outstanding Options) to such person in any 12-month period up to and including the proposed dated of the grant exceeding 0.1% of the Shares in issue and having an aggregate value, based on the closing price of the Shares at the proposed date of such each grant, in excess of HK$5 million, then the proposed grant of Options must be subject to Shareholders' approval in general meeting with all connected persons (as defined in the GEM Listing Rules) abstained from voting.

The Options may be exercised in accordance with the terms of the Scheme at any time during the option period. The Scheme does not require a minimum period for which the Options must be held or a performance target which must be achieved before any Option can be exercised. The Board shall be entitled at its absolute discretion to decide the option period subject to the Scheme, provided that it shall not exceed 10 years from the date on which the Option is deemed to be granted and accepted in accordance with the rules of the Scheme.

The Options will be offered for acceptance for a period of 28 days from the date on which the Options are offered to an eligible person. Upon acceptance of the Options, the eligible person shall pay HK$1 to the Company as consideration for the grant.

The subscription price for each Share subject to and upon the exercise of the Options will be a price determined by the Board and notified to each Participant and shall be at least the highest of (i) the closing price of each Share on GEM as stated in the daily quotations sheet of Stock Exchange on the date of grant of the Options, which must be a business day; (ii) the average closing price of each Share on GEM as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the Option; and (iii) the nominal value of one Share.

The Scheme will remain valid for a period of 10 years commenting from 9 December 2003.

On 10 April 2012, as approved by the Board of Directors, 15,000,000 Options have been granted to a staff at an exercise price of HK$0.234 per Share utilizing all unused Options. Hence, as at 31 December 2012, no more Options which may be granted under the Scheme are available for issue.

Since 1 January 2012 and up to the date of this report, the 5,000,000 Options have been exercised by the Participant. Due to the resignation of a director and expiration of the exercise period, total 19,175,000 Options had lapsed during the year under review.

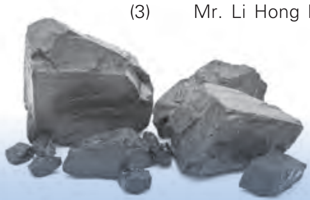
Details of the Options granted under the Scheme during the year ended 31 December 2012 are as follows:

	Date of Grant	Exercise Period	No. of Options Outstanding as at 1/1/2012	Grant during the year	Exercise during the year	Lapsed during the year (Note 2)	Outstanding as at 31/12/2012
Directors							
Chan Nap Kee, Joseph	8/1/2009	8/1/2009–7/1/2012	4,925,000	—	—	(4,925,000)	—
	9/2/2010	9/2/2010–8/2/2013	20,056,750	—	—	—	20,056,750
	12/8/2011	12/8/2011–9/12/2013	25,372,600	—	—	—	25,372,600
Chow Pok Yu, Augustine	8/1/2009	8/1/2009–7/1/2012	4,925,000	—	—	(4,925,000)	—
Yang Yongcheng	11/8/2009	11/8/2009–10/8/2012	4,925,000	—	—	(4,925,000)	—
	12/8/2011	12/8/2011–9/12/2013	10,000,000	—	—	—	10,000,000
Li Hong *(Note 3)*	18/11/2009	18/11/2009–17/11/2012	3,000,000	—	—	(3,000,000)	—
Liew Swee Yean	12/8/2011	12/8/2011–9/12/2013	2,537,260	—	—	—	2,537,260
Siu Siu Ling, Robert	12/8/2011	12/8/2011–9/12/2013	2,537,260	—	—	—	2,537,260
Wong Yun Kuen	12/8/2011	12/8/2011–9/12/2013	2,537,260	—	—	—	2,537,260
Anderson Brian Ralph	11/8/2009	11/8/2009–10/8/2012	1,200,000	—	—	(1,200,000)	—
	12/8/2011	12/8/2011–9/12/2013	2,537,260	—	—	—	2,537,260
		Sub-total	84,553,390	—	—	(18,975,000)	65,578,390
Employees in aggregate	11/8/2009	11/8/2009–10/8/2012	200,000	—	—	(200,000)	—
	12/8/2011	12/8/2011–9/12/2013	10,000,000	—	—	—	10,000,000
	10/4/2012	10/4/2012–9/12/2013	—	15,000,000	—	—	15,000,000
Other participants in aggregate	18/10/2010	18/10/2010–17/10/2013	42,287,674	—	—	—	42,287,674
	12/8/2011	12/8/2011–9/12/2013	5,000,000	—	(5,000,000)	—	—
			142,041,064	15,000,000	(5,000,000)	(19,175,000)	132,866,064

Note: (1) These Options represent personal interest held by the relevant directors as beneficial owners.

(2) 19,175,000 Options lapsed during the year under review.

(3) Mr. Li Hong has been resigned as an executive director on 25 September 2012.



Directors

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

Executive Directors:
Mr. Chan Nap Kee, Joseph *(Chairman and Acting Chief Executive Officer)*
Dr. Chow Pok Yu, Augustine
Mr. Yang Yongcheng
Mr. Li Hong (Resigned on 25 September 2012)

Independent Non-Executive Directors
Mr. Liew Swee Yean
Mr. Siu Siu Ling, Robert
Dr. Wong Yun Kuen
Mr. Anderson Brian Ralph

According to Article 86 of the articles of association of the Company ("the Articles"), the directors shall have the power from time to time and at any time to appoint any person as a director to fill a casual vacancy on the Board or, as an addition to the existing Board provided that the number of directors so appointed by the Board shall not exceed any maximum number determined from time to time by the Shareholders in general meeting. Any director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the following annual general meeting of the Company ("AGM") (in the case of an addition to the Board), and shall then be eligible for re-election at that meeting.

During the year, in accordance with Article 86 of the Articles, no director will retire from office and shall then be eligible for re-election at that meeting.

According to Article 87 of the Articles, one-third of the directors for the time being (or, if the number of directors is not three (3) or a multiple of three (3), the number nearest to but not less than one-third), shall retire at each AGM by rotation, provided that every director shall be subject to retirement by rotation at least once every three (3) years. The retiring directors shall then be eligible for re-election at the AGM.

In accordance with Article 87 of the Articles, Mr. Chan Nap Kee Joseph, Dr. Chow Pok Yu Augustine and Mr. Anderson Brian Ralph will retire from offices by rotation at the forthcoming AGM, and being eligible, offer themselves for re-election at the forthcoming AGM.

According to Code provisions A.4.3 of Appendix 15 Corporate Governance Code and Corporate Governance Report of the GEM Listing Rules, if an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders.

As Mr. Siu Siu Ling Robert served for more than 9 years in year 2013, accordingly, his further appointment in 2013 should be subject to a separate resolution to be approved by shareholders, which will be attained by way of re-election at the AGM. Mr. Siu Siu Ling Robert offer himself for re-election at the AGM.

The Company has received from each of Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph, being the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company still considers each of the independent non-executive directors to be independent.

Directors' Service Contracts

The term of office for each of Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph, being the independent non-executive directors, is for a term of one year and may be extended for such period as agreed in writing by the directors concerned and the Company. Currently, Mr. Liew Swee Yean has been appointed as an independent non-executive director up to 7 November 2013, Mr. Siu Siu Ling Robert has been appointed as an independent non-executive director up to 31 December 2013, Dr. Wong Yun Kuen has been appointed as an independent non-executive director up to 29 September 2013, while Mr. Anderson Brian Ralph has been appointed as an independent non-executive director up to 22 January 2014. Save as disclosed above, none of the directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Details of the directors' emoluments are set out in note 12 to the Financial Statements.

Directors' Remuneration

It is proposed that the Board be authorised to fix the directors' remuneration at the forthcoming AGM. The remuneration, including any bonus payments, housing allowance and Options, to be paid to the directors, are recommended by the remuneration committee of the Board ("Remuneration Committee") with reference to the directors' duties, responsibilities and performance and the results of the Group.

Directors' Interests in Contracts

There were no contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which a director had a material interest, whether directly or indirectly, subsisting as at the end of the year or at any time during the year under review.

Directors' And Chief Executives' Interests And Short Positions In The Shares, Underlying Shares And Debentures Of The Company Or Any Associated Corporations

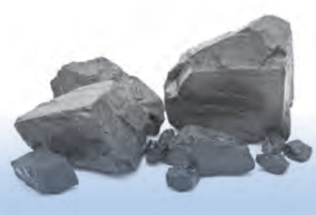
As at 31 December 2012, the interests and short positions of the directors and the chief executives in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the directors are as follows:

Long position in Shares and underlying Shares

Name of Directors	Capacity	Number of Shares	Number of Underlying Shares *(Note)*	Approximate percentage of the total issued Shares as at 31 December 2012
Chan Nap Kee, Joseph	Beneficial owner	22,390,000	45,429,350	2.59%
Yang Yongcheng	Beneficial owner	100,000	10,000,000	0.39%
Liew Swee Yean	Beneficial owner	540,000	2,537,260	0.12%
Siu Siu Ling, Robert	Beneficial owner	540,000	2,537,260	0.12%
Wong Yun Kuen	Beneficial owner	2,000,000	2,537,260	0.17%
Anderson Brian Ralph	Beneficial owner	—	2,537,260	0.10%

Note: The long position in the underlying Shares mentioned above represent the Shares to be issued and allotted upon the exercise in full of the options granted by the Company to the above mentioned directors pursuant to the share option scheme.

Save as disclosed above, as at 31 December 2012, none of the directors or chief executive of the Company had any interest or short position in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Ordinance) which is required to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or any interests required to be entered in the register maintained in accordance with Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors.



Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares

(a) As at 31 December 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interest disclosed above in respect of the directors, the following shareholders had notified the Company of relevant interests and short positions in the Shares and underlying Shares:

Long positions in Shares and underlying Shares

Name of Shareholders	Capacity and nature of interest	Number of shares	Number underlying Shares *(Note 3)*	Total Interest	Approximate percentage of the total issued Shares as of at 31 December 2012
Substantial shareholders					
Zhang Zhi Ping	Interest of controlled corporations	218,490,000	178,726,000	397,216,000 *(Note 1)*	15.18%
Zhang Gaobo	Interest of controlled corporations	218,490,000	178,726,000	397,216,000 *(Note 1)*	15.18%
Oriental Patron Financial Group Limited ("OPFGL")	Interest of controlled corporations	218,490,000	178,726,000	397,216,000 *(Note 1)*	15.18%
Ottness Investments Limited ("OIL")	Interest of controlled corporations	132,110,000	117,109,000	249,219,000 *(Note 1)*	9.52%
OP Financial Investments Limited ("OPFIL")	Interest of a controlled corporation	132,110,000	117,109,000	249,219,000 *(Note 1)*	9.52%
Profit Raider Investments Limited ("PRIL")	Beneficial Owner	132,110,000	117,109,000	249,219,000 *(Note 1)*	9.52%
Oriental Patron Financial Services Group Limited ("OPFSGL")	Interest of a controlled corporation	86,380,000	61,617,000	147,997,000 *(Note 1)*	5.66%
Pacific Top Holding Limited ("PTHL")	Beneficial Owner	86,380,000	61,617,000	147,997,000 *(Note 1)*	5.66%

Notes:

1. OPFGL holds 218,490,000 Shares and 178,726,000 underlying Shares. OPFGL is 51% owned by Zhang Zhi Ping and is 49% owned by Zhang Gaobo.

   Of these 218,490,000 Shares and 178,726,000 underlying Shares of the Company, 86,380,000 Shares and 61,617,000 underlying Shares are held by PTHL. PTHL is wholly owned by OPFSGL, OPFSGL is 95% held by OPFGL. Zhang Zhi Ping, Zhang Gaobo, OPFGL and OPFSGL are deemed to be interested in the interests held by PTHL under the SFO.

   Of these 218,490,000 Shares and 178,726,000 underlying Shares, 132,110,000 Shares and 117,109,000 underlying Shares are held by PRIL. PRIL is wholly owned by OPFIL, OPFIL is 35.05% held by OIL. Zhang Zhi Ping, Zhang Gaobo, OPFGL, OIL and OPFIL are deemed to be interested in the interests held by PRIL under the SFO.

2. The long positions in underlying Shares mentioned above represent the interests held by such Bondholders as at the 31 December 2012 in the convertible bonds in the principal amount of HK$108,830,000 convertible into 178,700,000 new Shares issued by the Company on and subject to the terms of the Variation Agreement.

Save as disclosed above, the Directors were not aware of any other person (other than the directors and the chief executives of the Company) who, as at 31 December 2012, had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 & 3 of Part XV of the SFO.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

Major Customers and Suppliers

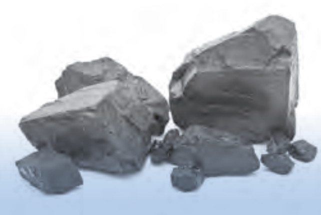
The percentages of cost of sales and sales for the year attributable to the Group's major suppliers and customers are as follows:

Cost of sales	
— the largest supplier	37.04%
— five largest suppliers combined	88.57%
Sales	
— the largest customer	40.18%
— five largest customers combined	91.05%

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

Compliance with the Code on Corporate Governance Practices

The Company has complied with most of the code provisions as set out in the Code of Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules during the year ended 31 December 2012. Details of compliance and deviation are set out in the Corporate Governance Report on pages 24 to 32.



Directors' Interest in Competing Business

None of the directors or their respective associates (as defined in GEM Listing Rules) had any interests in any business which compete or may compete with the Group or any other conflicts of interest with the Group.

Pre-Emptive Rights

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

Subsidiaries

Particulars of the Company's subsidiaries are set out in note 34 to the Financial Statements.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained a sufficient public float in accordance with the GEM Listing Rules.

Events after the Reporting Period

Subsequent to the end of the reporting period, the Group does not have any significant subsequent events.

Auditors

A resolution to re-appoint the retiring auditors, RSM Nelson Wheeler, will be proposed at the forthcoming AGM.

There is no change of auditors of the Company since its incorporation.

For and on behalf of the Board

Chan Nap Kee, Joseph
Chairman

Hong Kong, 21 March 2013

Code on Corporate Governance Practices

Except for Code Provision A2.1, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2012.

The Code Provision A2.1 stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual.

Since 2 November 2010 to the date of this report, Mr. Chan Nap Kee Joseph, chairman, took up the role of acting chief executive officer as well, which deviates from Code Provision A2.1.

As the Company is developing its business in energy and resources sector and has recently acquired coal mining assets outside China, the Remuneration Committee is searching for the right person to take up the role of Chief Executive Officer to carry out the strategic plans and policies as established by the board of directors. In the meantime, Mr. Chan Nap Kee Joseph, our Chairman, took up the role of Acting Chief Executive Officer until the suitable person is selected. The Company will publish announcement on appointment of Chief Executive Officer when appropriate.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by directors ("Directors") of the Company on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year. The Company has also made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

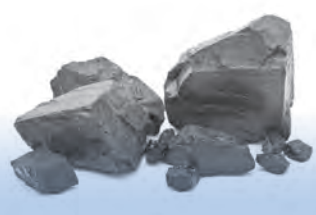
The Board of Directors

Composition of the Board of Directors (the "Board")

As at 31 December 2012, the Board comprised seven directors, including three executive directors, namely Mr. Chan Nap Kee Joseph, Dr. Chow Pok Yu Augustine and Mr. Yang Yongcheng and four independent non-executive directors, namely Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph. Mr. Chan Nap Kee Joseph is the chairman and the acting chief executive officer of the Board. One of the independent non-executive directors has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the directors are set out on pages 10 to 13 of this annual report.

Each of the independent non-executive directors has entered into a service contract with the Company for a term of one year, which may be extended for such period as agreed in writing between the director concerned and the Company.

There is no financial, business, family or other material or relevant relationship among the directors.



Independent Non-Executive Directors

The Company has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all the independent non-executive directors meet the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules and still considers that they are independent.

Role and Function of the Board

The principal role of the Board is to formulate the operational strategies and establish an internal control system together with a high standard of corporate governance to ensure proper management of the Group. The daily operational matters of the Group are delegated by the Board to the management.

Board Meetings

Six regular Board meetings were held during the year ended 31 December 2012. The Board meetings involved the active participation of the directors either in person or through other electronic means of communication.

At least 14 days notice has been given to all directors of each of the Board meetings.

Attendance of each of the directors at Board meetings during the year ended 31 December 2012 is set out as follows:

Number of Board Meetings		
Executive Directors:		
Mr. Chan Nap Kee, Joseph *(Chairman and Acting Chief Executive Officer)*	6/6	100%
Dr. Chow Pok Yu, Augustine	6/6	100%
Mr. Yang Yongcheng	5/6	83.33%
Mr. Li Hong (Resigned on 25 September 2012)	5/5	100%
Independent Non-Executive Directors:		
Mr. Liew Swee Yean	6/6	100%
Mr. Siu Siu Ling, Robert	6/6	100%
Dr. Wong Yun Kuen	6/6	100%
Mr. Anderson Brian Ralph	5/6	83.33%
Average attendance rate	95.83%	

Internal Control

The Board has overall responsibilities for maintaining and reviewing the effectiveness of the system of internal control of the Group. The internal control system is to safeguard the assets of the Group and the shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirements of the GEM Listing Rules. During the year ended 31 December 2012, the Board had reviewed the effectiveness of the system of internal control of the Group. The review had covered all material aspects of internal control including financial, operational and compliance controls and risk management functions of the Group. The board also consider the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programme and budget.

Chairman and Chief Executive Officer

The Code Provision A2.1 stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual.

From 2 November 2010 to the date of this report, Mr. Chan Nap Kee Joseph, chairman, took up the role of acting chief executive officer as well, which deviates from Code Provision A2.1.

Remuneration Committee

Composition of the Remuneration Committee

The Company established the Remuneration Committee in March 2006. On 30 March 2012, for more effective functioning of the board, there was a redesignation of Director's role and function in order to comply with the amendments to the GEM Listing Rules effective on 1 April 2012.

Mr Siu Siu Ling Robert and Mr. Liew Swee Yuen, both independent non-executive director, resigned as members of Remuneration Committee and were appointed as members of the newly established Nomination and Corporate Governance Committee with effect from 30 March 2012. Dr. Chow Pok Yu Augustine resigned as member of Remuneration Committee and remains as executive director of the Company.

The current Remuneration Committee comprised one executive director and two independent non-executive directors, namely Mr. Chan Nap Kee Joseph, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph. Dr. Wong Yun Kuen is the chairman of the Remuneration Committee.

Role and Function of the Remuneration Committee

In order to comply with amendments to the GEM Listing Rules, on 30 March 2012, new terms of reference that supersedes previous terms of reference of the Remuneration Committee were adopted. The new written terms of reference which describes its authorities and duties is available on the Company's website www.kaisunenergy.com under "Investor Relations" section with heading of "Corporate Governance".

The primary duties of the Remuneration Committee is to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management.

Remuneration Policy

The formulation of the Group's remuneration strategy and policy is based on the principles of equity and market competitiveness so as to drive staff to work towards the mission of the Group and to retain talents. As a long-term incentive plan and with the aim at motivating directors and employees in the continued pursuit of the Company's goal and objectives, the Company has adopted a share option scheme under which the Company may grant share options to the directors/employees to subscribe for the shares of the Company.

Remuneration Committee Meetings

The Remuneration Committee has held five meetings during the year ended 31 December 2012. During the meetings, the Remuneration Committee had reviewed and approved the increment in salary, housing allowance, bonus payment and share options for the executive directors and the senior management by way of resolutions passed by all committee members. However, the executive directors did not participate in determining their own remuneration.

During the year under review, the Remuneration Committee had undertaken the following duties:

(i) approved the salary, housing allowance and bonus payment for an executive director and the senior management of the Company; and

(ii) authorised the Board to grant share options to the executive directors and the senior management of the Company in accordance with the rules of the share option scheme of the Company.

Attendance of each of the directors at the Remuneration Committee meetings for the period from 1 January 2012 to 30 March 2012 is set out as follows:

Number of Remuneration Committee Meetings	**2**	
Dr. Wong Yun Kuen *(Committee Chairman)*	2/2	100%
Mr. Chan Nap Kee, Joseph	2/2	100%
Dr. Chow Pok Yu, Augustine	2/2	100%
Mr. Liew Swee Yean	2/2	100%
Mr. Siu Siu Ling, Robert	2/2	100%
Mr. Anderson Brian Ralph	2/2	100%
Average attendance rate	100%	

Attendance of each of the directors at the Remuneration Committee meetings for the period from 31 March 2012 to 31 December 2012 is set out as follows:

Number of Remuneration Committee Meetings	**3**	
Dr. Wong Yun Kuen *(Committee Chairman)*	3/3	100%
Mr. Chan Nap Kee, Joseph	3/3	100%
Mr. Anderson Brian Ralph	2/3	66.67%
Average attendance rate	88.89%	

Nomination and Corporate Governance Committee

On 30 March 2012, the Company established a Nomination and Corporate Governance Committee ("NC") with written terms of reference which deals clearly with its authorities and duties. The NC comprises three members, namely Mr. Siu Siu Ling Robert (chairman of NC), Mr. Liew Swee Yean and Mr. Chan Nap Kee Joseph.

The primary duties of the NC is to make recommendations to the Board on appointment or reappointment of Directors, and to develop and review Group's policies and practices on corporate governance and to make recommendations to the Board.

Written terms of reference were adopted in compliance with the GEM Listing Rules, and is available on the Company's website www.kaisunenergy.com under "Investor Relations" section with heading of "Corporate Governance".

Attendance of each of the directors at the Nomination and Corporate Governance Committee meetings for the year ended 31 December 2012 is set out as follows:

Number of Nomination and Corporate Governance Committee Meetings		**1**	
Mr. Siu Siu Ling, Robert *(Committee Chairman)*	1/1		100%
Mr. Chan Nap Kee, Joseph	1/1		100%
Mr. Liew Swee Yean	1/1		100%
Average attendance rate		100%	

Auditors' Remuneration

For the year ended 31 December 2012, the fee paid or payable to external auditors in respect of audit and non-audit services amounted to HK$2,830,000 and HK$141,000 respectively.

Preparation of Accounts

The Directors are responsible for overseeing the preparation of the annual accounts which give a true and fair view of the Group's state of affairs of the results and cash flows for the year under review. In preparing the accounts for the year ended 31 December 2012, the directors have approved adoption of all the applicable standards and interpretations of International Financial Reporting Standards ("IFRSs").

The quarterly, interim and annual results of the Company are announced in a timely manner after the end of the relevant periods.

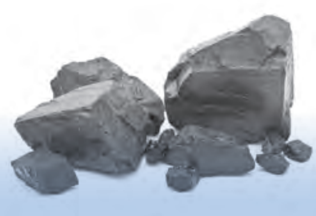
Audit Committee

Composition of the Audit Committee

The Company established the audit committee ("Audit Committee") on 9 December 2003.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The Audit Committee comprises four independent non-executive directors, namely Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph, and Mr. Liew Swee Yean is the chairman of the Audit Committee.



During the year under review, the audit committee held four meetings to review and supervise the financial reporting process. The results for the year have been reviewed by the Audit Committee who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and adequate disclosures have been made.

Role and Function of the Audit Committee

In order to comply with amendments to the GEM Listing Rules, on 30 March 2012, new terms of reference that supersedes previous terms of reference of the Audit Committee were adopted. The new written terms of reference which describes its authorities and duties is available on the Company's website www.kaisunenergy.com under "Investor Relations" section with heading of "Corporate Governance".

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and provide an important link between the Board and the Company's auditors on those matters within the scope of the Group's audit. It also reviews the effectiveness of the external and internal audit and conducts risk evaluation.

The Audit Committee is provided with sufficient resources to discharge its responsibilities and is supported by the Finance Department of the Company. The Audit Committee is accountable to the Board.

Audit Committee Meetings

During the year ended 31 December 2012, the Audit Committee has held four meetings to review and supervise the financial reporting process and Audit Committee has reviewed the quarterly, interim and annual results and system of internal controls. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The Audit Committee also carried out and discharged its other duties as set out in the Code.

Attendance of each of the independent non-executive directors at the Audit Committee meetings during the year ended 31 December 2012 is set out as follows:

Number of Audit Committee Meetings	**4**	
Mr. Liew Swee Yean *(Committee Chairman)*	4/4	100%
Mr. Siu Siu Ling, Robert	4/4	100%
Dr. Wong Yun Kuen	4/4	100%
Mr. Anderson Brian Ralph	4/4	100%
Average attendance rate	100%	

During the year under review, the Audit Committee had undertaken the following duties:

(i) made recommendations to the Board on the appointment, reappointment or removal of the external auditors (the "Auditors") and approved the audit fees and terms of engagement of the Auditors, or any questions of resignation or dismissal of the Auditors;

(ii) reviewed the quarterly, interim and annual financial statements prior to recommending them to the Board for approval;

(iii) reviewed the Auditors' management letter and the management's response thereto, and to ensure that recommendations made by the Auditors are carried out;

(iv) reviewed the operation and effectiveness of the Company's financial control, internal control and risk management systems;

(v) reviewed the appropriateness of reporting and accounting policies and disclosure practices; and

(vi) reviewed the work of the Internal Audit Department, ensuring coordination between the Internal Audit Department and the Auditors, and reviewing and monitoring the effectiveness of the internal audit function.

During the year under review, the Board, through the Audit Committee, reviewed the effectiveness of the Group's system of internal control over financial, operational and compliance issues, broad-based risk management processes, and physical and information systems security. To formalize the annual review of internal control system, the Audit Committee made reference to the globally recognised framework with modifications to include some controls which are specific to the Group's operation. The Audit Committee concluded that, in general, the Group has set up a sound control environment and installed necessary control mechanisms to monitor and correct noncompliance. The Board, through the review of the Audit Committee, is satisfied that the Group has fully complied with the Code Provisions on internal controls as set forth in the Code for the year ended 31 December 2012.

The Group's financial statements for the year ended 31 December 2012 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

Continuous Professional Development for Directors, Senior Management and Staff

The Directors, senior management and staff are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors, senior management and staff to enroll in a wide range of professional development courses and seminars organised by professional bodies in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

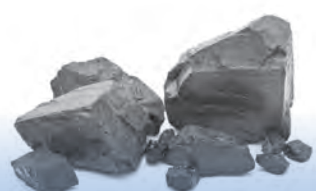
During the year, the Company had organised an inhouse seminar inviting mining professional to provide continuous professional development to Directors, senior management and staff. According to the records maintained by the Company, the current Directors received the following training in compliance with the new requirement of the Revised Code on continuous professional development during the year ended 31 December 2012.

<table>
<tr><th>Name and title of director</th><th>Updates on Laws, Rules and In house seminar</th><th>Training provider</th><th>Time spent</th></tr>
<tr><td rowspan="7">Mr. Chan Nap Kee Joseph, Chairman and Acting Chief executive officer</td><td>Changes to the ICC Arbitration Rules — How will they affect your business (26 January 2012)</td><td>Herbert Smith FreeHills</td><td>1 hour</td></tr>
<tr><td>Anti-Money Laundering Briefing Seminar (22 February 2012)</td><td>Securities and Futures Commission</td><td>1.5 hours</td></tr>
<tr><td>Regulation of Sponsors (12 June 2012)</td><td>The Professional Commons Limited</td><td>2 hours</td></tr>
<tr><td>In house seminar held on 8, 9 November, 2012 on: “How Economic Geology can be applied to mining” for 2 sessions</td><td>Company invited: Dragon Mining Consulting Limited</td><td>6 hours</td></tr>
<tr><td>Accessing the convertible Bond Market (14 November 2012)</td><td>Dorsey & Whitney LLP</td><td>2 hours</td></tr>
<tr><td>Statutory backing of issuer’s obligations to disclose inside information and consequential changes to the Listing Rules and connected transactions (5 December 2012)</td><td>The Stock Exchange of Hong Kong Limited</td><td>3.5 hours</td></tr>
<tr><td>Total</td><td></td><td>16 hours</td></tr>
<tr><td rowspan="4">Dr. Chow Pok Yu Augustine, Executive director</td><td>“Warrant Investment in Practice” (23 March 2012)</td><td rowspan="3">Hong Kong Securities and Investment Institute</td><td>3 hours</td></tr>
<tr><td>“The Good and Bad of Hedge Funds” (26 March 2012)</td><td>3 hours</td></tr>
<tr><td>“Executive Seminar Investment Banking for Non-Investment Bankers” held on 2 June, 2012</td><td>6 hours</td></tr>
<tr><td>Total</td><td></td><td>12 hours</td></tr>
<tr><td>Mr. Yang Yongcheng, Executive director</td><td rowspan="4">In house seminar held on 8, 9 November, 2012 on: “How Economic Geology can be applied to mining” for 4 sessions
1. Earth resources & mining exploration
2. Mining and mineral processing
3. Mines and Money-evaluation, valuation, Mining regulation
4. Case Study on Mining</td><td rowspan="5">Company invited: Dragon Mining Consulting Limited</td><td>12 hours</td></tr>
<tr><td>Mr. Liew Swee Yean, Independent non-executive director</td><td>12 hours</td></tr>
<tr><td>Dr. Wong Yun Kuen, Independent non-executive director</td><td>12 hours</td></tr>
<tr><td>Mr. Anderson Brian Ralph, Independent non-executive director</td><td>12 hours</td></tr>
<tr><td>Mr. Siu Siu Ling Robert, Independent non-executive director</td><td>In house seminar held on 8, 9 November, 2012 on: “How Economic Geology can be applied to mining” for 3 sessions</td><td>9 hours</td></tr>
</table>

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

The statement by the Auditors of the Company about their reporting responsibilities is set out on page 33 of this report.



RSM
Audit • Tax • Advisory

TO THE SHAREHOLDERS OF
KAISUN ENERGY GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Kaisun Energy Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 96, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 International Financial Reporting Standards issued by the International Accounting Standards Board 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 and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, and of the Group's results and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

21 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Note	2012 HK$	2011 HK$
Continuing operations			
Turnover	6	**583,154,262**	6,058,165
Cost of goods sold		**(628,869,504)**	(18,286,145)
Gross loss		**(45,715,242)**	(12,227,980)
Other income	7	**12,527,062**	18,113,303
Administrative and other operating expenses		**(111,030,998)**	(54,813,146)
Loss from operations		**(144,219,178)**	(48,927,823)
Finance costs	8	**(33,136,501)**	(21,286,609)
Impairment loss on fixed assets	16	**–**	(4,608,388)
Impairment loss on goodwill	17	**–**	(115,955,924)
Impairment loss on intangible assets	18	**–**	(28,720,052)
Loss before tax		**(177,355,679)**	(219,498,796)
Income tax expense	9	**(827,965)**	—
Loss for the year from continuing operations		**(178,183,644)**	(219,498,796)
Discontinued operations			
Loss for the year from discontinued operations	10	**–**	(840,274,230)
Loss for the year	11	**(178,183,644)**	(1,059,773,026)
Attributable to:			
Owners of the Company			
Loss from continuing operations		**(174,200,826)**	(208,527,064)
Loss from discontinued operations		**–**	(839,183,705)
Loss attributable to owners of the Company		**(174,200,826)**	(1,047,710,769)
Non-controlling interests			
Loss from continuing operations		**(3,982,818)**	(10,971,732)
Loss from discontinued operations		**–**	(1,090,525)
Loss attributable to non-controlling interests		**(3,982,818)**	(12,062,257)
		(178,183,644)	(1,059,773,026)

Consolidated Income Statement

For the year ended 31 December 2012

	Note	2012 HK$	2011 HK$
Loss per share (cents)	14		
From continuing and discontinued operations			
— basic		**(6.66)**	(42.79)
— diluted		**N/A**	N/A
From continuing operations			
— basic		**(6.66)**	(8.52)
— diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012 HK$	2011 HK$
Loss for the year	**(178,183,644)**	(1,059,773,026)
Other comprehensive income for the year, net of tax		
Exchange differences on translating foreign operations	**3,614,907**	106,223,023
Exchange differences reclassified to profit or loss on disposal of a subsidiary	**–**	(134,413,083)
Total comprehensive income for the year	**(174,568,737)**	(1,087,963,086)
Attributable to:		
Owners of the Company	**(167,594,346)**	(1,110,351,316)
Non-controlling interests	**(6,974,391)**	22,388,230
	(174,568,737)	(1,087,963,086)

Consolidated Statement of Financial Position

At 31 December 2012

	Note	2012 HK$	2011 HK$
Non-current assets			
Fixed assets	16	**57,099,142**	25,705,562
Intangible assets	18	**145,890,652**	159,930,659
Available-for-sale financial assets	19	**70,837**	71,173
		203,060,631	185,707,394
Current assets			
Inventories	20	**3,515,189**	5,009,356
Trade receivables	21	**62,853,534**	133,981
Deposits, prepayments and other receivables	22	**407,103,834**	699,850,554
Financial assets at fair value through profit or loss	23	**7,889,661**	1,550,000
Bank and cash balances	24	**200,449,448**	294,846,882
		681,811,666	1,001,390,773
Current liabilities			
Trade payables	25	**23,014,397**	—
Other payables and accruals	26	**20,034,768**	16,322,476
Due to a former owner of a subsidiary	28	**—**	50,976,026
Current tax liabilities		**827,965**	—
		43,877,130	67,298,502
Net current assets		**637,934,536**	934,092,271
Total assets less current liabilities		**840,995,167**	1,119,799,665
Non-current liabilities			
Convertible bonds	27	**119,915,250**	206,453,478
Due to a former owner of a subsidiary	28	**—**	16,992,009
Deferred tax liabilities	29	**38,957,118**	39,141,749
		158,872,368	262,587,236
NET ASSETS		**682,122,799**	857,212,429

At 31 December 2012

	Note	2012 HK$	2011 HK$
Capital and reserves			
Share capital	30	26,170,057	26,120,057
Reserves	32	627,593,917	795,759,156
Equity attributable to owners of the Company		653,763,974	821,879,213
Non-controlling interests		28,358,825	35,333,216
TOTAL EQUITY		682,122,799	857,212,429

Approved by the Board of Directors on 21 March 2013.

Chan Nap Kee, Joseph
Director

Chow Pok Yu, Augustine
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company								
	Share capital	**Share premium** *(note 32(c)(i))*	**Foreign currency translation reserve** *(note 32(c)(ii))*	**Share-based payment reserve** *(note 32(c)(iii))*	**Convertible bonds reserve** *(note 3(m))*	**Retained Profits/ (accumulated losses)**	**Total**	**Non-controlling interests**	**Total equity**
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
At 1 January 2011	21,143,838	983,180,536	54,079,316	28,810,221	103,801,327	539,400,222	1,730,415,460	756,351,035	2,486,766,495
Total comprehensive income for the year	—	—	(62,640,547)	—	—	(1,047,710,769)	(1,110,351,316)	22,388,230	(1,087,963,086)
Share-based payments	—	—	—	10,251,000	—	—	10,251,000	—	10,251,000
Share options forfeited	—	—	—	(3,910,462)	—	3,910,462	—	—	—
Issue of shares for acquisition of subsidiaries *(note 30)*	4,228,767	171,265,084	—	—	—	—	175,493,851	—	175,493,851
Issue of shares on exercise of share options *(note 30)*	747,452	20,979,582	—	(5,656,816)	—	—	16,070,218	—	16,070,218
Arising on acquisition of subsidiaries	—	—	—	—	—	—	—	46,304,948	46,304,948
Disposal of a subsidiary	—	—	—	—	—	—	—	(789,710,997)	(789,710,997)
Changes in equity for the year	4,976,219	192,244,666	(62,640,547)	683,722	—	(1,043,800,307)	(908,536,247)	(721,017,819)	(1,629,554,066)
At 31 December 2011 and 1 January 2012	26,120,057	1,175,425,202	(8,561,231)	29,493,943	103,801,327	(504,400,085)	821,879,213	35,333,216	857,212,429
Total comprehensive income for the year	—	—	6,606,480	—	—	(174,200,826)	(167,594,346)	(6,974,391)	(174,568,737)
Share-based payments	—	—	—	949,000	—	—	949,000	—	949,000
Share options forfeited	—	—	—	(5,121,586)	—	5,121,586	—	—	—
Redemption of replacement convertible bonds	—	—	—	—	(2,544,893)	—	(2,544,893)	—	(2,544,893)
Issue of shares on exercise of share options *(note 30)*	50,000	1,392,821	—	(367,821)	—	—	1,075,000	—	1,075,000
Changes in equity for the year	50,000	1,392,821	6,606,480	(4,540,407)	(2,544,893)	(169,079,240)	(168,115,239)	(6,974,391)	(175,089,630)
At 31 December 2012	26,170,057	1,176,818,023	(1,954,751)	24,953,536	101,256,434	(673,479,325)	653,763,974	28,358,825	682,122,799

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 HK$	2011 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(177,355,679)**	(1,059,773,026)
Adjustments for:			
Depreciation		**11,710,589**	7,171,675
Amortisation of intangible assets		**13,415,671**	10,284,297
Allowance for trade receivables		**179,722**	29,102
Impairment of fixed assets		**—**	4,608,388
Impairment of goodwill		**—**	115,955,924
Impairment of intangible assets		**—**	28,720,052
Reversal of contingent consideration for acquisition of subsidiaries		**—**	(10,523,385)
Fair value loss on financial assets at fair value through profit or loss		**621,496**	527,493
Loss on financial assets at fair value through profit or loss		**5,341**	—
Loss/(gain) on disposal of fixed assets		**44,972**	(5,886,766)
Write off of obsolete inventories		**1,395,422**	—
Write off of fixed assets		**94,356**	—
Loss on disposal of a subsidiary		**—**	836,639,147
Equity-settled share-based payments		**949,000**	10,251,000
Finance costs		**33,136,501**	21,286,609
Interest income		**(2,254,725)**	(1,709,671)
Operating loss before working capital changes		**(118,057,334)**	(42,419,161)
Decrease in inventories		**98,745**	1,710,238
Increase in trade and bills receivables		**(62,899,275)**	(12,225,406)
Decrease in deposits, prepayments and other receivables		**292,746,720**	13,934,491
Increase in trade payables		**23,014,397**	—
Increase in other payables and accruals		**3,712,292**	87,658,899
Decrease in deposits received and receipts in advance		**—**	(19,558,990)
Cash generated from operations		**138,615,545**	29,100,071
Interest paid		**(339,016)**	(21,893,550)
Income tax paid		**—**	(5,088,322)
Net cash generated from operating activities		**138,276,529**	2,118,199

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 HK$	2011 HK$
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**2,254,725**	1,709,671
Purchases of fixed assets		**(45,601,912)**	(57,678,192)
Additions of deposits paid for construction in progress		**—**	(105,163,647)
Additions of intangible assets		**(132,112)**	(271,210)
Proceeds from disposal of fixed assets		**2,345,839**	9,235,387
Purchases of available-for-sale financial assets		**—**	(71,173)
Purchases of financial assets at fair value through profit or loss		**(13,409,848)**	(2,077,493)
Net proceeds from financial assets at fair value through profit or loss		**6,448,691**	—
Acquisition of subsidiaries	35(a)	**—**	(19,431,646)
Disposal of a subsidiary	35(b)	**—**	204,069,368
Net cash (used in)/generated from investing activities		**(48,094,617)**	30,321,065
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment on redemption of replacement convertible bonds		**(121,880,606)**	—
Proceeds from shares issued in exercise of share options		**1,075,000**	16,070,218
Repayment of amount due to a former owner of a subsidiary		**(67,968,035)**	—
Repayment of bank loan		**—**	(5,992,542)
Net cash (used in)/generated from financing activities		**(188,773,641)**	10,077,676
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(98,591,729)**	42,516,940
Effect of foreign exchange rate changes		**4,194,295**	9,887,441
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**294,846,882**	242,442,501
CASH AND CASH EQUIVALENTS AT END OF YEAR		**200,449,448**	294,846,882
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**200,449,448**	294,846,882

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 21/F., Chun Wo Commercial Centre, 23-29 Wing Wo Street, Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 34 to the financial statements.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective for its accounting year beginning on 1 January 2012. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with IFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments which are carried at their fair values.

The preparation of financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

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

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination and goodwill *(Continued)*

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (t) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

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 repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of fixed assets is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2%–4.5%
Leasehold improvements	20%–30%
Plant and machinery	9%–20%
Office equipment	15%–25%
Furniture and fixtures	10%–20%
Motor vehicles	10%–30%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Leases

Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Intangible assets

Intangible assets acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at the end of each reporting period.

(g) Discontinued operations

A discontinued operation is a component of the Group, 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 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 in the income statement, which comprises:

— The post-tax profit or loss of the discontinued operations; 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 constituting the discontinued operation.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(j) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(l) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost 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 12 months after the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial liabilities and equity instruments *(Continued)*

Convertible loans

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loans and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as convertible bonds reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of manufactured goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits

(a) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(p) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Related parties

A related party is a person or entity that is related to the Group.

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, deferred tax assets, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value 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 assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(u) Provisions and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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.

Fixed assets and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's fixed assets. This estimate is based on the historical experience of the actual useful lives and residual values of fixed assets of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was HK$Nil after an impairment loss of HK$115,955,924 was recognised during 2011. Details of the impairment loss calculation are provided in note 17 to financial statements.

Impairment of fixed assets and intangible assets

The Group assesses whether there are any indicators of impairment for fixed assets and intangible assets at the end of each reporting period. Fixed assets and intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, the directors must estimate the expected future cash flows from the assets or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of fixed assets and intangible assets at the end of the reporting period were HK$57,099,142 and HK$145,890,652 respectively after impairment losses of HK$4,608,388 and HK$28,720,052 were recognised during 2011 respectively. Details of the impairment losses calculation are provided in note 17 to financial statements.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Fair value of contingent consideration for acquisition of subsidiaries

As mentioned in note 35(a) to the financial statements, the Group was required to pay contingent consideration for acquisition of subsidiaries during the year ended 31 December 2011 upon certain conditions were satisfied. The Group appointed an independent professional valuer to assess the fair values of the contingent consideration. In determining the fair values, the valuer had utilised a method of valuation which involved certain estimates. The directors had exercised their judgement and were satisfied that the method of valuation was reflective of the probability of satisfactory of the conditions and payment of the contingent consideration. If the estimation on the fair value of the contingent consideration was changed, the carrying amount of goodwill as at the acquisition date and the reversal of contingent consideration when the conditions were not satisfied would be affected.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK$, United States dollars ("US$"), Sterling Pound, Renminbi ("RMB") and Tajikistan Somoni ("TJS"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2012, if the HK$ had weakened 0.5 per cent against the US$ with all other variables held constant, consolidated loss after tax for the year would have been HK$2,130,455 (2011: HK$283,766) higher, arising mainly as a result of the foreign exchange loss on amount due to a former owner of a subsidiary and other receivables denominated in US$. If the HK$ had strengthened 0.5 per cent against the US$ with all other variables held constant, consolidated loss after tax for the year would have been HK$2,130,455 (2011: HK$283,766) lower, arising mainly as a result of the foreign exchange gain on amount due to a former owner of a subsidiary and other receivables denominated in US$.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Foreign currency risk *(Continued)*

At 31 December 2012, if the HK$ had weakened 0.5 per cent against the RMB with all other variables held constant, consolidated loss after tax for the year would have been HK$821,889 (2011: HK$3,785,478) lower, arising mainly as a result of the foreign exchange gain on bank and cash balances and other receivables denominated in RMB. If the HK$ had strengthened 0.5 per cent against the RMB with all other variables held constant, consolidated loss after tax for the year would have been HK$821,889 (2011: HK$3,785,478) higher, arising mainly as a result of the foreign exchange loss on bank and cash balances and other receivables denominated in RMB.

(b) Price risk

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 December 2012, if the share prices of the investments increase/decrease by 10%, consolidated loss after tax for the year would have been approximately HK$788,966 (2011: HK$155,000) higher/lower, arising as a result of the fair value gain/loss of the investments.

(c) Credit risk

The carrying amount of the bank and cash balances, trade and other receivables included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year HK$	**Between 1 and 2 years** HK$	**Between 2 and 5 years** HK$	**Over 5 years** HK$
At 31 December 2012				
Trade payables	**23,014,397**	**—**	**—**	**—**
Other payables and accruals	**20,034,768**	**—**	**—**	**—**
Convertible bonds	**128,182,923**	**—**	**—**	**—**
At 31 December 2011				
Other payables and accruals	16,322,476	—	—	—
Convertible bonds	—	250,085,960	—	—
Due to a former owner of a subsidiary	52,462,826	17,657,629	—	—

(e) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits. These deposits bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2012, if interest rates at that date had been 10 basis points lower with all other variables held constant, consolidated loss after tax for the year would have been HK$243,859 (2011: HK$320,387) higher, arising mainly as a result of lower interest income on bank deposits. If interest rates had been 50 basis points higher, with all other variables held constant, consolidated loss after tax for the year would have been HK$1,219,297 (2011: HK$1,601,937) lower, arising mainly as a result of higher interest income on bank deposits.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Categories of financial instruments at 31 December 2012

	2012 HK$	2011 HK$
Financial assets		
Financial assets at fair value through profit or loss designated as such upon initial recognition	7,889,661	1,550,000
Available-for-sale financial assets	70,837	71,173
Loans and receivables (including cash and cash equivalents)	726,626,634	994,430,160
Financial liabilities		
Financial liabilities at amortised cost	162,964,415	290,743,989

(g) Fair values

Except as disclosed in note 19 to the financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

The following disclosures of fair value measurements use a fair value hierarchy which has 3 levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair values *(Continued)*

Disclosures of level in fair value hierarchy at 31 December 2012:

Description	**Fair value measurement using: Level 1 HK$**	**Level 2 HK$**	**Level 3 HK$**	**Total 2012 HK$**
Financial assets at fair value through profit or loss				
Equity investments	**7,889,661**	**—**	**—**	**7,889,661**

Description	Fair value measurement using: Level 1 HK$	Level 2 HK$	Level 3 HK$	Total 2011 HK$
Financial assets at fair value through profit or loss				
Equity investments	1,550,000	—	—	1,550,000

6. TURNOVER

	2012 HK$	2011 HK$
Turnover		
Sales of goods		
— Production and exploitation of coal	**24,364,030**	62,679,667
— Provision of supply chain management services for mineral business	**558,790,232**	—
	583,154,262	62,679,667
Representing:		
Continuing operations	**583,154,262**	6,058,165
Discontinued operations *(note 10)*	**—**	56,621,502
	583,154,262	62,679,667

7. OTHER INCOME

	2012 HK$	2011 HK$
Interest income	**2,254,725**	1,709,671
Gain on disposal of fixed assets	**—**	5,886,766
Reversal of contingent consideration for acquisition of subsidiaries *(note 35(a))*	**—**	10,523,385
Net exchange gain	**5,125,783**	—
Compensation received	**1,170,000**	—
Discount on early settlement of amount due to a former owner of a subsidiary	**3,885,459**	—
Sundry income	**91,095**	203,705
	12,527,062	18,323,527
Representing:		
Continuing operations	**12,527,062**	18,113,303
Discontinued operations *(note 10)*	**—**	210,224
	12,527,062	18,323,527

8. FINANCE COSTS

	2012 HK$	2011 HK$
Interest on bank loans and overdrafts	**—**	21,893,550
Amount capitalised	**—**	(21,893,550)
	—	—
Interest on convertible bonds	**28,533,035**	20,242,313
Interest on amount due to a former owner of a subsidiary	**339,016**	1,044,296
Settlement expenses for redemption of replacement convertible bonds	**4,264,450**	—
	33,136,501	21,286,609
Representing:		
Continuing operations	**33,136,501**	21,286,609

9. INCOME TAX EXPENSE

	2012 **HK$**	2011 HK$
Current tax — Hong Kong profits tax		
Provision for the year	**242,294**	—
Current tax — Overseas		
Provision for the year	**585,671**	—
	827,965	—
Representing:		
Continuing operations	**827,965**	—

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Pursuant to relevant laws and regulations in the People's Republic of China (the "PRC"), the tax rate applicable to the subsidiary in the PRC was 25%.

The reconciliation between the income tax expense and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2012 **HK$**	2011 HK$
Loss before tax	**(177,355,679)**	(1,059,773,026)
Tax at the domestic income tax rate of 16.5%	**(29,263,687)**	(174,862,549)
Tax effect of income that is not taxable	**(91,961,565)**	(5,207,804)
Tax effect of expenses that are not deductible	**118,523,643**	176,548,264
Tax effect of tax loss not recognised	**3,601,998**	3,211,185
Tax effect of utilisation of tax loss not previously recognised	**(229,654)**	—
Effect of different tax rates of subsidiaries operating in other jurisdiction	**157,230**	310,904
Income tax expense	**827,965**	—

10. DISCONTINUED OPERATIONS

Pursuant to an agreement dated 15 June 2011 ("Agreement") entered into between the Group and an independent third party (the "Purchaser"), the Group disposed of its entire 70% equity interest in 內蒙古蒙西礦業有限公司 (Inner Mongolia Mengxi Minerals Limited) ("Mengxi Minerals"). Mengxi Minerals is engaged in exploitation of coal and coal processing in the PRC during the year ended 31 December 2011. The disposal was completed on 22 December 2011 and the Group discontinued its exploitation of coal and coal processing in the PRC.

The loss for the year ended 31 December 2011 from the discontinued operations is analysed as follows:

	2011 HK$
Loss of discontinued operations	(3,635,083)
Loss on disposal of discontinued operations *(note 35(b))*	(836,639,147)
	(840,274,230)

The results of the discontinued operations for the period from 1 January 2011 to 22 December 2011, which have been included in the consolidated profit or loss, are as follows:

	Period from 1 January 2011 to 22 December 2011 HK$
Turnover	56,621,502
Cost of goods sold	(39,357,971)
Gross profit	17,263,531
Other income	210,224
Selling and distribution costs	(149,871)
Administrative and other operating expenses	(20,958,967)
Loss from operations	(3,635,083)
Income tax expense	—
Loss for the period	(3,635,083)

During the year ended 31 December 2011, the disposed subsidiary received approximately HK$61,803,000 in respect of operating activities, paid approximately HK$184,077,000 in respect of investing activities and paid approximately HK$5,993,000 in respect of financing activities.

Pursuant to the Agreement, tax charge arising on loss on disposal of the discontinued operations amounted to RMB45,555,000 was borne by the Purchaser.

11. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2012	2011
	HK$	HK$
Auditor's remuneration		
Current	**2,630,000**	1,915,955
Under-provision for prior year	**200,000**	—
	2,830,000	1,915,955
Cost of inventories sold of supply chain management services for mineral business	**545,421,344**	—
Depreciation	**11,710,589**	7,171,675
Allowance of trade receivables	**179,722**	29,102
Amortisation of intangible assets	**13,415,671**	10,284,297
Fair value loss on financial assets at fair value through profit or loss (designated upon initial recognition)	**621,496**	527,493
Write off of fixed assets	**94,356**	—
Write off of obsolete inventories	**1,395,422**	—
Loss on disposal of financial assets at fair value through profit or loss	**5,341**	—
Loss on disposal of fixed assets	**44,972**	—
Operating lease rentals in respect of land and buildings	**889,200**	995,019
Other equity-settled share-based payments	**—**	1,140,244
Staff costs (including directors' emoluments *(note 12)*)		
Basic salaries, bonuses, allowances and benefits in kind	**42,648,127**	35,498,451
Equity-settled share-based payments	**949,000**	9,110,756
Retirement benefits scheme contributions	**172,260**	450,252
Net exchange (gain)/losses	**(5,125,783)**	2,328,174

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

Name of director	**Fees HK$**	**Salaries, allowances and benefits in kind HK$**	**Discretionary bonus HK$**	**Share-based payments HK$**	**Retirement benefits scheme contributions HK$**	**Total emoluments HK$**
Executive directors						
CHAN Nap Kee, Joseph	**—**	**2,019,690**	**3,000,000**	**—**	**9,750**	**5,029,440**
Dr. CHOW Pok Yu, Augustine	**—**	**1,400,000**	**—**	**—**	**9,750**	**1,409,750**
YANG Yongcheng	**—**	**798,885**	**—**	**—**	**13,750**	**812,635**
LI Hong (resigned on 25 September 2012)	**—**	**1,124,125**	**—**	**—**	**11,000**	**1,135,125**
Independent non-executive directors						
LIEW Swee Yean	**82,500**	**—**	**—**	**—**	**—**	**82,500**
SIU Siu Ling, Robert	**82,500**	**—**	**—**	**—**	**—**	**82,500**
Dr. WONG Yun Kuen	**82,500**	**—**	**—**	**—**	**—**	**82,500**
ANDERSON Brian Ralph	**82,500**	**—**	**—**	**—**	**—**	**82,500**
Total for the year ended 31 December 2012	**330,000**	**5,342,700**	**3,000,000**	**—**	**44,250**	**8,716,950**

Name of director	Fees HK$	Salaries, allowances and benefits in kind HK$	Discretionary bonus HK$	Share-based payments HK$	Retirement benefits scheme contributions HK$	Total emoluments HK$
Executive directors						
CHAN Nap Kee, Joseph	—	1,500,000	—	1,945,639	—	3,445,639
Dr. CHOW Pok Yu, Augustine	—	1,200,000	—	1,945,639	—	3,145,639
YANG Yongcheng	—	782,464	—	766,827	12,000	1,561,291
LI Hong	—	650,403	—	1,945,639	12,000	2,608,042
Independent non-executive directors						
LIEW Swee Yean	60,000	—	—	194,564	—	254,564
SIU Siu Ling, Robert	60,000	—	—	194,564	—	254,564
Dr. WONG Yun Kuen	60,000	—	—	194,564	—	254,564
ANDERSON Brian Ralph	60,000	—	—	194,564	—	254,564
Total for the year ended 31 December 2011	240,000	4,132,867	—	7,382,000	24,000	11,778,867

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2011: HK$Nil).

Nil (2011: 96,266,840) options were granted to directors under the share option scheme during the year.

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2011: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2011: two) individuals are set out below:

	2012 HK$	2011 HK$
Basic salaries, bonuses, allowances and benefits in kind	14,757,808	8,094,615
Retirement benefits scheme contributions	27,000	12,000
	14,784,808	8,106,615

The emoluments of five highest paid individuals (including directors) fell within the following bands:

	2012 HK$	2011 HK$
Nil to HK$1,000,000	—	—
HK$1,000,001 to HK$1,500,000	1	—
HK$2,500,001 to HK$3,000,000	—	1
HK$3,000,001 to HK$3,500,000	1	2
HK$3,500,001 to HK$4,000,000	—	1
HK$4,000,001 to HK$4,500,000	1	1
HK$5,000,001 to HK$5,500,000	1	—
HK$7,500,001 to HK$8,000,000	1	—
	5	5

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDEND

No dividend has been paid or declared by the Company during the year (2011: HK$Nil).

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following:

	2012 HK$	2011 HK$
Loss		
Continuing and discontinued operations		
Loss for the purpose of calculating basic loss per share	(174,200,826)	(1,047,710,769)
Continuing operations		
Loss for the purpose of calculating basic loss per share	(174,200,826)	(208,527,064)

	2012	2011
Number of shares		
Issued ordinary shares at beginning of the year	2,612,005,700	2,114,383,750
Effect of consideration shares issued	—	326,715,736
Effect of exercise of options	4,262,295	7,589,213
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	2,616,267,995	2,448,688,699

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 December 2012.

From discontinued operations

Basic loss per share from the discontinued operations is HK$Nil cents (2011: HK34.27 cents) for the year, based on the loss for the year from discontinued operations attributable to owners of the Company of HK$Nil (2011: HK$839,183,705) and the denominator used is the same as that detailed in the table above for basic loss per share.

15. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,000 per employee (which increased to HK$1,250 per employee with effect from 1 June 2012) and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

16. FIXED ASSETS

	Buildings	Leasehold improvements	Plant and machinery	Office equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Cost								
At 1 January 2011	28,591,282	27,900	14,654,474	1,121,744	19,660	2,881,878	55,017,388	102,314,326
Additions	358,816	—	22,680,803	704,076	—	1,021,322	32,913,175	57,678,192
Disposals	—	—	(4,216,402)	—	—	—	—	(4,216,402)
Acquisition of subsidiaries	10,838,433	—	19,640,216	662,516	—	247,389	—	31,388,554
Disposal of a subsidiary	(30,263,048)	—	(31,959,491)	(1,262,900)	—	(3,682,841)	(91,153,341)	(158,321,621)
Exchange differences	754,678	—	12,253	76,567	—	219,005	3,222,778	4,285,281
At 31 December 2011 and 1 January 2012	10,280,161	27,900	20,811,853	1,302,003	19,660	686,753	—	33,128,330
Additions	10,878,700	577,160	27,336,820	1,639,260	—	5,169,972	—	45,601,912
Disposals	—	—	(2,020,870)	—	—	(464,419)	—	(2,485,289)
Written off	—	—	(48,777)	(154,348)	—	(290,644)	—	(493,769)
Exchange differences	4,403	—	(152,670)	(7,194)	—	(5,781)	—	(161,242)
At 31 December 2012	21,163,264	605,060	45,926,356	2,779,721	19,660	5,095,881	—	75,589,942
Accumulated depreciation and impairment losses								
At 1 January 2011	364,635	12,206	335,385	202,064	8,591	288,822	—	1,211,703
Charges for the year	1,911,824	6,975	4,577,304	323,973	4,915	346,684	—	7,171,675
Disposals	—	—	(867,781)	—	—	—	—	(867,781)
Disposal of a subsidiary	(1,436,735)	—	(2,464,495)	(374,233)	—	(719,392)	—	(4,994,855)
Impairment loss	1,518,508	—	3,089,880	—	—	—	—	4,608,388
Exchange differences	24,878	—	72,532	79,730	—	116,498	—	293,638
At 31 December 2011 and 1 January 2012	2,383,110	19,181	4,742,825	231,534	13,506	32,612	—	7,422,768
Charges for the year	1,362,048	151,265	8,876,780	467,167	4,248	849,081	—	11,710,589
Disposals	—	—	(89,913)	—	—	(11,610)	—	(101,523)
Written off	—	—	(40,263)	(68,506)	—	(290,644)	—	(399,413)
Exchange differences	(43,482)	—	(99,181)	(409)	—	1,451	—	(141,621)
At 31 December 2012	3,701,676	170,446	13,390,248	629,786	17,754	580,890	—	18,490,800
Carrying amount								
At 31 December 2012	17,461,588	434,614	32,536,108	2,149,935	1,906	4,514,991	—	57,099,142
At 31 December 2011	7,897,051	8,719	16,069,028	1,070,469	6,154	654,141	—	25,705,562

17. GOODWILL

	HK$
Cost	
Arising on acquisition of subsidiaries *(note 35(a))* and at 31 December 2011, 1 January 2012 and 31 December 2012	115,955,924
Accumulated impairment losses	
Impairment loss recognised in the year and at 31 December 2011, 1 January 2012 and 31 December 2012	115,955,924
Carrying amount	
At 31 December 2012	—
At 31 December 2011	—

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2012 **HK$**
Production and exploitation of coal and coal processing in the Republic of Tajikistan ("Tajikistan"): Saddleback Mining Limited ("Saddleback")	**115,955,924**

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next 3 to 5 years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's production and exploitation of coal and coal processing activities in Tajikistan is in the range of 27.53% to 28.79%.

17. GOODWILL *(Continued)*

At 31 December 2011, before impairment testing, goodwill of HK$115,955,924 was allocated to Saddleback within the production and exploitation of coal and coal processing in Tajikistan segment. Due to changes in market condition, the Group has revised its cash flow forecasts for this CGU. The goodwill allocated to Saddleback has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of HK$115,955,924 during the year ended 31 December 2011.

At 31 December 2011, after impairment loss of HK$115,955,924 was allocated to goodwill which resulted in its full impairment, further impairment losses of HK$4,608,388 and HK$28,720,052 were allocated to the fixed assets and intangible assets of Saddleback respectively pro rata on the basis of the carrying amount of the fixed assets and intangible assets of Saddleback. The carrying amount of the fixed assets and intangible assets of Saddleback have therefore been reduced to its recoverable amount through recognition of the impairment losses during the year ended 31 December 2011.

18. INTANGIBLE ASSETS

	Mining rights HK$
Cost	
At 1 January 2011	3,199,018,096
Arising on acquisition of subsidiaries *(note 35(a))*	211,808,508
Additions	271,210
Disposal of a subsidiary *(note 35(b))*	(3,353,610,526)
Exchange differences	141,249,629
At 31 December 2011 and 1 January 2012	198,736,917
Additions	132,112
Exchange differences	(970,328)
At 31 December 2012	197,898,701
Accumulated amortisation and impairment losses	
At 1 January 2011	—
Amortisation for the year	10,284,297
Impairment loss	28,720,052
Exchange differences	(198,091)
At 31 December 2011 and 1 January 2012	38,806,258
Amortisation for the year	13,415,671
Exchange differences	(213,880)
At 31 December 2012	52,008,049
Carrying amount	
At 31 December 2012	145,890,652
At 31 December 2011	159,930,659

18. INTANGIBLE ASSETS *(Continued)*

At 31 December 2012 and 31 December 2011, the Group's mining rights are the rights obtained by the Group for production and exploitation of three coal mines located in Tajikistan. The major content of the coal mines are anthracite and bituminous coal. The terms of the mining rights of these coal mines are from August 1997 to September 2018. The mining rights are stated at cost less accumulated amortisation over the term of the mining rights.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012	2011
	HK$	HK$
Unlisted equity securities, at cost	**70,837**	71,173

Unlisted equity securities with carrying amount of HK$70,837 (2011: HK$71,173) was carried at cost as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

20. INVENTORIES

	2012	2011
	HK$	HK$
Raw materials, consumable goods and spare parts	**3,515,189**	4,366,781
Coal	**—**	642,575
	3,515,189	5,009,356

21. TRADE RECEIVABLES

	2012	2011
	HK$	HK$
Trade receivables	**62,853,534**	133,981

The credit terms of trade receivables are in accordance with specific payment schedules agreed with various customers.

21. TRADE RECEIVABLES *(Continued)*

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

	2012 HK$	2011 HK$
0–30 days	60,342,951	—
31–60 days	—	57,011
61–90 days	2,308,042	73,042
Over 90 days	202,541	3,928
	62,853,534	133,981

As at 31 December 2012, an allowance was made for estimated irrecoverable trade receivables of approximately HK$208,824 (2011: HK$29,102).

Reconciliation of allowance of trade receivables:

	2012 HK$	2011 HK$
At 1 January	29,102	—
Allowance for the year	179,722	29,102
At 31 December	208,824	29,102

As of 31 December 2012, trade receivables of HK$2,510,584 (2011: HK$133,981) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An ageing analysis of these trade receivables is as follows:

	2012 HK$	2011 HK$
Up to 3 months	218,043	130,053
Over 3 months	2,292,541	3,928
	2,510,584	133,981

21. TRADE RECEIVABLES *(Continued)*

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2012 HK$	2011 HK$
HK$	**38,608,775**	—
RMB	**710,112**	—
US$	**23,114,064**	—
TJS	**420,583**	133,981
	62,853,534	133,981

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2012 HK$	2011 HK$
Deposits placed with securities brokers	**56,219,818**	51,058,663
Deposits placed with suppliers	**335,935,940**	—
Utilities and other deposits	**361,457**	55,400
Prepayments	**4,720,962**	345,857
Other receivables *(note)*	**9,865,657**	648,390,634
	407,103,834	699,850,554

Note: As at 31 December 2011, included in other receivables was cash receivable for the consideration of disposal of a subsidiary of HK$642,000,000 *(note 35(b))*. The cash receivable was unsecured, interest-free and fully repaid during the year.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 HK$	2011 HK$
Equity securities listed in:		
— Hong Kong at fair value	**4,312,280**	1,550,000
— Canada at fair value	**3,577,381**	—
	7,889,661	1,550,000

The carrying amounts of the above financial assets are designated as fair value through profit or loss on initial recognition and analysed as current assets.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

The investments included above represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

The fair values of listed securities are based on current bid prices.

24. BANK AND CASH BALANCES

As at 31 December 2012, the bank and cash balances of the Group denominated in RMB amounted to HK$109,603,697 (2011: HK$264,701,191).

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

25. TRADE PAYABLES

An ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2012 **HK$**	2011 HK$
0–30 days	**23,014,397**	—

The carrying amounts of the Group's trade payables are denominated in US$.

26. OTHER PAYABLES AND ACCRUALS

	2012 **HK$**	2011 HK$
Accruals	**15,423,566**	2,465,170
Other payables	**4,611,202**	13,857,306
	20,034,768	16,322,476

27. CONVERTIBLE BONDS

On 10 June 2008 the Group issued convertible bonds ("Bonds") with a nominal value of HK$770,000,000 comprising 770 Bonds of HK$1,000,000 each.

27. CONVERTIBLE BONDS *(Continued)*

The Bonds mature on the fifth anniversary from the date of issue of the Bonds (the "Maturity Date"). Under the conditions of the Bonds, each Bond may be converted into a maximum of 1,000,000 new shares (each a "New Share") of the Company ("Conversion Cap"), subject to increase and adjustment in the manner stipulated in the conditions. If upon conversion of the Bond, the number of New Shares required to be issued by the Company would exceed the Conversion Cap, the Bond shall be converted only up to the Conversion Cap, and the unconverted amount of the Bond shall be redeemed by the Company in cash equal to 120% of the unconverted principal amount together with accrued interest ("Conversion Cap Payment"). Subject to the aforesaid, the bondholders have the right to convert the Bonds at any time prior to the Maturity Date into New Shares on and subject to the terms and conditions of the Bonds at the lower of either (a) HK$1.30 per New Share; or (b) 100% of the average of the three lowest closing prices for a share of the Company on the Stock Exchange, or if trading in the shares of the Company is suspended and there is no closing price at the Stock Exchange on a relevant day, the last traded price reported per share on such day, during the 20 trading days period prior to the date of issue of the conversion notice (the "Variable Conversion Price") save that the lowest Variable Conversion Price shall not be less than the nominal value of the shares of the Company (the "Conversion Price"); provided that no conversion right may be exercised, to the extent that following such exercise, a holder of the Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the voting rights in respect of the issued shares of the Company (or in such lower percentage as may from time to time be specified in The Code on Takeovers and Mergers and Share Repurchases ("Takeovers Code") issued by the Securities and Futures Commission of Hong Kong as being the level for triggering a mandatory general offer). Subject to the Conversion Cap, the aggregate principal amount of the Bonds together with the accrued interest shall be automatically converted to New Shares on the Maturity Date at the then prevailing Conversion Price unless such conversion will result in a holder of the Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the voting rights in respect of the issued shares of the Company (or in such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer). Interest of 1 per cent per annum is payable at the time of conversion and redemption of the Bonds. The Company is entitled to cancel and to redeem all the Bonds in whole at any point in time after the third anniversary of the date of issue of the Bonds prior to the Maturity Date at 135% of their principal amount together with accrued interest. Further details of the Bonds are set out in the circular of the Company dated 30 April 2008.

On 20 July 2009 the Company entered an agreement for variation of the terms and conditions of the Bonds ("Variation Agreement") with the bondholders. Under the Variation Agreement, the Company and the bondholders agreed that the conditions of the Bonds be amended in the following manner:

(1) If upon the conversion of the Bonds, Conversion Cap will be exceeded, the Company will be required to issue a convertible bond ("Replacement Bonds") to the converting bondholder in principal amount equal to the Conversion Cap Payment in satisfaction of its obligation to make the Conversion Cap Payment in cash. The Replacement Bonds shall be convertible into ordinary shares of the Company ("Shares") at a fixed conversion price on and subject to the terms and conditions agreed by the Company and the bondholders under the Variation Agreement;

27. CONVERTIBLE BONDS *(Continued)*

(2) The Company shall have no right to require the early cancellation or redemption of any of the Bonds prior to the Maturity Date;

(3) The conversion price of the Bonds shall not be less than the floor price of HK$0.20 per Share (subject to adjustment if there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification); and

(4) Further amendments of editorial nature that are ancillary or consequential to the above, as stipulated in the Variation Agreement.

Further details of the Variation Agreement and Replacement Bonds are set out in the circular of the Company dated 17 August 2009.

The maturity date of the Replacement Bonds is same as the Bonds. The bondholders have the right to convert at any time from issue date up to Maturity Date into Shares at a fixed conversion price at HK$0.70 per Share. The outstanding principal amount of the Replacement Bonds together with the accrued interest (if not paid by cash on redemption at maturity or upon acceleration) shall be automatically converted to Shares upon Maturity Date unless such conversion will result a holder of the Replacement Bonds and parties acting in concert with it, taken together, will directly or indirectly control or be interested in 30% or more of the voting rights in respect of the issued shares of the Company (or in such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or the public float of the shares of the Company will fall below the minimum public float requirements stipulated under the GEM Listing Rules. Interest of 3.75 per cent per annum (compounded annually) is payable (i) in conversion shares on conversion; or (ii) in cash at maturity. The Company has no right to require the early cancellation or redemption of any of the Replacement Bonds prior to the Maturity Date.

On 30 August 2012 the Company entered a deed of variation ("Deed") with the bondholders whereby the Company and the bondholders agreed that the terms and conditions of the Replacement Bonds as currently in force shall be amended so that the Company shall be entitled to cancel and to redeem in cash all the Replacement Bonds at any point in time prior to the Maturity Date at a redemption amount equal to the principal amount of the Replacement Bonds then outstanding together with the interest accrued thereon on the condition that a Bondholder or Bondholders together (or represented by proxy) holding not less than 51% of the aggregate principal amount of the Replacement Bonds then outstanding approve(s) such early redemption in writing or in a Bondholders' meeting. No redemption premium shall be payable by the Company.

	2012 **HK$**	2011 HK$
Beginning of the year	**206,453,478**	186,211,165
Interest charged	**28,533,035**	20,242,313
Replacement Bonds repaid during the year	**(115,071,263)**	—
Liability component at the end of the year	**119,915,250**	206,453,478

27. CONVERTIBLE BONDS *(Continued)*

The interest charged for the year is calculated by applying an average effective interest rate of 12.69 per cent to the liability component for the year.

The directors estimate the fair value of the liability component of the Replacement Bonds at 31 December 2012 to be approximately HK$113,245,000 (2011: HK$202,827,000). This fair value has been calculated by discounting the future cash flows at the market rate.

28. DUE TO A FORMER OWNER OF A SUBSIDIARY

Amount due to a former owner of a subsidiary is denominated in US$, unsecured and interest bearing at 2% per annum and repayable as follow:

	2012 **HK$**	2011 HK$
Within one year	–	50,976,026
In the second year	–	16,992,009
	–	67,968,035

29. DEFERRED TAX

The following are the major deferred tax (liabilities) and assets recognised by the Group.

	Fair value adjustment of mining rights HK$	**Fair value adjustment of fixed assets** HK$	**Total** HK$
At 1 January 2011	(796,400,332)	—	(796,400,332)
Arising on acquisition of subsidiaries	(42,361,702)	589,562	(41,772,140)
Disposal of a subsidiary *(note 35(b))*	832,676,068	—	832,676,068
Exchange differences	(33,608,220)	(37,125)	(33,645,345)
At 31 December 2011 and 1 January 2012	(39,694,186)	552,437	(39,141,749)
Exchange differences	187,237	(2,606)	184,631
At 31 December 2012	(39,506,949)	549,831	(38,957,118)

At the end of the reporting period the Group has unused tax losses of HK$23,462,530 (2011: HK$20,702,024) available for offset against future profits. No deferred tax asset has been recognised in respect of the HK$23,462,530 (2011: HK$20,702,024) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$5,133,327, HK$5,837,734 and HK$12,491,468 that will expire in 2013, 2014 and 2015 (2011: HK$8,211,520, HK$5,063,877 and HK$7,426,627 that will expire in 2012, 2013 and 2014). Other tax losses may be carried forward indefinitely.

30. SHARE CAPITAL

	Number of shares	Amount
		HK$
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 January 2011, 31 December 2011, 1 January 2012 and 31 December 2012	10,000,000,000	100,000,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 January 2011	2,114,383,750	21,143,838
Issue of shares for acquisition of subsidiaries *(note (ii))*	422,876,750	4,228,767
Issue of shares on exercise of share options *(note (i))*	74,745,200	747,452
At 31 December 2011 and 1 January 2012	2,612,005,700	26,120,057
Issue of shares on exercise of share options *(note (i))*	5,000,000	50,000
At 31 December 2012	2,617,005,700	26,170,057

Note:

(i) During the year ended 31 December 2012, 5,000,000 Shares (2011: 74,745,200 Shares) were issued in relation to share options exercised by the employees, executives, officers, directors, business consultants of the Company and the Company's subsidiaries under the share option scheme of the Company at HK$0.215 (2011: HK$0.215) for a total cash consideration of HK$1,075,000 (2011: HK$16,070,218). The excess of the subscription consideration received over the nominal values issued, amounted to HK$1,025,000 (2011: HK$15,322,766), was credited to the share premium account.

(ii) On 15 March 2011 a wholly owned subsidiary of the Company entered a share sale and purchase agreement with an independent third party to acquire the entire issued share capital in Saddleback ("Acquisition"). Part of the consideration of the Acquisition was satisfied by allotting and issuing of 422,876,750 Shares to the vendor. On 25 March 2011, the Company issued 422,876,750 Shares at the then market price of HK$0.415 each resulting in a premium of HK$0.405 per share as part of the settlement of the consideration of the Acquisition.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. 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 payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

30. SHARE CAPITAL *(Continued)*

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, retained profits and other reserves).

	2012 **HK$**	2011 HK$
Total debt	**119,915,250**	274,421,513
Less: cash and cash equivalents	**(200,449,448)**	(294,846,882)
Net debt	**(80,534,198)**	(20,425,369)
Adjusted capital	**682,122,799**	857,212,429
Debt-to-adjusted capital ratio	**N/A**	N/A

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the Shares. The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2012, 90.7% (2011: 75.5%) of the shares were in public hands.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012 HK$	2011 HK$
Fixed assets	13,029	43,265
Investments in subsidiaries	1,622	24
Financial assets at fair value through profit or loss	—	1,550,000
Prepayments and other receivables	57,772,984	51,459,220
Amounts due from subsidiaries	697,194,100	1,005,627,773
Bank and cash balances	5,683,777	16,136,264
Accruals	(5,645,057)	(11,150,631)
Amount due to a subsidiary	(47)	(8)
Convertible bonds	(101,256,434)	(206,453,478)
NET ASSETS	653,763,974	857,212,429
Share capital	26,170,057	26,120,057
Reserves *(note 32(b))*	627,593,917	831,092,372
TOTAL EQUITY	653,763,974	857,212,429

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

32. RESERVES *(Continued)*

(b) Company

	Share premium (note c(i)) HK$	Share-based payment reserve (note c(iii)) HK$	Convertible bonds reserve (note 3(m)) HK$	Accumulated losses HK$	Total HK$
At 1 January 2011	983,180,536	28,810,221	103,801,327	(188,375,815)	927,416,269
Loss for the year	—	—	—	(293,162,747)	(293,162,747)
Share-based payments	—	10,251,000	—	—	10,251,000
Share options forfeited	—	(3,910,462)	—	3,910,462	—
Issue of shares for acquisition of subsidiaries	171,265,084	—	—	—	171,265,084
Issue of shares on exercise of share options	20,979,582	(5,656,816)	—	—	15,322,766
At 31 December 2011 and 1 January 2012	1,175,425,202	29,493,943	103,801,327	(477,628,100)	831,092,372
Loss for the year	—	—	—	(202,927,562)	(202,927,562)
Share-based payments	—	949,000	—	—	949,000
Share options forfeited	—	(5,121,586)	—	5,121,586	—
Redemption of Replacement Bonds	—	—	(2,544,893)	—	(2,544,893)
Issue of shares on exercise of share options	1,392,821	(367,821)	—	—	1,025,000
At 31 December 2012	1,176,818,023	24,953,536	101,256,434	(675,434,076)	627,593,917

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(c) to the financial statements.

(iii) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(p) to the financial statements.

33. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Scheme became effective on 9 December 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

33. SHARE-BASED PAYMENTS *(Continued)*

Details of the specific categories of options are as follows:

	Date of grant	Exercise period	Exercise price HK$
2008	19 February 2008	19 February 2008 — 18 February 2011	0.690
2009A	24 June 2008	24 June 2008 — 23 June 2011	0.780
2009B	8 January 2009	8 January 2009 — 7 January 2012	0.394
2010A	11 August 2009	11 August 2009 — 10 August 2012	0.762
2010B	18 November 2009	18 November 2009 — 17 November 2012	1.184
2010C	9 February 2010	9 February 2010 — 8 February 2013	1.078
2010D	18 October 2010	18 October 2010 — 17 October 2013	0.560
2011	12 August 2011	12 August 2011 — 9 December 2013	0.215
2012	10 April 2012	10 April 2012 — 9 December 2013	0.234

If the options remain unexercised after a period of 3 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	2012		2011	
	Number of share options '000	**Weighted average exercise price HK$**	Number of share options '000	Weighted average exercise price HK$
Outstanding at the beginning of the year	**142,042**	**0.50**	92,858	0.72
Granted during the year	**15,000**	**0.23**	135,267	0.22
Exercised during the year	**(5,000)**	**0.22**	(74,745)	0.22
Forfeited during the year	**(19,175)**	**0.45**	(11,338)	0.77
Outstanding at the end of the year	**132,867**	**0.49**	142,042	0.50
Exercisable at the end of the year	**132,867**	**0.49**	142,042	0.50

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.27 (2011: HK$0.40). The options outstanding at the end of the year have a weighted average remaining contractual life of 0.8 years (2011: 1.6 years) and the exercise prices ranged from HK$0.215 to HK$1.184 (2011: HK$0.215 to HK$1.184). For the year ended 31 December 2012, options were granted on 10 April 2012. The estimated fair value of the options on that date is HK$949,000. For the year ended 31 December 2011, options were granted on 12 August 2011. The estimated fair values of the options on this date is HK$10,251,000.

33. SHARE-BASED PAYMENTS *(Continued)*

These fair values were calculated using the Trinomial model. The inputs into the model were as follows:

	2012	2011
Valuation model	**Trinomial model**	Trinomial model
Weighted average share price	**HK$0.233**	HK$0.209
Weighted average exercise price	**HK$0.234**	HK$0.215
Expected volatility	**54.616%**	65.202%
Expected life	**1.66 years**	2.33 years
Risk free rate	**0.202%**	0.176%
Expected dividend yield	**Nil**	Nil

Expected volatility was determined by calculating the historical volatility of the Company's share price over 1.66 years and 2.33 years for 2012 and 2011 respectively. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Share options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

34. SUBSIDIARIES

Particulars of subsidiaries as at 31 December 2012 are as follows:

Name	**Place of incorporation/ registration and operation**	**Issued and paid up capital/ chartered fund**	**Attributable equity interest**	**Principal activities**
Directly held				
Coastal Kingfold Finance Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Kaisun Energy Corporation	British West Indies	US$1 Ordinary	100%	Investment holding
Wealth Platinum Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Kaisun Energy Management Ltd	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Main Logic International Ltd	British West Indies	US$1 Ordinary	100%	Investment holding
Active Million Holdings Limited#	British Virgin Islands	US$1 Ordinary	100%	Investment holding

34. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and paid up capital/ chartered fund	Attributable equity interest	Principal activities
Directly held *(Continued)*				
Better Business International Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
First Progressive Asia Limited	British Virgin Islands	US$100 Ordinary	100%	Investment holding
Alpha Vision Energy Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Union Peace Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Kingdom Expo Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Max Premium Group Limited	British Virgin Islands	US$100 Ordinary	100%	Investment holding
Indirectly held				
West Glory Development Limited*	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Imare Company Limited	British Virgin Islands	US$50,000 Ordinary	100%	Investment holding
Joy Harvest Holdings Limited	Hong Kong	HK$1,000 Ordinary	100%	In liquidation
Saddleback Mining Limited*	United Kingdom	GBP100 Ordinary	100%	Investment holding
Kaisun Mining Corporation LLC (formerly known as Saddleback Gold Corporation LLC)*	Tajikistan	TJS70,000	100%	Investment holding
Kaisun Energy Trading Limited	Hong Kong	HK$10,000 Ordinary	100%	Provision of supply chain management services
Essential Win Limited*	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Sangghalt LLC	Tajikistan	TJS109,800	95.63%	Production and exploitation of coal and coal processing
Vuromun LLC	Tajikistan	TJS105,263	95%	Production and exploitation of coal and coal processing
Kamarob LLC*	Tajikistan	TJS4,500,000 (TJS2,000,000 paid-up)	52%	Production and exploitation of coal and coal processing
Rovat LLC	Tajikistan	TJS1,600	100%	Preparation for production of coal
West Glory Resources LLC	Tajikistan	TJS10,000	100%	Inactive
Golden Fortress Group Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding

34. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and paid up capital/ chartered fund	Attributable equity interest	Principal activities
Indirectly held *(Continued)*				
喀什凱順國際貿易有限公司	PRC	Paid up capital RMB2,000,000	100%	Not yet commence business
新疆凱運國際貿易有限公司	PRC	Paid up capital RMB10,000,000	100%	Not yet commence business
深圳凱順鴻欣貿易有限公司 (“Shenzhen Kaisun Joy Harvest Trading Limited”)	PRC	Paid up capital RMB500,000	100%	Provision of supply chain management services

* On 19 December 2012, the Group entered into a conditional sale and purchase agreement (“Conditional Agreement”) with an independent third party (“Buyer”) to sale the entire equity interests of a group of subsidiaries. According to the Conditional Agreement, the completion of the Conditional Agreement shall be conditional upon fulfillment of the certain terms and conditions. If the conditions precedent have not been fulfilled or waived on or before 3 p.m. on 31 December 2013, the Conditional Agreement shall automatically terminate.

\# According to the Conditional Agreement, a charge of the entire issued capital of Active Million Holdings Limited has been created in favour of the Buyer as security for the Group’s contingent obligations as set out in the Conditional Agreement upon its termination to refund the deposit to the Buyer subject to and in accordance with the terms of the Conditional Agreement.

35. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

On 15 March 2011, the Group entered into an agreement to acquire the entire issued capital of Saddleback at a consideration of US$22,433,089 (“Saddleback Agreement”). Saddleback was engaged in investment holding and its subsidiaries were engaged in investment holding, production and exploitation of coal and coal processing during the year 2011. The acquisition was completed on 25 March 2011 (“Completion Date”).

Acquisition-related costs of approximately HK$7,748,000 are accounted for as expenses in that year.

35. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

The fair value of the identifiable assets and liabilities of Saddleback acquired as at its date of acquisition is as follows:

	Carrying amount HK$	Fair value adjustment HK$	Fair value HK$
Net assets acquired:			
Goodwill	20,514,996	(20,514,996)	—
Fixed assets	34,336,364	(2,947,810)	31,388,554
Intangible assets	—	211,808,508	211,808,508
Inventories	6,674,720	—	6,674,720
Trade and other receivables	41,168	—	41,168
Deposits, prepayments and other receivables	503,330	—	503,330
Bank and cash balances	68,354	—	68,354
Other payables and accruals	(3,961,864)	—	(3,961,864)
Current tax liabilities	(469,815)	—	(469,815)
Deferred tax liabilities	—	(41,772,140)	(41,772,140)
Due to former owner	(68,414,555)	—	(68,414,555)
			135,866,260
Non-controlling interests			(46,304,948)
Goodwill			115,955,924
			205,517,236
Satisfied by:			
Cash paid for investment cost			19,500,000
Share capital issued as partial consideration *(note 30)*			175,493,851
Contingent consideration *(note)*			10,523,385
			205,517,236
Net cash outflow arising on acquisition:			
Cash paid for investment cost			(19,500,000)
Cash and cash equivalents acquired			68,354
			(19,431,646)

35. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

Note: According to Saddleback Agreement, if Rovat LLC, a wholly owned subsidiary of the Group, could obtain all requisite documents proving the valid grant by the competent Tajik Government Agency of coking coal and/or thermal coal mining rights at a coal deposit in Tajikistan after 9 months from the Completion Date ("Trigger Condition"), the Group is required to pay the contingent consideration of US$1,500,000 to the former owner of Saddleback and US$1,200,000 to the founder of Rovat LLC. As the Trigger Condition has not been satisfied, no contingent consideration was paid to the former owner of Saddleback and the founder of Rovat LLC.

The fair value of the 422,876,750 Shares issued as part of the consideration paid was determined on the basis of the closing market price of the Company's ordinary shares on the acquisition date.

The goodwill arising on the acquisition of Saddleback is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Saddleback contributed approximately HK$6,058,000 and HK$17,711,000 to the Group's turnover and loss for the year ended 31 December 2011 respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2011, total Group turnover for the year ended 31 December 2011 would have been approximately HK$62,852,000, and loss for the year ended 31 December 2011 would have been HK$1,064,140,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

(b) Disposal of a subsidiary

As referred in note 10 to the financial statements, on 22 December 2011 the Group discontinued its exploitation of coal and coal processing business in the PRC at the time of the disposal of its subsidiary, Mengxi Minerals.

35. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Disposal of a subsidiary *(Continued)*

Net assets at the date of disposal were as follows:

	HK$
Fixed assets	153,326,766
Intangibles assets	3,353,610,526
Deposits paid for construction in progress	348,765,122
Inventories	97,297
Trade receivables	42,674,043
Deposits, prepayments and other receivables	3,919,653
Current tax assets	1,626,592
Bank and cash balances	31,986,134
Other payables and accruals	(108,254,336)
Amount due to former immediate parent	(1,448,739)
Bank loan	(361,257,000)
Deferred tax liabilities	(832,676,068)
Net assets disposed of:	2,632,369,990
Release of foreign currency translation reserve	(134,413,083)
Non-controlling interests	(789,710,997)
Direct cost to the disposal	98,944,498
Waiver of amount due to former immediate parent	1,448,739
Loss on disposal of a subsidiary	(836,639,147)
Total consideration	972,000,000
Cash receivable under deposits, prepayments and other receivables *(note 22)*	(642,000,000)
Direct cost to the disposal payable under other payables and accruals	5,000,000
	335,000,000
Net cash inflow arising on disposal:	
Cash consideration received	330,000,000
Cash paid for direct cost	(93,944,498)
Cash and cash equivalents disposed of	(31,986,134)
	204,069,368

36. CONTINGENT LIABILITIES

At 31 December 2012, the Group did not have any significant contingent liabilities.

37. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2012	2011
	HK$	HK$
Fixed assets		
Contracted but not provided for	**–**	—

38. LEASE COMMITMENTS

At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2012	2011
	HK$	HK$
Within one year	**324,817**	1,069,538

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of 1 to 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

39. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year.

	2012	2011
	HK$	HK$
Consultancy fee paid to Oriental Patron Asia Limited	**–**	500,000
Interest on Bonds and Replacement Bonds charged by Pacific Top Holding Limited and Profit Raider Investments Limited	**28,533,035**	20,242,313

Pacific Top Holding Limited and Profit Raider Investments Limited are shareholders of the Company and are beneficially owned by ZHANG Gaobo and ZHANG Zhi Ping. Oriental Patron Asia Limited is beneficially owned by ZHANG Gaobo and ZHANG Zhi Ping.

40. SEGMENT INFORMATION

The Group has two reportable segments which are production and exploitation of coal in Tajikistan and provision of supply chain management services for mineral business for the year.

The Group has two reportable segments which are production and exploitation of coal in the PRC and in Tajikistan for the year ended 31 December 2011. The exploitation of the coal in the PRC was discontinued during the year 2011.

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

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements. Segment profits or losses do not include dividend income and gains or losses from investments and derivative instruments. Segment assets do not include amounts due from related parties, investments and derivative instruments. Segment liabilities do not include convertible bonds and derivative instruments. Segment non-current assets do not include financial instruments and deferred tax assets.

Information about reportable segment profit or loss, assets and liabilities:

	Provision of supply chain management services for mineral business HK$	Production and exploitation of coal in Tajikistan HK$	Total HK$
Year ended 31 December 2012			
Revenue from external customers	558,790,232	24,364,030	583,154,262
Segment loss	1,509,348	(52,341,265)	(50,831,917)
Interest revenue	2,309	—	2,309
Depreciation and amortisation	189,998	24,739,188	24,929,186
Income tax expense	242,294	585,671	827,965
Additions to segment non-current assets	759,990	39,541,879	40,301,869
As at 31 December 2012			
Segment assets	454,730,099	191,726,116	646,456,215
Segment liabilities	26,108,668	4,954,579	31,063,247

40. SEGMENT INFORMATION *(Continued)*

Information about reportable segment profit or loss, assets and liabilities: *(Continued)*

	Discontinued operation		
	Exploitation of coal in the PRC	Production and exploitation of coal in Tajikistan	Total
	HK$	HK$	HK$
Year ended 31 December 2011			
Revenue from external customers	56,621,502	6,058,165	62,679,667
Segment loss	(3,635,083)	(17,710,924)	(21,346,007)
Interest revenue	188,730	—	188,730
Depreciation and amortisation	3,535,054	13,805,170	17,340,224
Income tax expense	—	—	—
Additions to segment non-current assets	50,221,548	7,718,560	57,940,108
As at 31 December 2011			
Segment assets	—	197,602,827	197,602,827
Segment liabilities	—	73,139,880	73,139,880

40. SEGMENT INFORMATION *(Continued)*

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

	2012 HK$	2011 HK$
Revenue		
Total revenue of reportable segments	583,154,262	62,679,667
Elimination of discontinued operations	–	(56,621,502)
Consolidated revenue	583,154,262	6,058,165
Profit or loss		
Total profit or loss of reportable segments	(50,831,917)	(21,346,007)
Impairment loss on fixed assets	–	(4,608,388)
Impairment loss on goodwill	–	(115,955,924)
Impairment loss on intangible assets	–	(28,720,052)
Loss on disposal of a subsidiary	–	(836,639,147)
Unallocated corporate income	5,828,824	12,122,439
Unallocated corporate expense	(133,180,551)	(64,625,947)
Elimination of discontinued operations	–	840,274,230
Consolidated loss for the year from continuing operations	(178,183,644)	(219,498,796)
Assets		
Total assets of reportable segments	646,456,215	197,602,827
Available-for-sale financial assets	70,837	71,173
Financial assets at fair value through profit or loss	7,889,661	1,550,000
Unallocated corporate assets	230,455,584	987,874,167
Consolidated total assets	884,872,297	1,187,098,167
Liabilities		
Total liabilities of reportable segments	31,063,247	73,139,880
Convertible bonds	119,915,250	206,453,478
Deferred tax liabilities	38,957,118	39,141,749
Unallocated corporate liabilities	12,813,883	11,150,631
Consolidated total liabilities	202,749,498	329,885,738

40. SEGMENT INFORMATION *(Continued)*

Geographical information:

Revenue

	2012 HK$	2011 HK$
Tajikistan	**24,364,030**	6,058,165
Hong Kong	**307,347,016**	—
The PRC except Hong Kong	**103,986,672**	56,621,502
Brunei	**147,456,544**	—
Discontinued operations	**—**	(56,621,502)
Consolidated total	**583,154,262**	6,058,165

Non-current assets

	2012 HK$	2011 HK$
Hong Kong	**583,022**	43,265
Tajikistan	**195,952,257**	185,664,129
The PRC except Hong Kong	**6,525,352**	—
Consolidated total	**203,060,631**	185,707,394

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

40. SEGMENT INFORMATION *(Continued)*

Revenue from major customers:

	2012 HK$	2011 HK$
Provision of supply chain management services for mineral business		
Customer a	234,309,466	—
Customer b	89,088,512	—
Customer c	73,037,550	—
Exploitation of coal in the PRC (discontinued operations):		
Customer d	—	18,416,786
Customer e	—	21,434,350
Customer f	—	16,256,947

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 21 March 2013.