CHINA YUNNAN TIN MINERALS GROUP COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code:263)

2009 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Gao Wenxiang *(Chairman)*
Chen Shuda
Ng Shin Kwan, Christine
Lee Jalen
Cao Jian An

Independent Non-executive Directors

Sun Ka Ziang, Henry
Kwok Ming Fai
Wong Yun Kuen

AUDIT COMMITTEE

Sun Ka Ziang, Henry *(Chairman)*
Kwok Ming Fai
Wong Yun Kuen

REMUNERATION COMMITTEE

Kwok Ming Fai *(Chairman)*
Sun Ka Ziang, Henry
Wong Yun Kuen

COMPANY SECRETARY

Ting Kin Wai

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock code: 263)

REGISTERED OFFICE

Units 2502-5, 25th Floor
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd., Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
Standard Bank Asia Limited
The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Agricultural Bank of China, Yangshan Branch

PRINCIPAL LEGAL ADVISERS

Richards Butler
P.C. Woo & Co.
Tsang, Chan & Wong

AUDITORS

Pan-China (H.K.) CPA Limited
Certified Public Accountants

SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Secretaries Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE

www.cytmg.com

Chairman's Statement

BUSINESS REVIEW AND PROSPECTS

For 2009, the Group recorded a loss attributable to the Company's owners of HK$70,177,000 and the loss per share was 1.79 HK cents. When compared to the profitable results in 2008, the Group's performance worsened in 2009 mainly as a result of the significant unrealised loss incurred by the Group's securities investment operation. Such loss was largely attributable to the decline in market prices of various investments in listed securities in the second half of 2009. These securities investments were held by the Group for strategic investment purposes, management of the Group believe that such decline in prices was substantially triggered by short term market fluctuations and are confident that they will improve in the medium to long term.

Despite the loss incurred by the securities investment operation, the other two major operations of the Group, namely the trading and financing operations, continued to contribute profitable results to the Group in 2009. In terms of the turnover of the Group, it dropped by 90% to HK$67,988,000 (2008: HK$665,901,000) as compared to 2008. This is primarily attributable to the significant drop in turnover from the trading operation by 97% to HK$18,261,000 (2008: HK$618,585,000) as a result of the decrease in demand of iron ore from the Group's major customers following the outbreak of the global financial crisis in the last quarter of 2008. For similar reasons, the gross profit of the Group also decreased by 21% to HK$44,753,000 (2008: HK$56,347,000) owing principally to the lower activities of the trading operation during the year. Turnover from the financing operation also dropped for the year, contributing HK$34,334,000 (2008: HK$41,604,000) to the Group's turnover in 2009. As for the Group's Shanghai-based jointly controlled department store continued to yield profitable results to the Group amounting to HK$11,781,000 (2008: HK$12,799,000), which represents a slight decrease of 8% as compared to the previous year due mainly to the slowdown of consumer spending in Shanghai.

The Group intends to further develop its mineral related business. Through the identification, evaluation and acquisition of strategic interests in quality mineral assets (either by way of direct investment in, and support of, mineral resources corporation or by direct investment in mineral projects), the Group intends to build an extensive mineral assets portfolio for long term investment.

In September 2009, the Group completed the acquisition of the entire interest in Union Bless Limited, which effectively owned 100% interest in the mining right of a mixed metals mine located in Guangdong Province, the People's Republic of China. The mixed metals mine mainly contains iron ore resources. Such acquisition is in line with the Group's expansion strategy to broaden its revenue stream through diversification into the mineral sector which the Group believes to have a promising prospect.

Chairman's Statement

In 2009, the Company conducted several fund raising exercises through the placement of a total of 1,421 million new shares to investors to broaden the capital base of the Company and to provide extra financial flexibility for the Group's future business development. Total proceeds of approximately HK$316 million were raised as a result of these fund raising exercises in 2009.

Looking forward, although there are signs of recovery in the global economy, the Group's management will continue to adopt a prudent approach in its business. It is expected that the Group's newly acquired mineral business will enhance the Group's revenue and contribute positively to the Group's performance in the coming years. Management of the Group will continue to explore and evaluate new businesses and investment opportunities which could be of good potential or of long term benefit to the Group. Negotiations with respect to these possible acquisitions are at a preliminary stage and no final terms and conditions have been concluded. Further announcement will be made by the Group in compliance with the requirements of the Listing Rules.

It has been the intention of the Company to allot and issue new shares and/or convertible debt securities of the Company which may be used for additional working capital of the Group and/or to satisfy part or all of the consideration for the potential acquisitions mentioned above, should they materialise. As and when considered to be appropriate, the Company may consider raising further funds by means of rights issues and/or open offers and/or otherwise as may be considered to be effective and appropriate. Further announcement will be made in respect thereof as and when required by the Listing Rules.

APPRECIATION

I would like to take this opportunity to thank all our shareholders, investors, bankers, business associates and customers for their continuous support to the Group, and to my fellow directors and all staff members for their hard work and contributions over the past year.

Gao Wenxiang
Chairman
Hong Kong, 19th April, 2010

Management Discussion and Analysis

OPERATIONS REVIEW

For the year ended 31st December, 2009, the Group continued to engage in the businesses of trading, provision of finance as well as brokerage and securities investment. In addition, the Group's minerals operation also commenced during the year. The turnover of the Group was down by 90% to HK$67,988,000 (2008: HK$665,901,000) and the gross profit also decreased by 21% to HK$44,753,000 (2008: HK$56,347,000). Such declines were mainly attributable to the lower trading volume of the Group's trading operation during the year.

Group's Operations

During the year, the Group's trading operation continued to focus on trading of iron ore. The turnover of the operation decreased by 97% to HK$18,261,000 (2008: HK$618,585,000) with operating profit decreased by 98% to HK$208,000 (2008: HK$9,778,000). These significant declines were primarily due to a much lower volume of iron ore being traded as a result of the drop in demand of iron ore from the Group's major customers following the outbreak of the global financial turmoil in late 2008.

The interest income and operating profit generated by the financing operation were down by 17% and 28% to HK$34,334,000 (2008: HK$41,604,000) and HK$34,206,000 (2008: HK$47,761,000) respectively. Such decreases were mainly attributable to the lower average balance of loans advanced to customers compared to 2008 and the inclusion of a one-off reversal of impairment loss on a loan of HK$5,692,000 in 2008. It is the Group's policy to regularly review the composition of the loan portfolio and lending rates charged in order to maximise the return of the operation.

The turnover of the brokerage and securities investment operation, being mainly the commission income of the Group's securities brokerage division, increased by 1.3 times to HK$13,016,000 (2008: HK$5,712,000). Such sharp increase was primarily contributed by the higher transaction volume of its securities brokerage activities and commission income received for participation in fund raising activities of clients. Despite the growth in the commission income and operating profit from the securities brokerage division, the overall performance of the operation deteriorated in 2009 posting a loss of HK$71,821,000 (2008: HK$19,011,000). The loss incurred for the operation was primarily attributable to the net loss on investment in securities during the year amounting to HK$78,656,000 (2008: HK$10,351,000), resulting mainly from the decline in securities prices for various investments in listed securities in the second half of 2009. As of the end of the reporting period, the market value of the Group's listed securities portfolio was HK$199,359,000 (2008: HK$51,571,000).

Management Discussion and Analysis

New Acquisition

In September 2009, the Group completed the acquisition (the "Acquisition") of the entire interest in Union Bless Limited, an investment holding company which effectively holds the entire interest in the mining right of a mixed metals mine (the "Mine") located in Guangdong Province in the People's Republic of China (the "PRC"). The mineral reserve of the Mine comprises mainly iron ore resources with small amounts of copper, lead and tin resources. During the year, the Mine contributed a turnover to the Group's minerals operation amounting to HK$2,377,000, being the income from the sales of iron ore extracted from the Mine. As commercial operation of the Mine commenced shortly before the financial year end, the minerals operation recorded a loss of HK$2,174,000 principally due to administrative expenses incurred since the completion of the Acquisition. In light of the recent increase of iron ore prices in the market, management is in the course of determining the optimal level of production for the Mine, as well as the consideration for the need of expanding the production capacity in accordance with prevailing market conditions. It is expected that the operation of the Mine would contribute positively to the Group's performance in the coming years.

Jointly Controlled Entity

Shanghai Hong Qiao Friendship Shopping Center Co., Ltd. ("Hong Qiao"), the Group's 30% owned jointly controlled entity, continued to deliver profitable results in 2009. Hong Qiao operates an upmarket department store in Shanghai, the PRC. Owing to the slowdown of consumer spending in Shanghai, the turnover of Hong Qiao dropped by 11% to HK$615,201,000 (2008: HK$687,466,000) for the year and the Group's share of profit of Hong Qiao also declined by 8% to HK$11,781,000 (2008: HK$12,799,000). Nonetheless, in light of the high income level and strong consumer spending of the Shanghai population, the Group remains optimistic about the results of Hong Qiao in the coming years.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 31st December, 2009, the Group had current assets of HK$793,469,000 (2008: HK$1,111,256,000) and liquid assets comprising bank balances and marketable Hong Kong listed securities totaling HK$442,719,000 (excluding pledged bank deposit and bank balances held under segregated trust accounts) (2008: HK$148,481,000). The Group's current ratio, calculated on the basis of current assets of HK$793,469,000 over current liabilities of HK$34,709,000 was at strong level of 22.9 (2008: 21.7). The Group had no bank and other borrowings (2008: nil) but a finance lease obligation of HK$958,000 (2008: HK$1,581,000) at the end of the reporting period.

Management Discussion and Analysis

The Group issued a total of 1,850 million new shares during the year as a result of placements of shares to investors and conversion of convertible notes issued as part of the consideration for the Acquisition. At the end of the reporting period, the equity attributable to Company's equity owners amounting to HK$1,433,183,000 (2008: HK$1,123,122,000), representing an increase of 28% compared to 2008, and it is equivalent to a consolidated net asset value of about HK$0.29 per share of the Company (2008: HK$0.36 per share). As at 31st December, 2009, the Group's gearing ratio calculated on the basis of finance lease obligation of HK$958,000 over total assets of HK$1,625,339,000 was at low level of 0.1% (2008: 0.1%).

Foreign Currency Management

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, Renminbi, US dollars and Australian dollars. The Group maintains a prudent strategy in its foreign currency risk management, to a large extent, foreign exchange risks are minimised via balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. In light of the above, it is considered that the Group's exposure to foreign exchange risks is not significant and no hedging measure has been undertaken by the Group.

Pledge of Asset

At 31st December, 2009, a fixed asset of carrying amount of HK$1,908,000 was pledged as security for the Group's finance lease obligation.

Capital Commitment

At 31st December, 2009, the Group had no significant capital commitment.

Contingent Liability

A subsidiary of the Company principally engaged in securities brokerage may be subject to a maximum penalty of HK$10,000,000 to the enforcement agency in relation to certain allegedly irregular transactions conducted by a former employee of the subsidiary. The matters are currently under investigation by the enforcement agency. As the ultimate outcome of the matters cannot be reasonably predicted, the maximum penalty of HK$10,000,000 is considered as a contingent liability of the Group.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICY

At 31st December, 2009, the Group had about 74 employees including executive directors. Total staff costs incurred during the year (including directors' remuneration) was HK$14,144,000 and decreased by 23% when compared to HK$18,268,000 in 2008. The decrease in staff costs was mainly due to reduction in discretionary bonus paid to employees during the year. The Group generally remunerates its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Benefits offered by the Group to its employees included discretionary bonus, mandatory provident fund scheme, share options, training subsidies as well as medical insurance.

Biographical Details of Directors and Senior Management

DIRECTORS

Dr. Gao Wenxiang, aged 47, has been Executive Director of the Company since May 2008 and was appointed as Chairman of the Company in September 2009. Dr. Gao has over 20 years experience as a senior mining engineer in the People's Republic of China (the "PRC"). He graduated as a Master of Mining Engineering from the Mining Academy of Kunming University of Science and Technology and holds a doctoral degree of Mining from the Resources and Safety Engineering Academy of South Central University in the PRC. Dr. Gao's professional associations include Vice-Chairman of the Nonferrous Geology Association of China and Vice-Chairman of the Geology Education Association of China. Dr. Gao is also the Chairman of YTC Resources Limited, a company whose shares are listed on the Australian Securities Exchange, the Vice-Chairman of Yunnan Tin Co., Ltd., a company whose shares are listed on the Shenzhen Stock Exchange and the General Manager and Vice-Chairman of 雲南錫業集團（控股）有限責任公司 (literally translated as Yunnan Tin Group (Holding) Co Limited) ("Yunnan Tin Group"). Yunnan Tin Group is a major producer of non-ferrous metals and is the world's largest producer of tin and tin products. Yunnan Tin Group is a strategic shareholder of the Company and is effectively interested in 200,000,000 shares of the Company, representing approximately 4% of the issued share capital of the Company as at the date of this annual report.

Mr. Chen Shuda, aged 39, has been Executive Director of the Company since May 2008. Mr. Chen has extensive corporate management experience in property, hotel and industrial businesses in the PRC. Mr. Chen graduated from 軍事經濟學院 (literally translated as Military Economics Academy) in the PRC and specialised in financial management. Mr. Chen is a substantial shareholder of the Company as disclosed in the section headed "Interests of Shareholders Discloseable under the SFO" in the Directors' Report.

Ms. Ng Shin Kwan, Christine, aged 41, has been Executive Director of the Company since August 2007. Ms. Ng holds a Bachelor of Economics degree from University of Sydney in Australia and has over 10 years of experience in business development, corporate management and investment fields and held executive positions in various investment and securities companies. Ms. Ng is also a director of YTC Resources Limited, a company whose shares are listed on the Australian Securities Exchange.

Mr. Lee Jalen, aged 46, has been Executive Director of the Company since January 2010. He has extensive experience in mineral trading and corporate management and development in the PRC and had worked as a consultant of a subsidiary of the Company for providing consultancy services for its mining business in the PRC.

Mr. Cao Jian An, aged 41, has been Executive Director of the Company since September 2002. He graduated from Northwestern Polytechnical University in the PRC and has over 10 years of experience in sales and marketing of pharmaceutical products. Prior to joining the Company, Mr. Cao held senior executive positions in various pharmaceutical companies in the United States and the PRC.

Biographical Details of Directors and Senior Management

Mr. Sun Ka Ziang, Henry, aged 52, has been Independent Non-executive Director of the Company since July 2002. He possesses over 20 years of experience in international finance, corporate finance, corporate planning, financial management and accounting and held executive positions at several international banks, accounting firm, the Hong Kong Airport Authority and an information technology company. Mr. Sun obtained a Bachelor Degree in Economics from Monash University in Australia. He is a member of CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Sun is also an independent non-executive director of Zhongda International Holdings Limited, a listed company in Hong Kong.

Mr. Kwok Ming Fai, aged 45, has been Independent Non-executive Director of the Company since July 2002. He has over 15 years of experience in banking, finance and accounting and held executive positions at several international financial institutions, accounting firm and listed companies. Mr. Kwok obtained his Bachelor Degree in Accounting & Economics from the University of Sheffield in the United Kingdom and a Master Degree in Business Administration from the University of Adelaide in Australia. He is a member of CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwok is also an executive director of Zhongda International Holdings Limited, and independent non-executive directors of Incutech Investments Limited and Sewco International Holdings Limited, all these companies are listed companies in Hong Kong.

Dr. Wong Yun Kuen, aged 52, has been Independent Non-executive Director of the Company since September 2004. Dr. Wong received a Ph.D. Degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for more than 10 years, and has considerable experience in corporate finance, investment and derivative products. He is a member of Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited, the chairman and executive director of Green Energy Group Limited, and the independent non-executive director of Bauhaus International (Holdings) Limited, China E-Learning Group Limited, China Grand Forestry Green Resources Group Limited, Climax International Company Limited, Golden Resorts Group Limited, Harmony Asset Limited, Hua Yi Copper Holdings Limited, Kaisun Energy Group Limited, Kong Sun Holdings Limited, Superb Summit International Timber Company Limited and ZMAY Holdings Limited. Dr. Wong was also an independent non-executive director of Grand Field Group Holdings Limited from September 2004 to September 2009. All the companies mentioned above are listed companies in Hong Kong and in which Harmony Asset Limited is also a company listed on Toronto Stock Exchange.

SENIOR MANAGEMENT

Mr. Ting Kin Wai, aged 30, joined the Company in July 2008. Mr. Ting was appointed as Qualified Accountant of the Company in November 2008 and appointed as Company Secretary of the Company in January 2010. Mr. Ting holds a Bachelor of Business Administration degree from the Chinese University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Ting has extensive experience in finance and accounting and had worked at a reputable accountancy firm and a listed company in Hong Kong.

Directors' Report

The directors of the Company present their annual report and the audited consolidated financial statements for the year ended 31st December, 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and jointly controlled entity are set out in notes 14 and 15 to the consolidated financial statements, respectively.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31st December, 2009 are set out in the consolidated income statement on page 28 of this annual report.

The Company had no distributable reserve at 31st December, 2009 and the directors of the Company do not recommend the payment of a final dividend for the year ended 31st December, 2009 (2008: nil).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 31 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 33 to 34 of this annual report and in note 32 to the consolidated financial statements, respectively.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment totally HK$7,319,000 for the purpose of expanding the Group's operation.

Details of this and other movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

Directors' Report

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated and reclassified as appropriate, is set out on page 110 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers and the largest customer accounted for approximately 51% and 27% of the Group's total turnover for the year, respectively.

The five largest suppliers and the largest supplier accounted for approximately 97% and 87% of the Group's total purchases for the year, respectively.

None of the directors of the Company, any of their associates or any shareholders (which, to the best knowledge of the directors, owns more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers or five largest suppliers.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Gao Wenxiang (appointed as Chairman on 16th September, 2009)
Chen Shuda
Ng Shin Kwan, Christine
Lee Jalen (appointed as Executive Director on 18th January, 2010)
Cao Jian An
Suen Cho Hung, Paul (resigned as Executive Director and Chairman on 16th September, 2009)
Sue Ka Lok (resigned as Executive Director and Chief Executive Officer on 18th January, 2010)

Independent Non-executive Directors:

Sun Ka Ziang, Henry
Kwok Ming Fai
Wong Yun Kuen

Directors' Report

In accordance with Articles 96 and 105(A) of the Company's Articles of Association, Mr. Chen Shuda, Ms. Ng Shin Kwan, Christine, Mr. Lee Jalen and Dr. Wong Yun Kuen will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Each of the independent non-executive directors is appointed for a term of twelve-month period. The term will be automatically renewed for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term. All the independent non-executive directors are also subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the Company's Articles of Association.

None of the directors of the Company being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Report

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December, 2009, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of director	Capacity	Number of shares	Number of underlying shares	Total interests	Approximate percentage of the issued share capital of the Company
Sue Ka Lok	Beneficial owner	–	10,000,000 *(Note 1)*	10,000,000	0.20%
Chen Shuda	Interest held by controlled corporation	269,832,000 *(Note 2)*	–	301,440,000	6.02%
	Beneficial owner	31,608,000	–		
Ng Shin Kwan, Christine	Beneficial owner	–	16,780,000 *(Note 3)*	16,780,000	0.33%
Sun Ka Ziang, Henry	Beneficial owner	200,000	52,000 *(Note 4)*	252,000	0.01%
Kwok Ming Fai	Beneficial owner	–	252,000 *(Note 5)*	252,000	0.01%
Wong Yun Kuen	Beneficial owner	200,000	52,000 *(Note 6)*	252,000	0.01%

Directors' Report

Notes:

1. This represents the interest of Mr. Sue Ka Lok in 10,000,000 underlying shares issuable under the share options granted by the Company to him on 3rd December, 2007 under the share option scheme of the Company adopted by the shareholders of the Company on 8th November, 2006 ("Share Option Scheme"). The consideration paid by Mr. Sue Ka Lok on acceptance of the share options granted was HK$1.00. The exercise price is HK$1.22 per share and the exercisable period is between 3rd December, 2007 and 2nd December, 2017.

2. These shares are beneficially owned by Super Union Group Limited. Super Union Group Limited is wholly-owned by Mr. Chen Shuda. Accordingly, Mr. Chen Shuda is deemed to be interested in 269,832,000 shares under the SFO.

3. This represents the interest of Ms. Ng Shin Kwan, Christine in 16,780,000 underlying shares issuable under the share options granted by the Company to her on 3rd December, 2007 under the Share Option Scheme. The consideration paid by Ms. Ng Shin Kwan, Christine on acceptance of the share options granted was HK$1.00. The exercise price is HK$1.22 per share and the exercisable period is between 3rd December, 2007 and 2nd December, 2017.

4. This represents the interest of Mr. Sun Ka Ziang, Henry in 52,000 underlying shares issuable under the share options granted by the Company to him on 3rd December, 2007 under the Share Option Scheme. The consideration paid by Mr. Sun Ka Ziang, Henry on acceptance of the share options granted was HK$1.00. The exercise price is HK$1.22 per share and the exercisable period is between 3rd December, 2007 and 2nd December, 2017.

5. This represents the interest of Mr. Kwok Ming Fai in 252,000 underlying shares, of which, 200,000 underlying shares issuable under the share options granted by the Company to him on 23rd March, 2007 and 52,000 underlying shares issuable under the share options granted by the Company to him on 3rd December, 2007 under the Share Option Scheme. The consideration paid by Mr. Kwok Ming Fai on acceptance of the share options granted was HK$1.00 for each grant of share options. For the 200,000 share options, the exercise price is HK$0.38 per share and the exercisable period is between 23rd March, 2007 and 22nd March, 2017. For the remaining 52,000 share options, the exercise price is HK$1.22 per share and the exercisable period is between 3rd December, 2007 and 2nd December, 2017.

6. This represents the interest of Dr. Wong Yun Kuen in 52,000 underlying shares issuable under the share options granted by the Company to him on 3rd December, 2007 under the Share Option Scheme. The consideration paid by Dr. Wong Yun Kuen on acceptance of the share options granted was HK$1.00. The exercise price is HK$1.22 per share and the exercisable period is between 3rd December, 2007 and 2nd December, 2017.

Save as disclosed above, as at 31st December, 2009, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company and details of movements in the share options of the Company during the year are set out in note 33 to the consolidated financial statements.

CONVERTIBLE NOTES

Details of movements in the convertible notes of the Company during the year are set out in note 30 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' Interests in Shares, Underlying Shares and Debentures" and "Share Option Scheme" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate; and none of the directors or their spouse or children under the age of eighteen, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

Directors' Report

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31st December, 2009, the register of interest kept by the Company under section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	Capacity	Number of shares	Total interests	Approximate percentage of the issued share capital of the Company
Suen Cho Hung, Paul	Interest held by controlled corporation	743,263,096 *(Note 1)*	749,063,096	14.95%
	Beneficial owner	5,800,000		
All Sino Resources Limited	Interest held by controlled corporation	743,263,096 *(Note 1)*	743,263,096	14.84%
Oriental Genesis Limited	Beneficial owner	600,000,000	600,000,000	11.98%
Li Hui	Beneficial owner	428,571,428	428,571,428	8.55%
Chen Shuda	Interest held by controlled corporation	269,832,000 *(Note 2)*	301,440,000	6.02%
	Beneficial owner	31,608,000		
Super Union Group Limited	Beneficial owner	269,832,000	269,832,000	5.39%

Directors' Report

Notes:

1. These shares are beneficially owned by Top Media Resources Limited as to 143,263,096 shares and Oriental Genesis Limited as to 600,000,000 shares. Top Media Resources Limited and Oriental Genesis Limited are wholly-owned by All Sino Resources Limited which in turn is wholly-owned by Mr. Suen Cho Hung, Paul. Accordingly, Mr. Suen Cho Hung, Paul and All Sino Resources Limited are deemed to be interested in 743,263,096 shares under the SFO.

2. These shares are beneficially owned by Super Union Group Limited. Super Union Group Limited is wholly-owned by Mr. Chen Shuda. Accordingly, Mr. Chen Shuda is deemed to be interested in 269,832,000 shares under the SFO.

Save as disclosed above, the Company had not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 31st December, 2009 as required pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year, the Company entered into the following connected transactions (as defined under Chapter 14A of the Listing Rules) which were not exempted under Rule 14A.31 of the Listing Rules and in relation to which, disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

On 19th May, 2009, 1st June, 2009, 6th August, 2009 and 24th August, 2009, placing agreements (the "Agreements") were entered into among the Company, Oriental Genesis Limited ("Oriental Genesis") and Cheong Lee Securities Limited ("Cheong Lee") under certain top-up placing arrangements. Pursuant to the Agreements, Cheong Lee agreed to act as the placing agent to place for up to 600,000,000, 170,000,000, 500,000,000 and 500,000,000 existing shares of the Company for Oriental Genesis (the "Placings") at HK$0.27, HK$0.228, HK$0.238 and HK$0.18 per placing share respectively. Cheong Lee would receive placing commissions ranged from 2% to 3% on the gross proceeds from the Placings, which were determined after arm's length negotiations between the parties to the Agreements with regard to the prevailing market practice.

The ultimate beneficial owner of Cheong Lee, Ms. Au Suet Ming Clarea, was an associate of a former director of the Company within the preceding twelve-month period of the respective Agreement dates, and was considered as a connected person of the Company within the meaning of Rule 14A of the Listing Rules. Through the Placings, 511,000,000, 170,000,000, 260,000,000 and 480,000,000 shares were placed and placing commissions of HK$2,759,000, HK$775,000, HK$1,547,000 and HK$2,592,000 respectively were paid to Cheong Lee during the year ended 31st December, 2009, which were considered as connected transactions of the Company.

Directors' Report

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this annual report, no director of the Company is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to Rule 8.10 of the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interests of the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

CORPORATE GOVERNANCE

The audited financial statements of the Company for the year ended 31st December, 2009 had been reviewed by the Audit Committee of the Company before they were duly approved by the Board of Directors under the recommendation of the Audit Committee.

The Company has received, from each of the independent non-executive directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

Details of corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included insurance and medical cover, subsidised training programme as well as share option scheme.

The determination of emoluments of the directors of the Company had taken into consideration of their respective responsibilities and contribution to the Company and by reference to market benchmark.

Directors' Report

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, the directors of the Company confirm that the Company has maintained the amount of public float as required under the Listing Rules as at the date of this report.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$39,000.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period are set out in note 41 to the consolidated financial statements.

AUDITORS

Messrs. Deloitte Touche Tohmatsu had resigned as auditors of the Company on 4th February, 2008 and Messrs. HLB Hodgson Impey Cheng ("HLB") were appointed as auditors of the Company on 6th February, 2008 to fill the casual vacancy. On 14th December, 2009, HLB had resigned as auditors of the Company and Pan-China (H.K.) CPA Limited were appointed as auditors of the Company on 28th December, 2009 to fill the casual vacancy so arising. Save as disclosed above, there have been no other changes of auditors in the past three years.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Pan-China (H.K.) CPA Limited as auditors of the Company.

On behalf of the Board

Gao Wenxiang
Chairman

Hong Kong, 19th April, 2010

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company strives to attain high standards of corporate governance. The board of directors (the "Board") believes that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding and maximising shareholders' interests.

During the year, the Company has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors of the Company. All directors of the Company have confirmed, following specific enquiry by the Company, that they have fully complied with the required standard set out in the Model Code for the year ended 31st December, 2009.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises five executive directors, namely Dr. Gao Wenxiang (appointed as Chairman on 16th September, 2009), Mr. Chen Shuda, Ms. Ng Shin Kwan, Christine, Mr. Lee Jalen (appointed on 18th January, 2010) and Mr. Cao Jian An; and three independent non-executive directors, namely Mr. Sun Ka Ziang, Henry, Mr. Kwok Ming Fai and Dr. Wong Yun Kuen. The directors' biographical information is set out in Biographical Details of Directors and Senior Management on pages 9 to 10 of this annual report.

Corporate Governance Report

A total of four regular board meetings were held during the year ended 31st December, 2009 with individual attendance of directors as follows:

Directors	Attendance
Gao Wenxiang	2/4
Chen Shuda	2/4
Ng Shin Kwan, Christine	4/4
Lee Jalen (appointed on 18th January, 2010)	N/A
Cao Jian An	2/4
Suen Cho Hung, Paul (resigned on 16th September, 2009)	3/4
Sue Ka Lok (resigned on 18th January, 2010)	4/4
Sun Ka Ziang, Henry	4/4
Kwok Ming Fai	4/4
Wong Yun Kuen	4/4

The Board is primarily responsible for the leadership and control of the Company and is committed to make decision in the interests of both the Company and its shareholders. With delegating authorities from the Board, management of the Company is responsible for daily operations of the Group including management of all aspects of the Group's principal activities.

The Board delegates appropriate aspects of its management and administration functions to management, it also gives clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Board determines those functions reserved to the Board and those delegated to the management and these arrangements are reviewed on a periodic basis to ensure they remain appropriate to the needs of the Company.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at the date of this report, the Chairman is Dr. Gao Wenxiang and the Company does not have any individual with the title of Chief Executive Officer ("CEO"). The Chairman is responsible for overseeing all Board functions, while the role of CEO is performed collectively by executive directors (excluding Dr. Gao Wenxiang) and senior management of the Company to oversee the day-to-day operations of the Group and implementing the strategies and policies approved by the Board.

The Board considers that under the current arrangement, the balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting operations of the Group.

NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors is appointed for a term of twelve-month period. The term will be automatically renewed for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term. All the independent non-executive directors are also subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the Company's Articles of Association.

APPOINTMENT AND RE-ELECTION

The Company did not establish a nomination committee and the Board is responsible for reviewing its size, structure and composition (including the skills, knowledge and experience of its members) from time to time as appropriate to ensure that the Board has a balance of skills and experience appropriate for the business of the Company.

Potential new directors of the Company are identified and considered for appointment by the Board. A director appointed by the Board to fill a casual vacancy is subject to re-election by shareholders of the Company at the next general meeting whereas a director appointed by the Board as an addition to the Board is subject to re-election by shareholders of the Company at the next annual general meeting. Details of change in the Board during the year are set out on page 12 of this annual report.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established with terms of reference as set out in the CG Code. As at the date of this report, the Remuneration Committee consists of three independent non-executive directors, namely Mr. Kwok Ming Fai, Mr. Sun Ka Ziang, Henry and Dr. Wong Yun Kuen. The Chairman of the Remuneration Committee is Mr. Kwok Ming Fai.

Corporate Governance Report

The Remuneration Committee held three meetings during the year ended 31st December, 2009 to discuss the remuneration of directors of the Company with individual attendance of members as follows:

Members	Attendance
Kwok Ming Fai	3/3
Sun Ka Ziang, Henry	3/3
Wong Yun Kuen	3/3
Sue Ka Lok (resigned on 18th January, 2010)	3/3

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management; to determine the specific remuneration packages of all executive directors and senior management as well as making recommendations to the Board of remuneration of non-executive directors.

AUDITORS' REMUNERATION

For the year ended 31st December, 2009, remuneration paid to HLB Hodgson Impey Cheng, the previous auditors of the Company, for providing audit and non-audit services (including review on interim financial report and reporting accountants service) are approximately HK$220,000 and HK$830,000, respectively. Audit fee payable to Pan-China (H.K.) CPA Limited, the existing auditors of the Company, for providing audit service is approximately HK$1,000,000.

AUDIT COMMITTEE

The Audit Committee of the Company was established with terms of reference as set out in the CG Code. The Audit Committee comprises three independent non-executive directors namely Mr. Sun Ka Ziang, Henry, Mr. Kwok Ming Fai and Dr. Wong Yun Kuen. The Chairman of the Audit Committee is Mr. Sun Ka Ziang, Henry.

The Audit Committee held three meetings during the year ended 31st December, 2009 with individual attendance of members as follows:

Members	Attendance
Sun Ka Ziang, Henry	3/3
Kwok Ming Fai	3/3
Wong Yun Kuen	3/3

During the year ended 31st December, 2009, the Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including review of unaudited interim results and audited annual results of the Group.

Corporate Governance Report

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges their responsibility for preparing the financial statements of the Company for each financial period in accordance with statutory requirements and applicable accounting standards so as to give a true and fair view of the state of affairs of the Group.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 26 to 27.

INTERNAL CONTROL

The Board recognises its responsibilities for maintaining an adequate system of internal control to safeguard the Group's assets and shareholders' interests. An internal control system, including a defined management structure with limits of authority, is designed to help achieving business objectives, safeguard assets against unauthorised use, maintain proper accounting records for the provision of reliable financial information for internal use and for publication. The internal control system is set up to provide reasonable, but not absolute, assurance against material mis-statement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

During the year, the Board conducted a review of the effectiveness of the internal control system of the Group.

Independent Auditors' Report

PAN-CHINA (H.K.) CPA LIMITED Certified Public Accountants
天健(香港)會計師事務所有限公司

TO THE SHAREHOLDERS OF CHINA YUNNAN TIN MINERALS GROUP COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Yunnan Tin Minerals Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 109, which comprise the consolidated and company statements of financial position as at 31st December, 2009, 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 notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' 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, in accordance with Section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Auditors' Report

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

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

PAN-CHINA (H.K.) CPA LIMITED
Certified Public Accountants

Fung Pui Cheung
Practising Certificate Number: P00755

20/F., Hong Kong Trade Centre,
161-167 Des Voeux Road Central,
Central,
Hong Kong.

Hong Kong, 19th April, 2010

Consolidated Income Statement

For the year ended 31st December, 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	7	**67,988**	665,901
Cost of sales		**(23,235)**	(609,554)
Gross profit		**44,753**	56,347
Net loss on financial assets at fair value through profit or loss	8	**(78,656)**	(10,351)
Other income	8	**9,893**	14,194
Administrative expenses		**(57,940)**	(56,156)
Finance costs	9	**(222)**	(4,091)
Share of profit of a jointly controlled entity	15	**11,781**	12,799
(Loss)/profit before taxation		**(70,391)**	12,742
Income tax credit/(expense)	10	**214**	(304)
(Loss)/profit for the year	8	**(70,177)**	12,438
Attributable to:			
Owners of the Company		**(70,177)**	12,915
Non-controlling interests		**–**	(477)
		(70,177)	12,438
(Loss)/earnings per share	12		
– Basic and diluted (HK cent(s) per share)		**(1.79)**	0.39

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2009

	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(70,177)**	12,438
Other comprehensive income/(expenses)		
Exchange differences arising on translation of overseas operations	**1,452**	(11,595)
Share of translation reserve of a jointly controlled entity	**71**	2,031
Fair value change in available-for-sale financial assets	**2,735**	(33,367)
Other comprehensive income/(expenses) for the year (net of tax)	**4,258**	(42,931)
Total comprehensive expenses for the year	**(65,919)**	(30,493)
Total comprehensive expenses attributable to:		
Owners of the Company	**(65,919)**	(30,016)
Non-controlling interests	**–**	(477)
	(65,919)	(30,493)

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31st December, 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	13	**11,616**	9,050
Interest in a jointly controlled entity	15	**45,170**	47,886
Available-for-sale financial assets	16	**15,921**	4,823
Other assets	17	**2,230**	2,230
Trading right	18	**–**	50
Mining right	19	**628,254**	–
Goodwill	20	**128,679**	–
		831,870	64,039
Current assets			
Inventories	21	**603**	–
Trade and other receivables	22	**188,392**	552,499
Bills receivable	22	**365**	27,593
Financial assets at fair value through profit or loss	23	**199,359**	51,571
Short-term loans receivable	24	**138,445**	360,524
Tax recoverable		**1,946**	–
Pledged bank deposit	25	**–**	19,500
Bank balances held under segregated trust accounts	25	**20,999**	2,659
Bank balances and cash	25	**243,360**	96,910
		793,469	1,111,256
Current liabilities			
Trade and other payables	26	**24,475**	9,690
Bills payable	26	**347**	27,144
Tax payable		**62**	4,508
Finance lease obligation – due within one year	27	**575**	575
Provision	28	**9,250**	9,250
		34,709	51,167
Net current assets		**758,760**	1,060,089
Total assets less current liabilities		**1,590,630**	1,124,128

Consolidated Statement of Financial Position

As at 31st December, 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Deferred tax liabilities	29	**157,064**	–
Finance lease obligation – due after one year	27	**383**	1,006
		157,447	1,006
Net assets		**1,433,183**	1,123,122
Capital and reserves			
Share capital	31	**500,965**	316,008
Reserves		**932,218**	807,114
Total equity		**1,433,183**	1,123,122

The consolidated financial statements on pages 28 to 109 were approved and authorised for issue by the Board of Directors on 19th April, 2010 and are signed on its behalf by:

Gao Wenxiang
Director

Ng Shin Kwan, Christine
Director

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position

As at 31st December, 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Interests in subsidiaries	14	**310**	31,787
Current assets			
Other receivables		**159**	5,133
Financial assets at fair value through profit or loss	23	**–**	16,520
Amounts due from subsidiaries	14	**1,793,075**	1,074,823
Tax recoverable		**1,767**	–
Bank balances and cash	25	**92,194**	29,237
		1,887,195	1,125,713
Current liabilities			
Accruals and other payables		**282**	699
Amounts due to subsidiaries	14	**508,853**	56,738
		509,135	57,437
Net current assets		**1,378,060**	1,068,276
Net assets		**1,378,370**	1,100,063
Capital and reserves			
Share capital	31	**500,965**	316,008
Reserves	32	**877,405**	784,055
Total equity		**1,378,370**	1,100,063

Gao Wenxiang
Director

Ng Shin Kwan, Christine
Director

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2009

	Equity attributable to owners of the Company									
	Share capital	Share premium	Translation reserve	Convertible notes equity reserve	Available-for-sale financial assets reserve	Share option reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2008	259,968	781,666	7,038	18,493	–	53,403	(145,146)	975,422	–	975,422
Profit for the year	–	–	–	–	–	–	12,915	12,915	(477)	12,438
Exchange differences arising on translation of overseas operations	–	–	(11,595)	–	–	–	–	(11,595)	–	(11,595)
Share of translation reserve of a jointly controlled entity	–	–	2,031	–	–	–	–	2,031	–	2,031
Fair value change in available-for-sale financial assets	–	–	–	–	(33,367)	–	–	(33,367)	–	(33,367)
Total comprehensive expenses for the year	–	–	(9,564)	–	(33,367)	–	12,915	(30,016)	(477)	(30,493)
Issue of shares	45,000	171,750	–	–	–	–	–	216,750	–	216,750
Transaction costs attributable to issue of shares	–	(1,973)	–	–	–	–	–	(1,973)	–	(1,973)
Issue of shares on exercise of share options	40	149	–	–	–	(37)	–	152	–	152
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	510,293	510,293
Rescission of agreement for acquisition of subsidiaries	–	–	–	–	–	–	–	–	(509,816)	(509,816)
Reversal of deferred tax liability on conversion of convertible notes	–	–	–	3,654	–	–	–	3,654	–	3,654
Conversion of convertible notes	36,000	54,030	–	(22,147)	–	–	–	67,883	–	67,883
Capital reduction	(25,000)	(83,750)	–	–	–	–	–	(108,750)	–	(108,750)
Lapse of share options	–	–	–	–	–	(86)	86	–	–	–
	56,040	140,206	–	(18,493)	–	(123)	86	177,716	477	178,193
At 31st December, 2008 and 1st January, 2009	316,008	921,872	(2,526)	–	(33,367)	53,280	(132,145)	1,123,122	–	1,123,122

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2009

	Equity attributable to owners of the Company									
	Share capital	Share premium	Translation reserve	Convertible notes equity reserve	Available-for-sale financial assets reserve	Share option reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loss for the year	–	–	–	–	–	–	(70,177)	(70,177)	–	(70,177)
Exchange differences arising on translation of overseas operations	–	–	1,452	–	–	–	–	1,452	–	1,452
Share of translation reserve of a jointly controlled entity	–	–	71	–	–	–	–	71	–	71
Fair value change in available-for-sale financial assets	–	–	–	–	2,735	–	–	2,735	–	2,735
Total comprehensive expenses for the year	–	–	1,523	–	2,735	–	(70,177)	(65,919)	–	(65,919)
Issue of shares	142,100	182,910	–	–	–	–	–	325,010	–	325,010
Transaction costs attributable to issue of shares	–	(9,148)	–	–	–	–	–	(9,148)	–	(9,148)
Issue of convertible notes	–	–	–	20,143	–	–	–	20,143	–	20,143
Conversion of convertible notes	42,857	17,261	–	(20,143)	–	–	–	39,975	–	39,975
Lapse of share options	–	–	–	–	–	(104)	104	–	–	–
	184,957	191,023	–	–	–	(104)	104	375,980	–	375,980
At 31st December, 2009	**500,965**	**1,112,895**	**(1,003)**	**–**	**(30,632)**	**53,176**	**(202,218)**	**1,433,183**	**–**	**1,433,183**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2009

	2009 HK$'000	2008 HK$'000
Cash flow from operating activities		
(Loss)/profit for the year	**(70,177)**	12,438
Adjustments for:		
Income tax (credit)/expense	**(214)**	304
Finance costs	**222**	4,091
Share of profit of a jointly controlled entity	**(11,781)**	(12,799)
Impairment losses recognised on trade and other receivables	**–**	98
Reversal of impairment losses on short-term loans receivable	**–**	(5,692)
Bad debt recovered	**–**	(881)
Provision	**–**	9,250
Amortisation of trading right	**50**	100
Amortisation of mining right	**1,746**	–
Bank interest income	**(56)**	(1,772)
Depreciation of property, plant and equipment	**4,753**	3,880
Gain on rescission of agreement for acquisition of subsidiaries	**–**	(150)
Unrealised loss on financial assets at fair value through profit or loss	**110,007**	5,529
Increase in fair value of sales proceeds on disposal of an associate and a subsidiary	**–**	(600)
(Gain)/loss on disposal of property, plant and equipment	**(90)**	31
Operating cash flows before movements in working capital	**34,460**	13,827
Increase in inventories	**(321)**	–
Decrease in trade and other receivables	**16,432**	65,330
Decrease/(increase) in short-term loans receivable	**222,079**	(138,658)
Decrease/(increase) in bills receivable	**27,228**	(26,204)
(Increase)/decrease in bank balances held under segregated trust accounts	**(18,340)**	12,292
Increase in financial assets at fair value through profit or loss	**(257,795)**	(14,278)
Increase/(decrease) in trade and other payables	**13,062**	(25,544)
(Decrease)/increase in bills payable	**(26,797)**	24,965
Cash generated from/(used in) operations	**10,008**	(88,270)
Interest paid	**(104)**	(1,040)
Hong Kong profits tax paid	**(6,620)**	(309)
Net cash generated from/(used in) operating activities	**3,284**	(89,619)

Consolidated Statement of Cash Flows

For the year ended 31st December, 2009

	2009 HK$'000	2008 HK$'000
Cash flow from investing activities		
Purchase of available-for-sale financial assets	**(6,463)**	–
Dividend received from a jointly controlled entity	**14,124**	11,748
Interest received, other than from investments	**56**	1,772
Net cash outflow in respect of acquisition of subsidiaries	**(542,055)**	(183,707)
Net cash inflow from rescission of agreement for acquisition of subsidiaries	**200,000**	19,912
Proceeds from disposal of property, plant and equipment	**90**	27
Acquisition of property, plant and equipment	**(7,319)**	(8,881)
Decrease/(increase) in pledged bank deposit	**19,500**	(19,500)
Cash inflow for disposal of subsidiaries (net of cash and cash equivalents disposed of) in prior years	**50,000**	50,000
Proceeds from disposal of interest in an associate held for sale in prior years	**100,000**	–
Net cash used in investing activities	**(172,067)**	(128,629)
Cash flow from financing activities		
Repayment of borrowings	**–**	(50,000)
Repayment of finance lease obligation	**(623)**	(719)
Proceeds from issue of shares on exercise of share options	**–**	152
Proceeds from issue of shares, net of share issue expenses paid	**315,862**	58,141
Net cash generated from financing activities	**315,239**	7,574
Net increase/(decrease) in cash and cash equivalents	**146,456**	(210,674)
Effect of foreign exchange rate changes	**(6)**	2
Cash and cash equivalents brought forward	**96,910**	307,582
Cash and cash equivalents carried forward, represented by bank balances and cash	**243,360**	96,910

The accompanying notes form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is disclosed in the corporate information section of this annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The activities of its principal subsidiaries and jointly controlled entity are set out in notes 14 and 15 respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Company and its subsidiaries (the "Group") have applied the following new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 to HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The adoption of these new and revised HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods except for the impact as described below:

HKFRS 8 "Operating Segments"

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (note 6), but has had no impact on the reported results or financial position of the Group.

HKAS 1 (Revised) "Presentation of Financial Statements"

HKAS 1 (Revised) has introduced a number of terminology changes (including revised titles for the financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

HKFRS 7 (Amendments) "Improving Disclosures about Financial Instruments"

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurement in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

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

1 Effective for annual periods beginning on or after 1st July, 2009.

2 Amendments that are effective for annual periods beginning on or after 1st July, 2009 or 1st January, 2010, as appropriate.

3 Effective for annual periods beginning on or after 1st January, 2010.

4 Effective for annual periods beginning on or after 1st February, 2010.

5 Effective for annual periods beginning on or after 1st January, 2011.

6 Effective for annual periods beginning on or after 1st July, 2010.

7 Effective for annual periods beginning on or after 1st January, 2013.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which were/have been measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange of control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business or a jointly controlled entity (which is accounted for using proportionate consolidation) for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business or jointly controlled entity at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business or a jointly controlled entity is presented separately in the consolidated statement of financial position.

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

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

On subsequent disposal of the relevant cash-generating unit or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Mining right

Mining right with finite useful lives is carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on units of production method based on the proven and probable mineral reserves under the assumption that the Group can renew the mining right continuously till all proven reserves have been mined.

Gains or losses arising from derecognition of mining right is measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interest in a jointly controlled entity

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of a jointly controlled entity are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in a jointly controlled entity is carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entity, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the term of the leases
Furniture and fixtures	20%
Motor vehicles	20%
Plant and machinery	5% – 33%

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use and depreciates on the same basis as other property assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when 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.

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

Trading right

Trading right represents the right of trading on the Stock Exchange. Trading right is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation for trading right is provided to write off the relevant cost on a straight-line basis over the estimated useful lives.

Any gain or loss arising on derecognition of the trading right is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is included in the consolidated income statement in the year in which the asset is derecognised.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

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

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent investments held for trading. At the end of each reporting period subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivable, short-term loans receivable, pledged bank deposit and bank balances and cash and amounts due from subsidiaries of the Company) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

At the end of each reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy in respect of impairment of financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition (see accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or
– default or delinquency in interest or principal payments; or
– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are initially classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

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 in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade and other payables, bills payable, finance lease obligation and convertible notes are subsequently measured at amortised cost, using the effective interest method.

Convertible notes

Convertible notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the convertible notes into equity, is included in equity (convertible notes equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Equity instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

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

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to employees (Continued)

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

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

Share options granted to other participants

For share options granted to other participants in exchange for services, they are measured at the fair values of the services received. The fair values of the services are recognised as expenses immediately, unless the services qualify for recognition as assets. Corresponding adjustments will be made to equity (share option reserve) as in the case of share options granted to employees.

Impairment

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of the reporting period subsequent to the date of acquisition, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation (if appropriate).

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Commission and brokerage income are recognised when the services are rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. 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 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.

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. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Retirement benefits costs

Payments to state-managed retirement benefits schemes/Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

(a) Income taxes

The Group is subject to income taxes in the People's Republic of China (the "PRC") and Hong Kong. Significant judgement is required in determining the provision for income taxes in these jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Impairment of assets

The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

(c) Mining rights, mining structures and exploration and evaluation assets

Mining rights and mining structures are amortised or depreciated using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the ore mines.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest the carrying amount may exceed its recoverable amount. The recoverable amount calculation requires the Group to estimate total proven and probable reserves of the ore mines.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

(c) Mining rights, mining structures and exploration and evaluation assets *(Continued)*

The proof of estimated quantities of reserves is inherently uncertain and complex. It requires significant judgements and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting mineral prices and costs change. Reserve estimates are based on current production forecasts, prices and economic conditions. The directors exercise their judgement in estimating the total proven and probable reserves of the ore mines. If the quantities of reserves are different from current estimates, it will result in significant changes to amortisation and depreciation expenses of mining rights and mining structures and affect the recoverable amount of exploration and evaluation assets, which a material impairment loss may arise.

(d) Estimate of fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

– the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

– the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	2009	2008
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale financial assets	**15,921**	4,823
Financial assets at fair value through profit or loss		
– held for trading	**199,359**	51,571
Loans and receivables (including cash and cash equivalents)		
– trade and other receivables	**188,392**	552,499
– bills receivable	**365**	27,593
– short-term loans receivable	**138,445**	360,524
– bank balances held under segregated trust accounts	**20,999**	2,659
– bank balances and cash	**243,360**	96,910
– pledged bank deposit	**–**	19,500
Financial liabilities		
Amortised cost		
– trade and other payables	**24,475**	9,690
– bills payable	**347**	27,144
– finance lease obligation	**958**	1,581

(b) Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade and other receivables, bills receivable, short-term loans receivable, pledged bank deposit, bank balances and cash, trade and other payables, bills payable and finance lease obligation. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

The Group's principal financial assets include available-for-sale financial assets, financial assets at fair value through profit or loss, trade and other receivables, bills receivable, short-term loans receivable, pledged bank deposit and bank balances and cash. The Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligations as at 31st December, 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

The table below shows the balance of three major counterparties (including liquid funds) at the end of the reporting period using the Moody's credit rating symbols.

Counterparty	Rating	**2009** *HK$'000*	2008 *HK$'000*
Bank of China (Hong Kong) Limited	A1	**194,884**	61,572
Standard Chartered Bank (Hong Kong) Limited	A2	**35,471**	23,395
The Hongkong and Shanghai Banking Corporation Limited	Aa3	**18,519**	1,687

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk

(i) Foreign currency risk

Certain available-for-sale financial assets, trade and other receivables, bills receivable, bank balances and cash, other payables and bills payable of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, management considers the foreign exchange exposure is relatively insignificant currently and will monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2009	2008
	HK$'000	*HK$'000*
Assets		
Renminbi ("RMB")	**7,882**	56
US Dollars ("US$")	**6,601**	48,321
Australian Dollars ("A$")	**15,921**	4,823
Others	**26**	19
Liabilities		
Renminbi	**259**	4
US Dollars	**347**	27,144

(ii) Price risk

The Group is exposed to equity security price risk through its available-for-sale financial assets and financial assets at fair value through profit or loss. Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Price risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date.

If equity prices had been 5% higher/lower:

– net loss for the year ended 31st December, 2009 would decrease/increase by approximately HK$9,968,000 (2008: net profit would increase/decrease by HK$2,579,000). This is mainly due to the changes in fair value of financial assets at fair value through profit or losses; and

– other equity reserves would increase/decrease by approximately HK$796,000 (2008: increase/decrease by HK$241,000) as a result of the changes in fair value of available-for-sale financial assets.

The Group's sensitivity to equity prices has increased from prior year because the Group's has increased its investment in financial assets at fair value through profit or loss and available-for-sale financial assets.

(iii) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its pledged bank deposit, bank balances and cash and short-term loans receivable. Balances at variable rates exposed the Group to cash flow interest rate risk. Balances at fixed rates exposed the Group to fair value interest rate risk. Details of the Group's pledged bank deposit, bank balances and cash and short-term loans receivable are set out in respective notes. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for short-term loans receivable at the end of the reporting period. The analysis is prepared assuming the amount of short-term loans receivable outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease in interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

– loss for the year ended 31st December, 2009 would decrease/increase by approximately HK$442,000 (2008: profit would increase/decrease by HK$497,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate short-term loan interest income; and

– other equity reserves would not increase/decrease.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable rate short-term loans receivable.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient bank balances and cash and the availability of fundings through an adequate amount of committed credit facilities. The Group also aims at maintaining flexibility in funding by arranging and keeping committed banking facilities and other external financing available.

The Group's primary cash requirements have been for capital investments and repayment of related debts. The Group finances its working capital requirements through a combination of funds generated from operations and borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The following tables detail the Group's expected maturity for some of its non-derivative financial assets, which have been drawn up based on the undiscounted contractual maturities of the financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31st December, 2009								
Non-derivative financial assets								
Available-for-sale financial assets	–	–	–	–	–	15,921	15,921	15,921
Trade receivables	–	9,442	–	–	–	–	9,442	9,442
Other receivables	–	68,693	110,257	–	–	–	178,950	178,950
Bills receivable	–	365	–	–	–	–	365	365
Financial assets at fair value through profit or loss	–	199,359	–	–	–	–	199,359	199,359
Short-term loans receivable	–	20,000	80,000	38,445	–	–	138,445	138,445
Bank balances held under segregated trust accounts	–	20,999	–	–	–	–	20,999	20,999
Bank balances and cash	–	243,360	–	–	–	–	243,360	243,360
		562,218	190,257	38,445	–	15,921	806,841	806,841

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31st December, 2008								
Non-derivative financial assets								
Available-for-sale financial assets	–	–	–	–	–	4,823	4,823	4,823
Trade receivables	–	19,523	–	–	–	–	19,523	19,523
Other receivables	–	203,092	145,007	184,877	–	–	532,976	532,976
Bills receivable	–	27,593	–	–	–	–	27,593	27,593
Financial assets at fair value through profit or loss	–	51,571	–	–	–	–	51,571	51,571
Short-term loans receivable	–	103,887	106,580	150,057	–	–	360,524	360,524
Pledged bank deposit	–	–	–	19,500	–	–	19,500	19,500
Bank balances held under segregated trust accounts	–	2,659	–	–	–	–	2,659	2,659
Bank balances and cash	–	96,910	–	–	–	–	96,910	96,910
		505,235	251,587	354,434	–	4,823	1,116,079	1,116,079

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. For non-derivative financial liabilities, the tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31st December, 2009								
Non-derivative financial liabilities								
Trade and other payables	–	23,423	–	1,052	–	–	24,475	24,475
Bills payable	–	347	–	–	–	–	347	347
Finance lease obligation	–	48	96	431	383	–	958	958
		23,818	96	1,483	383	–	25,780	25,780

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31st December, 2008								
Non-derivative financial liabilities								
Trade and other payables	–	8,490	–	1,200	–	–	9,690	9,690
Bills payable	–	27,144	–	–	–	–	27,144	27,144
Finance lease obligation	–	48	96	431	1,006	–	1,581	1,581
		35,682	96	1,631	1,006	–	38,415	38,415

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

– the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively, and

– the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

(c) Capital risk management

The Group's objectives when managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximising the returns to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debts, which include a finance lease obligation and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an annual basis. As a part of this review, the directors of the Company consider the cost of capital and other sources of funds other than issuance of shares, including issue of convertible notes. Based on the recommendation of the directors of the Company, the Group will balance its overall capital structure through raising or repayment of borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(c) Capital risk management *(Continued)*

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as total borrowings divided by total assets. During the year ended 31st December, 2008 and 2009, the Group's strategy was to maintain a reasonable gearing ratio. The gearing ratio at 31st December, 2008 and 2009 is as follows:

	As at 31st December, 2009 *HK$'000*	As at 31st December, 2008 *HK$'000*
Total borrowings	**958**	1,581
Total assets	**1,625,339**	1,175,295
Gearing ratio	**0.1%**	0.1%

The Group's overall strategy remains unchanged during the year and the gearing ratio remained at a level similar to last year.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into four operating divisions – trading of goods, provision of finance, brokerage and securities investment and exploitation and sales of minerals. These divisions are the basis on which the Group reports its primary segment information.

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

Segment turnover represents revenue generated from external customers.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Segment results represent the profit earned or loss incurred by each segment without allocation of corporate income and expenses, central administration costs, directors' salaries, finance costs, share of profit of a jointly controlled entity and income tax credit or expense.

Segment assets include all tangible and intangible assets and current assets.

Segment liabilities include all trade and other payables other than current and deferred tax liabilities.

Segment Turnover and Results

For the year ended 31st December, 2009

	Trading of goods HK$'000	Provision of finance HK$'000	Brokerage and securities investment HK$'000	Exploitation and sales of minerals HK$'000	Elimination HK$'000	Total HK$'000
TURNOVER						
External sales	18,261	34,334	13,016	2,377	–	67,988
Inter-segment sales*	–	–	1,037	–	(1,037)	–
	18,261	34,334	14,053	2,377	(1,037)	67,988
RESULTS						
Segment results	208	34,206	(71,821)	(2,174)	–	(39,581)
Unallocated corporate income						1,007
Unallocated corporate expenses						(43,376)
Finance costs						(222)
Share of profit of a jointly controlled entity						11,781
Loss before taxation						(70,391)
Income tax credit						214
Loss for the year						(70,177)

* *Inter-segment sales were charged at cost plus margin basis as agreed between both parties.*

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Segment Assets and Liabilities

As at 31st December, 2009

	Trading of goods	Provision of finance	Brokerage and securities investment	Exploitation and sales of minerals	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	29,288	198,553	258,271	762,261	1,248,373
Interest in a jointly controlled entity					45,170
Available-for-sale financial assets					15,921
Unallocated corporate assets					315,875
Consolidated total assets					1,625,339
LIABILITIES					
Segment liabilities	507	280	31,498	419	32,704
Unallocated corporate liabilities					159,452
Consolidated total liabilities					192,156

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Other Information

For the year ended 31st December, 2009

	Trading of goods	Provision of finance	Brokerage and securities investment	Exploitation and sales of minerals	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions	–	–	45	630,471	6,803	637,319
Depreciation/amortisation of:						
Property, plant and equipment	–	–	668	5	4,080	4,753
Trading right	–	–	50	–	–	50
Mining right	–	–	–	1,746	–	1,746
Net loss on financial assets at fair value through profit or loss	–	–	78,656	–	–	78,656
Gain on disposal of property, plant and equipment	–	–	–	–	90	90

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Segment Turnover and Results

For the year ended 31st December, 2008

	Trading of goods *HK$'000*	Provision of finance *HK$'000*	Brokerage and securities investment *HK$'000*	Exploitation and sales of minerals *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
TURNOVER						
External sales	618,585	41,604	5,712	–	–	665,901
Inter-segment sales*	–	–	1,405	–	(1,405)	–
	618,585	41,604	7,117	–	(1,405)	665,901
RESULTS						
Segment results	9,778	47,761	(19,011)	(2,873)	–	35,655
Unallocated corporate income						2,250
Unallocated corporate expenses						(33,871)
Finance costs						(4,091)
Share of profit of a jointly controlled entity						12,799
Profit before taxation						12,742
Income tax expense						(304)
Profit for the year						12,438

* *Inter-segment sales were charged at cost plus margin basis as agreed between both parties.*

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Segment Assets and Liabilities

As at 31st December, 2008

	Trading of goods	Provision of finance	Brokerage and securities investment	Exploitation and sales of minerals	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	71,033	420,408	114,625	318,422	924,488
Interest in a jointly controlled entity					47,886
Available-for-sale financial assets					4,823
Unallocated corporate assets					198,098
Consolidated total assets					1,175,295
LIABILITIES					
Segment liabilities	27,868	532	17,744	30	46,174
Unallocated corporate liabilities					5,999
Consolidated total liabilities					52,173

Notes to the Consolidated Financial Statements
For the year ended 31st December, 2009

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Other Information

For the year ended 31st December, 2008

	Trading of goods *HK$'000*	Provision of finance *HK$'000*	Brokerage and securities investment *HK$'000*	Exploitation and sales of minerals *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Impairment losses recognised on trade and other receivables	–	–	98	–	–	98
Capital additions	–	–	1,606	–	9,575	11,181
Depreciation/amortisation of:						
Property, plant and equipment	–	–	594	–	3,286	3,880
Trading right	–	–	100	–	–	100
Net loss on financial assets at fair value through profit or loss	–	–	10,351	–	–	10,351
Loss on disposal of property, plant and equipment	–	–	–	–	31	31
Provision	–	–	9,250	–	–	9,250
Reversal of impairment losses on short-term loans receivable	–	5,692	–	–	–	5,692
Bad debt recovered	–	881	–	–	–	881
Gain on rescission of agreement for acquisition of subsidiaries	–	–	–	150	–	150

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

The Group's four operating divisions operate in two principal geographical areas – the PRC (excluding Hong Kong) and Hong Kong. The following table provides an analysis of the Group's turnover by geographical markets, irrespective of the origin of the goods:

Turnover from external customers

	2009	2008
	HK$'000	*HK$'000*
PRC	**20,638**	618,585
Hong Kong	**47,350**	47,316
	67,988	665,901

The following is an analysis of the carrying amount of segment assets and capital additions, analysed by the geographical area in which the assets are located:

Carrying amount of segment assets

	2009	2008
	HK$'000	*HK$'000*
PRC	**636,893**	71,033
Hong Kong	**611,480**	853,455
	1,248,373	924,488

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments *(Continued)*

Capital additions

	2009	2008
	HK$'000	*HK$'000*
PRC	**630,471**	–
Hong Kong	**6,848**	11,181
	637,319	11,181

Information about major customers

The Group's customer base includes one customer (2008: three customers) with whom transactions have exceeded 10% of the Group's turnover. For the year ended 31st December, 2009, turnover from sales of iron ore to this customer amounted to approximately HK$18,261,000. For the prior year, turnover from sales of iron ore to the three customers amounted to approximately HK$488,182,000.

7. TURNOVER

An analysis of the Group's turnover for the year is as follows:

	2009	2008
	HK$'000	*HK$'000*
Sales of goods	**20,638**	618,585
Interest income from provision of finance	**34,334**	41,604
Commission and brokerage income	**13,016**	5,712
	67,988	665,901

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

8. (LOSS)/PROFIT FOR THE YEAR

	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit for the year has been arrived at after charging:		
Staff costs including directors' remuneration	**13,643**	17,655
Retirement benefits schemes contributions	**501**	613
Total staff costs	**14,144**	18,268
Impairment losses recognised on trade and other receivables	**–**	98
Amortisation of:		
Trading right	**50**	100
Mining right	**1,746**	–
Auditors' remuneration	**1,220**	1,270
Cost of inventories recognised as an expense	**21,662**	573,603
Depreciation of property, plant and equipment	**4,753**	3,880
Loss on disposal of property, plant and equipment	**–**	31
Provision	**–**	9,250
Share of taxation of a jointly controlled entity (included in share of profit of a jointly controlled entity)	**3,800**	4,358
and after crediting:		
Other income		
Interest income on:		
Bank deposits	**56**	1,772
Increase in fair value of sales proceeds on disposal of an associate and a subsidiary	**–**	600
Other loan and receivables	**8,326**	2,692
Total interest income	**8,382**	5,064
Reversal of impairment losses on short-term loans receivable	**–**	5,692
Bad debt recovered	**–**	881
Gain on rescission of agreement for acquisition of subsidiaries	**–**	150
Gain on disposal of property, plant and equipment	**90**	–
Foreign exchange gain, net	**285**	400
Sundry income	**1,136**	2,007
	9,893	14,194

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

8. (LOSS)/PROFIT FOR THE YEAR *(Continued)*

	2009	2008
	HK$'000	*HK$'000*
Other income analysed by category of asset is as follows:		
Loans and receivables (including bank deposits)	**8,382**	5,064
Non-financial assets	**1,511**	9,130
	9,893	14,194
Net loss on financial assets at fair value through profit or loss:		
Proceeds on sales of investment	**171,138**	305,843
Less: cost of sales	**(139,884)**	(310,763)
Net realised gain/(loss) on financial assets at fair value through profit or loss	**31,254**	(4,920)
Unrealised loss on financial assets at fair value through profit or loss	**(110,007)**	(5,529)
Dividend income	**97**	98
Net loss on financial assets at fair value through profit or loss	**(78,656)**	(10,351)

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

9. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years:		
– Other loans	**29**	367
– Promissory notes	**–**	3,608
– Convertible notes	**118**	30
– Finance lease obligation	**75**	86
	222	4,091

10. INCOME TAX CREDIT/(EXPENSE)

The tax (credit)/charge comprises:

	2009	2008
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**207**	304
PRC Enterprise Income Tax	**15**	–
	222	304
Deferred tax	**(436)**	–
	(214)	304

Hong Kong Profits Tax for the year ended 31st December, 2009 was calculated at 16.5% (2008: 16.5%) of the estimated assessable profit for the year.

For the Group's subsidiaries established in the PRC, PRC Enterprise Income Tax is calculated at the rate of 25% (2008: nil).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

10. INCOME TAX CREDIT/(EXPENSE) *(Continued)*

The tax (credit)/charge for the year can be reconciled to the (loss)/profit before taxation per consolidated income statement as follows:

	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(70,391)**	12,742
Tax at the domestic income tax rate of 16.5% (2008: 16.5%)	**(11,614)**	2,102
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(103)**	–
Tax effect of share of profit of a jointly controlled entity	**(1,944)**	(173)
Tax effect of expenses not deductible for tax purpose	**27,321**	2,939
Tax effect of income not taxable for tax purpose	**(24,886)**	(3,492)
Tax effect of tax losses not recognised	**13,018**	3,241
Effect of utilisation of tax losses previously not recognised	**(1,993)**	(4,291)
Others	**(13)**	(22)
	(214)	304

Note: The domestic tax rate in the jurisdiction where the operations of the Group is substantially based is used.

Details of deferred taxation are set out in note 29.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

During the year, emoluments paid or payable to each of the nine directors (2008: eleven directors) were as follows:

	Fees		Salaries and other benefits		Retirement benefits schemes contributions		Discretionary bonus		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Executive directors										
Suen Cho Hung, Paul	**–**	–	**1,005**	1,396	**50**	52	**–**	–	**1,055**	1,448
Sue Ka Lok	**–**	–	**1,179**	1,228	**59**	97	**–**	1,000	**1,238**	2,325
Cao Jian An	**–**	–	**480**	480	**24**	19	**–**	–	**504**	499
Ng Shin Kwan, Christine	**–**	56	**650**	503	**12**	13	**–**	–	**662**	572
Gao Wenxiang	**380**	211	**–**	–	**–**	–	**–**	–	**380**	211
Chen Shuda	**336**	211	**–**	–	**–**	–	**–**	–	**336**	211
Ong Lily Lee	**–**	182	**–**	–	**–**	–	**–**	–	**–**	182
Non-executive director										
Lee Yuk Lun	**–**	141	**–**	–	**–**	–	**–**	–	**–**	141
Independent non–executive directors										
Sun Ka Ziang, Henry	**86**	86	**–**	–	**–**	–	**–**	–	**86**	86
Kwok Ming Fai	**86**	86	**–**	–	**–**	–	**–**	–	**86**	86
Wong Yun Kuen	**86**	86	**–**	–	**–**	–	**–**	–	**86**	86
	974	1,059	**3,314**	3,607	**145**	181	**–**	1,000	**4,433**	5,847

During the year ended 31st December, 2009 and up to the date of this report, the Company had the following changes in respect of its directors' remuneration:

With effect from 1st November, 2009, the emoluments paid to Dr. Gao Wenxiang were adjusted from HK$28,000 per month to HK$50,000 per month and all other employment terms remained unchanged as stated in the letter of appointment entered into between Dr. Gao and the Company on 16th May, 2008.

With effect from 19th November, 2009, the emoluments paid to Mr. Sue Ka Lok, who resigned as a director of the Company on 18th January, 2010, were adjusted from HK$95,000 per month to HK$45,000 per month and all other employment terms remained unchanged.

With effect from 1st March, 2010, the emoluments paid to Ms. Ng Shin Kwan, Christine were adjusted from HK$50,000 per month on a 13-month basis to HK$55,000 per month on a 13-month basis and all other employment terms remained unchanged as stated in the letter of appointment entered into between Ms. Ng and the Company on 31st August, 2007.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

With effect from 1st March, 2010, the emoluments paid to Mr. Lee Jalen, who was appointed as a director of the Company on 18th January, 2010, were adjusted from HK$40,000 per month to HK$45,000 per month on a 13-month basis and all other employment terms remained unchanged as stated in the letter of appointment entered into between Mr. Lee and the Company on 18th January, 2010.

The above adjustments to directors' remuneration were approved by the Remuneration Committee of the Company having regard to level of responsibilities of the directors and prevailing market conditions.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2008: three) were directors of the Company whose emoluments are included in the disclosures set out in note (a) above. The emoluments of the remaining highest paid individuals were as follows:

	2009	2008
	HK$'000	*HK$'000*
Salaries and other benefits	**2,041**	3,508
Retirement benefits schemes contributions	**12**	107
	2,053	3,615

Their emoluments were within the following bands:

	2009	2008
	No. of employee	*No. of employee*
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$3,000,000	**–**	1
	2	2

(c) During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during the year.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

12. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

	2009	2008
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/earnings attributable to owners of the Company	**(70,177)**	12,915

	2009	2008
	'000	*'000*
Number of shares		
Weighted average number of shares for the purpose of basic (loss)/earnings per share	**3,922,963**	3,293,353

Basic and diluted loss per share for the year ended 31st December, 2009 have been presented as equal because conversion of convertible notes would decrease the loss per share and the exercise price of the Company's share options was higher than the average market price for the year and is therefore considered as anti-dilutive.

Basic and diluted earnings per share for the year ended 31st December, 2008 have been presented as equal because conversion of convertible notes would increase the earnings per share and the exercise price of the Company's share options was higher than the average market price for the prior year and is therefore considered as anti-dilutive.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Motor vehicles	Plant and machinery	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP					
COST					
At 1st January, 2008	296	912	2,320	–	3,528
Additions	4,735	2,568	3,878	–	11,181
Disposals	(615)	(259)	(100)	–	(974)
At 31st December, 2008 and 1st January, 2009	4,416	3,221	6,098	–	13,735
Additions	2	64	7,115	138	7,319
Disposals	–	–	(404)	–	(404)
At 31st December, 2009	4,418	3,285	12,809	138	20,650
DEPRECIATION AND IMPAIRMENT					
At 1st January, 2008	291	595	835	–	1,721
Provided for the year	2,118	562	1,200	–	3,880
Eliminated on disposals	(615)	(259)	(42)	–	(916)
At 31st December, 2008 and 1st January, 2009	1,794	898	1,993	–	4,685
Provided for the year	2,320	615	1,818	–	4,753
Eliminated on disposals	–	–	(404)	–	(404)
At 31st December, 2009	4,114	1,513	3,407	–	9,034
CARRYING VALUES					
At 31st December, 2009	**304**	**1,772**	**9,402**	**138**	**11,616**
At 31st December, 2008	2,622	2,323	4,105	–	9,050

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

14. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	THE COMPANY	
	2009	2008
	HK$'000	*HK$'000*
Cost of unlisted investments	**1,000**	38,906
Less: Impairment losses recognised	**(690)**	(7,119)
	310	31,787
Amounts due from subsidiaries	**2,193,137**	1,375,450
Less: Impairment losses recognised	**(400,062)**	(300,627)
	1,793,075	1,074,823
Amounts due to subsidiaries	**(508,853)**	(56,738)

During the year, the Group has undergone group reorganisation and certain subsidiaries, after making appropriations, were disposed of at their respective carrying amounts.

During the year, the directors of the Company reviewed and examined the current operations of the subsidiaries and identified that the present value of estimated net future cash flows from certain subsidiaries are lower than their carrying amounts. Accordingly, the carrying amounts of these balances are reduced to their respective recoverable amounts.

The movement in impairment loss on interests in subsidiaries is set out as follows:

	2009	2008
	HK$'000	*HK$'000*
Balance at beginning of the year	**7,119**	6,319
Reversed upon disposal during the year	**(6,429)**	–
Impairment losses recognised during the year	**–**	800
Balance at end of the year	**690**	7,119

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

14. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/(TO) SUBSIDIARIES

(Continued)

The movement in impairment loss on amounts due from subsidiaries is set out as follows:

	2009	2008
	HK$'000	*HK$'000*
Balance at beginning of the year	**300,627**	241,240
Impairment losses recognised during the year	**130,838**	59,387
Reversal during the year	**(31,403)**	–
Balance at end of the year	**400,062**	300,627

The amounts due from/(to) subsidiaries are unsecured and have no fixed terms of repayment. Of the balances, approximately HK$194,672,000 (2008: HK$457,826,000) of the amounts due from subsidiaries bear interest at an effective interest rate of prime rate plus 2.5% (2008: prime rate plus 4%) per annum and the remaining balances are non-interest bearing.

Particulars of the Company's principal subsidiaries at 31st December, 2009 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly	Indirectly	
Broadmeadow Investments Limited	British Virgin Islands ("BVI")	US$1	100%	–	Investment holding
Citi Merit Limited	BVI	US$100	–	100%	Investment holding
Eastern Prosper Developments Ltd. ("Eastern Prosper")	BVI	US$1	100%	–	Securities investment
Equal Link Investments Limited	Hong Kong	HK$2	–	100%	Investment holding
Eternal Strategic Limited	BVI	US$1	–	100%	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

14. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/(TO) SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries at 31st December, 2009 are as follows: *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly	Indirectly	
Excel Faith Holdings Limited ("Excel Faith")	BVI	US$1	–	100%	Investment holding
Global Wealth Finance Limited	Hong Kong	HK$1	–	100%	Provision of finance
GT Capital Limited	Hong Kong	HK$55,000,000	–	100%	Securities brokerage
GT Financial Holdings Limited	BVI	US$1	–	100%	Investment holding
Lolliman Finance Limited	Hong Kong	HK$1,000,000	100%	–	Provision of finance
Moral Dragon Trading Limited	Hong Kong	HK$1	–	100%	Investment holding
Poly Metal and Minerals Limited	Hong Kong	HK$1	–	100%	Trading of iron ore
Poly Minerals Holdings Limited	BVI	US$1	–	100%	Investment holding
Poly Trading Group Limited	BVI	US$1	–	100%	Investment holding
Sunstar Management Limited	Hong Kong	HK$2	100%	–	Provision of management services
Treasure Well Associates Limited	BVI	US$1	100%	–	Investment holding
Union Bless Limited ("Union Bless")	BVI	US$1	–	100%	Investment holding
Upperclass Developments Limited	Hong Kong	HK$1	–	100%	Securities investment

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

14. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM/(TO) SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries at 31st December, 2009 are as follows: *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly	Indirectly	
Yunnan Tin (Australia) Holdings Pty Ltd	Australia	A$1,717,500	–	100%	Investment holding
Yunnan Tin (YTC) Holdings Pty Ltd	Australia	A$1	–	100%	Investment holding
錦繡德龍電子(深圳)有限公司* (literally translated as Jin Xiu De Long Electronics (Shenzhen) Company Limited)	The PRC	HK$8,010,000	–	100%	Investment holding
陽山景鴻礦業有限公司** (literally translated as Yang Shan Jing Hong Kuang Ye Company Limited)	The PRC	RMB2,100,000	–	100%	Manufacturing and sales of iron ore products
連南縣山聯鄉白帶頭水晶山磁鐵礦有限公司** (literally translated as Lian Nan Xian Shan Lian Xiang Bai Dai Tou Shui Jing Shan Magnetite Iron Ore Mine Company Limited)	The PRC	RMB100,000	–	100%	Exploitation and sales of minerals

The above table only lists those subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or financial positions of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

All the above subsidiaries, except Eastern Prosper which operates principally in Hong Kong, operate in their respective place of incorporation/registration.

None of the subsidiaries had any debt securities outstanding during the year or at the end of the reporting period.

* Registered as wholly-foreign-owned enterprise under the PRC law

** Registered as limited liability companies under the PRC law

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

15. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Cost of unlisted investment in a jointly controlled entity	**49,862**	49,862
Share of post-acquisition profits and reserves, net of dividends received	**(4,692)**	(1,976)
	45,170	47,886

Particulars of the Group's jointly controlled entity at 31st December, 2009 are as follows:

Name of entity	Form of business structure	Country of establishment	Principal place of operation	Proportion of nominal value of registered capital indirectly held by the Company	Principal activities
Shanghai Hong Qiao Friendship Shopping Center Co., Ltd. ("Hong Qiao")	Established	The PRC	Shanghai, the PRC	30%	Retail sales of high end consumer goods

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

15. INTERESTS IN A JOINTLY CONTROLLED ENTITY *(Continued)*

The summarised financial information in respect of Hong Qiao is set out below:

	2009	2008
	HK$'000	*HK$'000*
Non-current assets	**107,713**	116,987
Current assets	**190,111**	197,715
Current liabilities	**(128,934)**	(134,829)
Net current assets	**61,177**	62,886
Non-current liabilities	**(18,324)**	(20,252)
Net assets	**150,566**	159,621
The Group's share of net assets of the jointly controlled entity	**45,170**	47,886
Income	**615,201**	687,466
Expenses	**(563,263)**	(630,277)
Income tax expense	**(12,667)**	(14,527)
Profit for the year	**39,271**	42,662
The Group's share of profit of the jointly controlled entity for the year	**11,781**	12,799

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For the year ended 31st December, 2009

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Equity securities:		
– listed securities	**15,921**	4,823
– unlisted securities	**9,562**	9,562
	25,483	14,385
Less: Impairment loss recognised	**(9,562)**	(9,562)
	15,921	4,823

Available-for-sale financial assets of listed securities at the end of the reporting period represent the Group's listed investment in YTC Resources Limited ("YTC") of which its shares are listed on the Australian Securities Exchange. They are measured at fair value based on the quoted market bid prices available on the stock exchange.

During the year, the Group subscribed for 4,761,905 new shares of YTC in the amount of A$1 million under the share placement of YTC. The purpose of the share placement was to raise fund to settle a recently acquired gold and base metals project, provide exploration and development funds and increase working capital for YTC.

Available-for-sale financial assets of unlisted securities at the end of the reporting period represent investments in a company which was established in the PRC. They are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The directors of the Company have reviewed the recoverable amount of the available-for-sale financial assets as at 31st December, 2009 and considered no further impairment loss should be made (2008: nil).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

17. OTHER ASSETS

The Group

Other assets are statutory deposits paid to the Stock Exchange and Securities and Futures Commission in relation to the Group's licensed activities in the Hong Kong securities market.

18. TRADING RIGHT

	THE GROUP *HK$'000*
COST	
Balance at 1st January, 2008, 31st December, 2008, 1st January, 2009 and 31st December, 2009	778
AMORTISATION AND IMPAIRMENT	
At 1st January, 2008	628
Amortisation for the year	100
At 31st December, 2008 and 1st January, 2009	728
Amortisation for the year	50
At 31st December, 2009	778
CARRYING VALUES	
At 31st December, 2009	**–**
At 31st December, 2008	50

Trading right is amortised on a straight-line basis over the useful life of four years.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

19. MINING RIGHT

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
COST		
At beginning of the year	**–**	–
Acquisition of subsidiaries *(note 34)*	**630,000**	1,364,000
Rescission of agreement for acquisition of subsidiaries	**–**	(1,364,000)
At end of the year	**630,000**	–
AMORTISATION AND IMPAIRMENT		
At beginning of the year	**–**	–
Amortisation for the year	**1,746**	–
At end of the year	**1,746**	–
CARRYING VALUES		
At end of the year	**628,254**	–

The mining right as at 31st December, 2009 represents the mining right of a magnetite iron ore mine situated at the Guangdong Province, the PRC and has a legal life of 1.5 years, expiring in December 2010.

The mining right is amortised over 15 to 20 years using the units of production method based on the proven and probable reserves under the assumption that the Group can renew the mining rights indefinitely till all proven reserves have been mined.

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For the year ended 31st December, 2009

20. GOODWILL

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
COST		
At beginning of the year	**–**	–
Acquisition of subsidiaries *(note 34)*	**128,679**	1,600
Rescission of agreement for acquisition of subsidiaries	**–**	(1,600)
At end of the year	**128,679**	–

Goodwill, which arose on the acquisition of Union Bless and its subsidiaries (note 34), represents the excess of the cost of the business combination over the Group's interest in the net fair value of their identifiable assets and liabilities as of the date of the acquisition.

Impairment testing of goodwill

Goodwill arising on the above acquisition was recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently assessed for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation, using cash flow projections based on financial budgets covering a five-year period with cash flows beyond the five-year period assumed to be stable. The discount rate applied to the cash flow projections is 10%.

The followings are the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the budgeted gross margins is based on the past performance and management's expectations for market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Notes to the Consolidated Financial Statements
For the year ended 31st December, 2009

21. INVENTORIES

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Raw materials	**270**	–
Work-in-progress	**32**	–
Finished goods	**301**	–
	603	–

22. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLE

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**10,934**	21,015
Less: Impairment loss recognised	**(1,492)**	(1,492)
	9,442	19,523
Deposits, other receivables and prepayments *(note)*	**179,306**	533,332
Less: Impairment loss recognised, in respect of other receivables	**(356)**	(356)
	178,950	532,976
Trade and other receivables	**188,392**	552,499
Bills receivable	**365**	27,593
	188,757	580,092

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

22. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLE *(Continued)*

Trade receivables represent receivables arising from securities dealing business and the settlement term of those trade receivables is two days after the trade date. Interests are charged on overdue cash account clients and margin account clients at prime rate plus 7% (2008: prime rate plus 7%) per annum and at prime rate plus 4% (2008: prime rate plus 4%) per annum, respectively. Trade receivables, net of impairment loss, at the end of the reporting periods arising from securities dealing business were all due within 60 days as follows:

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Margin account clients	**8,523**	19,426
Cash account clients	**2,285**	527
Clearing house	**–**	936
Others	**126**	126
	10,934	21,015

Movement of impairment losses recognised

	2009	2008
	HK$'000	*HK$'000*
Balance at beginning of the year	**1,848**	1,750
Impairment losses recognised during the year	**–**	98
Balance at end of the year	**1,848**	1,848

Aging of the impaired trade and other receivables

	2009	2008
	HK$'000	*HK$'000*
Over 90 days	**1,848**	1,848

22. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLE *(Continued)*

The following is an aging analysis of bills receivable arising from trading business at the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
0 to 60 days	**–**	27,593
181 to 240 days	**365**	–
	365	27,593

The Group has provided fully for all receivables past due over one year based on historical experience that receivables that are past due beyond one year are generally not recoverable.

Note:

During the year ended 31st December, 2007, the Group entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement") with Oriental Pine Investments Limited ("Oriental Pine") to acquire the entire interests in Jebson Investments Limited from Oriental Pine.

In December 2008, the Group instituted a legal action against Oriental Pine with the view that Oriental Pine had failed, among others, to perform certain terms and conditions of the Sale and Purchase Agreement and claiming, inter alia, an order for rescission of the Sale and Purchase Agreement (the "Rescission") and return of the consideration paid by the Group to Oriental Pine (the "Consideration").

On 24th December, 2008, the Court of First Instance in the High Court of the Hong Kong Special Administrative Region (the "Court") made an order, by consent, inter alia, that the Sale and Purchase Agreement be rescinded and the Consideration of approximately HK$323,422,000, together with interest at the rate of 3% per annum from 24th December, 2008 until payment of the respective sums, be returned to the Group with specific payment terms. As at 31st December, 2009, the total outstanding amount due from Oriental Pine related to the Rescission amounted to approximately HK$110,257,000, which was included in other receivables of the Group. Such amount comprises the principal amount of HK$103,422,000 and interest receivable arising from the principal amounts of HK$6,835,000, which were due on 31st March, 2010.

On 24th March, 2010, the Group agreed to grant time extension (the "Time Extension") to Oriental Pine, by consent, to settle the above said payments on or before 30th June, 2010 and an order, by consent, related to the Time Extension was made by the Court on 30th March, 2010.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and the Company

Financial assets at fair value through profit or loss at the end of the reporting period represent equity securities listed on the Stock Exchange.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

24. SHORT-TERM LOANS RECEIVABLE

The Group

No impairment loss was recognised in respect of short-term loans receivable of the Group as at 31st December, 2009 and 2008. The movement of recognised impairment loss is as follows:

	2009	2008
	HK$'000	*HK$'000*
Balance at beginning of the year	**–**	5,692
Amounts reversed during the year	**–**	(5,692)
Balance at end of the year	**–**	–

The range of effective interest rates (which are equal to contractual interest rates) on the Group's loans receivable is 8% to 12% (2008: 8% to 30%) per annum.

In addition, the Group has variable rate short-term loans receivable amounting to HK$88,440,000 (2008: HK$99,382,000) which carry interest ranging from prime rate plus 3% to prime rate plus 5% (2008: from prime rate plus 3% to prime rate plus 5%) per annum.

25. PLEDGED BANK DEPOSIT/BANK BALANCES HELD UNDER SEGREGATED TRUST ACCOUNTS/BANK BALANCES AND CASH

The Group and the Company

At 31st December, 2009, the Group had no pledged bank deposit. At 31st December, 2008, a pledged bank deposit of approximately HK$19,500,000 was pledged to secure bank trading facilities granted to the Group from a local financial institution. The pledged bank deposit was released during the year upon the settlement of the relevant bank trading facilities.

Bank balances carry interest at market rate of 0.01% (2008: ranging from 0.01% to 1.59%) per annum.

As a subsidiary of the Company is principally engaged in the business of securities dealing and brokerage, it receives and holds money deposits by clients and other institutions in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more segregated trust bank accounts. The Group has recognised the corresponding account payables to respective clients and other institutions. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

26. TRADE AND OTHER PAYABLES/BILLS PAYABLES

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Trade payables	**22,023**	3,971
Other payables and accruals	**2,452**	5,719
Trade and other payables	**24,475**	9,690
Bills payable	**347**	27,144
	24,822	36,834

Details of trade payables are as follows:

	2009	2008
	HK$'000	*HK$'000*
Trade payables arising from securities dealing business:		
Cash account clients	**18,669**	3,181
Clearing house	**382**	24
Margin account clients	**2,827**	694
Others	**119**	72
	21,997	3,971
Trade payables arising from the mining business:	**26**	–
	22,023	3,971

The following is an aging analysis of bills payable arising from trading business at the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
0 to 60 days	**–**	27,144
181 to 240 days	**347**	–
	347	27,144

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

26. TRADE AND OTHER PAYABLES/BILLS PAYABLES *(Continued)*

The settlement term of trade payables arising from securities dealing business is two days after the trade date while for amounts due to margin account clients are repayable on demand. Trade payables at the end of the reporting periods arising from the mining business of the Group were all due within 60 days.

Included in trade payables arising from securities dealing business of approximately HK$20,999,000 (2008: HK$2,659,000) was payable to clients and other institutions in respect of the trust bank balances received and held for clients and other institutions in the course of the conduct of the regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed. The deposits placed carry variable commercial interest rates.

27. FINANCE LEASE OBLIGATION

At 31st December 2009, the total future minimum lease payments under the finance lease obligation and their present values, are as follows:

	Minimum lease payments		**Present value of minimum lease payments**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**644**	644	**575**	575
In the second to fifth years, inclusive	**429**	1,127	**383**	1,006
	1,073	1,771	**958**	1,581
Future finance charges	**(115)**	(190)	**N/A**	N/A
Present value of finance lease obligation	**958**	1,581	**958**	1,581
Portion classified as current liabilities	**(575)**	(575)	**(575)**	(575)
Non-current portion	**383**	1,006	**383**	1,006

The Group leases its motor vehicle under finance lease with lease term of four years. The interest rate underlying the obligation under finance lease is fixed at 3% per annum.

The Group's obligation under finance lease is secured under the charge over the leased assets.

28. PROVISION

During the year ended 31st December, 2008, a subsidiary of the Company principally engaged in securities brokerage might be found liable to certain third parties for certain irregular transactions allegedly conducted by its former employee involving an aggregate amount of approximately HK$9,250,000. The matters had been first reported to the relevant enforcement agencies by such subsidiary in March 2009. The former employee was convicted by the High Court of Hong Kong during the year and there was no claim received by the subsidiary during the year. Based on the information available to the directors, the full amount of the possible claims was provided as at 31st December, 2009 and 2008.

Based on a preliminary legal advice, such subsidiary may also be subject to a maximum penalty of HK$10,000,000 to the enforcement agency for the allegedly irregular transactions conducted by the former employee. No penalty against the subsidiary was received during the year. As the investigation of the matters by the enforcement agency is in progress, the directors cannot reasonably predict the outcome of the matters, the possible maximum penalty of HK$10,000,000 is therefore regarded as a contingent liability of the Group as at 31st December, 2009 and 2008.

29. DEFERRED TAX LIABILITIES

The Group

The followings are the major deferred tax liabilities recognised by the Group and movements thereon during the current and prior years:

	Convertible notes *HK$'000*	Mining right *HK$'000*	Total *HK$'000*
At 1st January, 2008	3,654	–	3,654
Release upon conversion of convertible notes	(3,654)	–	(3,654)
Acquisition of subsidiaries	–	341,000	341,000
Rescission of agreement for acquisition of subsidiaries	–	(341,000)	(341,000)
At 31st December, 2008 and 1st January, 2009	–	–	–
Acquisition of subsidiaries *(note 34)*	–	157,500	157,500
Credited to consolidated income statement during the year	–	(436)	(436)
At 31st December, 2009	**–**	**157,064**	**157,064**

At 31st December, 2009, the Group had unused tax losses of approximately HK$112,576,000 (2008: HK$67,359,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

30. CONVERTIBLE NOTES

The Group and the Company

On 24th September, 2009, convertible notes were issued by the Company with aggregate principal amount of HK$60,000,000 as part of the consideration for the acquisition of subsidiaries (note 34) at an initial conversion price of HK$0.14 per conversion share (the "Convertible Notes").

The Convertible Notes bore an interest rate of 1% per annum payable in every one-year interval from the date of issue of the Convertible Notes. The effective interest rate of the liability component of the Convertible Notes is 9.81% per annum.

The maturity date of the Convertible Notes is on the fifth anniversary of the date of issue of the Convertible Notes. Any outstanding Convertible Notes can be redeemed by the Company during the term of Convertible Notes, and to redeem in full upon maturity date if none of the shares are converted under the Convertible Notes.

The conversion rights of the Convertible Notes were exercisable commencing on the day following issue of the Convertible Notes and prior to the maturity date.

The movement of the liabilities component of the Convertible Notes for the year is set out below:

	THE GROUP AND THE COMPANY *HK$'000*
Issue of Convertible Notes upon completion of acquisition of subsidiaries *(note 34)*	60,000
Equity component	(20,143)
Liabilities component	39,857
Interest expenses	118
Converted into ordinary shares	(39,975)
Amortised cost as at 31st December, 2009	–

All Convertible Notes issued were fully converted during the year and no Convertible Notes were outstanding as at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

31. SHARE CAPITAL

	Number of shares		Share capital	
	2009	2008	**2009**	2008
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares				
Authorised:				
At beginning and end of the year, ordinary shares of HK$0.10 each	**9,000,000**	9,000,000	**900,000**	900,000
Issued and fully paid:				
At beginning of the year	**3,160,083**	2,599,683	**316,008**	259,968
Issue of shares *(note a)*	**1,421,000**	450,000	**142,100**	45,000
Issue of shares on exercise of share options	–	400	–	40
Conversion of convertible notes *(note b)*	**428,571**	360,000	**42,857**	36,000
Capital reduction	–	(250,000)	–	(25,000)
At end of the year	**5,009,654**	3,160,083	**500,965**	316,008

Notes:

Details of the changes in the Company's share capital for the year ended 31st December, 2009 are as follows:

(a) Pursuant to the placing and subscription agreements entered into by the Company on 19th May, 2009, 1st June, 2009, 6th August, 2009 and 24th August, 2009, 511,000,000, 170,000,000, 260,000,000 and 480,000,000 shares of the Company of HK$0.10 each were newly issued at HK$0.27, HK$0.228, HK$0.238 and HK$0.18 per share respectively to not less than six independent investors each time during the year. These shares rank pari passu in all respects with the then existing shares. The issue prices represented discounts of approximately 6.9%, 3%, 2.1% and 10% to the closing prices per share of HK$0.29, HK$0.235, HK$0.243 and HK$0.2 respectively as quoted on the Stock Exchange on respective agreement dates. The respective net proceeds of placements of approximately HK$134,628,000, HK$37,793,000, HK$60,028,000 and HK$83,413,000 (equivalent to net prices per share of approximately HK$0.263, HK$0.222, HK$0.231 and HK$0.174 respectively) were used as general working capital of the Group.

(b) During the year ended 31st December, 2009, Convertible Notes issued by the Company in the aggregate principal amount of HK$60,000,000 were fully converted into 428,571,428 ordinary shares of HK$0.10 each of the Company at a conversion price of HK$0.14 per share. These shares issued rank pari passu in all respects with the then existing shares. Details of the Convertible Notes are set out in note 30.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

32. RESERVES

The Company

	Share premium HK$'000	Capital reserve HK$'000	Convertible notes equity reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2008	778,978	3,547	18,159	53,403	(155,829)	698,258
Issue of shares	171,750	–	–	–	–	171,750
Capital reduction	(83,750)	–	–	–	–	(83,750)
Transaction costs attributable to issue of shares	(1,973)	–	–	–	–	(1,973)
Reversal of deferred tax liability on conversion of convertible notes	–	–	3,766	–	–	3,766
Conversion of convertible notes	53,131	–	(21,925)	–	–	31,206
Issue of shares on exercise of share options	149	–	–	(37)	–	112
Lapse of share options	–	–	–	(86)	86	–
Loss for the year	–	–	–	–	(35,314)	(35,314)
At 31st December, 2008 and 1st January, 2009	918,285	3,547	–	53,280	(191,057)	784,055
Issue of shares	182,910	–	–	–	–	182,910
Transaction costs attributable to issue of shares	(9,148)	–	–	–	–	(9,148)
Issue of convertible notes	–	–	20,143	–	–	20,143
Conversion of convertible notes	17,261	–	(20,143)	–	–	(2,882)
Lapse of share options	–	–	–	(104)	104	–
Loss for the year	–	–	–	–	(97,673)	(97,673)
At 31st December, 2009	**1,109,308**	**3,547**	**–**	**53,176**	**(288,626)**	**877,405**

The Company had no distributable reserve as at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

32. RESERVES *(Continued)*

The Company *(Continued)*

Capital reserve of the Company represents the amount of initial payment from certain shareholders to subscribe for new shares in the Company and the amount was subsequently forfeited as a result of non-payment of the remaining committed contribution.

The share premium reserve represents share issued at premium. Please refer to note 31 for details of issuance of the shares of the Company during the year.

33. SHARE OPTION SCHEME

The existing share option scheme was approved and adopted by the shareholders of the Company at the extraordinary general meeting held on 8th November, 2006 (the "Share Option Scheme"). The primary purpose of the Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

Pursuant to the Share Option Scheme, which will expire on 7th November, 2016, the Company may grant share options to all directors and employees of the Company or its subsidiaries and any other persons including consultants, advisors, agents, customers, suppliers, service providers, contractors, business partners or connected persons (as such term is defined in the Listing Rules) of any member of the Group who, in the sole discretion of the board of the directors of the Company, have contributed or will contribute to the Group to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted.

Share options granted should be accepted within 14 days from the offer date. Share options granted are exercisable during the period commencing on the date of grant and expiring on the date ten years after the date of grant. The number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 10% of the shares in issue on the date of adoption of the Share Option Scheme. The total number of shares issued and to be issued upon exercise of the share options granted to each participant or grantee (as the case may be) (including both exercised and unexercised options) under the Share Option Scheme or any other share option schemes adopted by the Company in any 12 month period must not exceed 1% of the shares in issue unless otherwise approved by shareholders of the Company in accordance with the terms of the Share Option Scheme. The subscription price for the shares shall be no less than the highest of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant. The subscription price will be determined by the board of directors of the Company at the time the share option is offered to the relevant participant.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

33. SHARE OPTION SCHEME *(Continued)*

Details of specific categories of share options are as follows:

Tranche	Date of grant dd/mm/yyyy	Exercisable period dd/mm/yyyy	Exercise price per share at grant date *HK$*	Closing price of the Company's shares immediately before the grant date *HK$*
One *(note a)*	23/03/2007	23/03/2007 to 22/03/2017	1.52	1.49
Two *(note b)*	23/05/2007	23/05/2007 to 22/05/2017	1.52	1.34
Three *(note c)*	03/12/2007	03/12/2007 to 02/12/2017	1.22	1.04

33. SHARE OPTION SCHEME *(Continued)*

Details of movements of the Company's share options held by directors, employees (other than directors) and other participants are as follows:

	Number of share options		
Name or category of participant	**At 1st January, 2009**	**Lapsed during the year**	**At 31st December, 2009**
	'000	***'000***	***'000***
Tranche one			
Director			
Kwok Ming Fai	200 *(note d)*	–	200
Employees other than directors			
In aggregate	40 *(note d)*	–	40
	240 *(note d)*	–	240
Tranche three			
Directors			
Sue Ka Lok	10,000	–	10,000
Ng Shin Kwan, Christine	16,780	–	16,780
Sun Ka Ziang, Henry	52	–	52
Kwok Ming Fai	52	–	52
Wong Yun Kuen	52	–	52
Employees other than directors			
In aggregate	2,016	(208)	1,808
Other participants			
In aggregate	77,940	–	77,940
	106,892	(208)	106,684
	107,132	(208)	106,924

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

33. SHARE OPTION SCHEME *(Continued)*

Notes:

(a) On 23rd March, 2007, 3,050,000 and 8,860,000 share options were granted to directors and employees of the Group, respectively. These share options entitle the holders thereof to subscribe for shares of HK$0.10 each in the Company at a subscription price of HK$1.52 per share during the exercisable period from 23rd March, 2007 to 22nd March, 2017. For outstanding share options not yet exercised, the subscription price was adjusted to HK$0.38 per share as a result of the bonus issue which became effective on 7th November, 2007.

(b) On 23rd May, 2007, 231,000 share options were granted to employees of the Group. These share options entitle the holders thereof to subscribe for shares of HK$0.10 each in the Company at a subscription price of HK$1.52 per share during the exercisable period from 23rd May, 2007 to 22nd May, 2017.

(c) On 3rd December, 2007, 26,936,000, 2,188,000 and 77,940,000 share options were granted to directors, employees (other than directors) of the Group and other participants, respectively. These share options entitle the holders thereof to subscribe for shares of HK$0.10 each in the Company at a subscription price of HK$1.22 per share during the exercisable period from 3rd December, 2007 to 2nd December, 2017.

(d) The number of share options outstanding were adjusted to take into account the effect of bonus issue which became effective on 7th November, 2007.

(e) There was no vesting period for the share options granted by the Company.

(f) There was no share options granted or exercised or cancelled during the year ended 31st December, 2009.

(g) No share option granted under Tranche Two was outstanding as at 31 December, 2009 and 2008.

As at the date of this report, a total of 259,968,280 shares are available for issue under the Share Option Scheme which represents approximately 5.2% of the issued share capital of the Company as at the date of this report.

34. ACQUISITION OF SUBSIDIARIES

On 24th April, 2009, Excel Faith, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Li Hui, as the vendor, to acquire the entire issued share capital of Union Bless, which effectively holds a mining right of a mixed metals mine located in Guangdong Province in the PRC, and a shareholder's loan at an aggregate consideration of HK$610,000,000 (the "Acquisition"). The principal activities of Union Bless and its subsidiaries are exploitation and sales of magnetite iron ore. The Acquisition was approved by shareholders of the Company on 15th July, 2009 and the Acquisition was completed on 24th September, 2009.

Notes to the Consolidated Financial Statements
For the year ended 31st December, 2009

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

The net assets acquired in the transaction and the goodwill arising are as follows:

	Acquiree's carrying amount *HK$'000*	Fair value adjustment *HK$'000*	Fair value *HK$'000*
Net assets acquired:			
Mining right	–	630,000	630,000
Inventories	282	–	282
Other receivables	2,325	–	2,325
Shareholder's loan	(8,774)	8,774	–
Bank balances and cash	7,945	–	7,945
Other payables and accruals	(1,731)	–	(1,731)
Deferred tax liabilities	–	(157,500)	(157,500)
	47	481,274	481,321
Goodwill *(note a)*			128,679
			610,000

Total consideration was satisfied by:

	HK$'000
Cash consideration	550,000
Issue of the Convertible Notes *(note 30)*	60,000
Total consideration	610,000

Net cash outflow in respect of the Acquisition for the year ended 31st December, 2009 is as follow:

	HK$'000
Bank balances and cash acquired	7,945
Cash consideration paid	(550,000)
	(542,055)

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

Notes:

(a) Goodwill arose in the business combination because the cost of the business included a control premium paid to acquire Union Bless and its subsidiaries.

(b) During the period between the date of completion of the Acquisition and the end of the reporting period, Union Bless and its subsidiaries contributed loss and turnover of approximately HK$1,836,000 and HK$2,377,000 respectively to the Group's loss for the year.

(c) If the Acquisition had been completed on 1st January, 2009, the Group's total turnover and loss for the year would have been approximately HK$68,108,000 and HK$70,107,000 respectively. The pro forma information is for illustrative purpose only and is not necessarily an indication of turnover and results of the Group that actually would have been achieved had the Acquisition been completed on 1st January, 2009, nor is it intended to be a projection of future results.

For further details of the Acquisition, please refer to the Company's circular dated 26th June, 2009.

35. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

	2009	2008
	HK$'000	*HK$'000*
Operating lease rentals in respect of land and buildings	**6,535**	7,089

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases, which fall due as follows:

	2009	2008
	HK$'000	*HK$'000*
Within one year	**6,141**	5,249
In the second to fifth years inclusive	**4,465**	752
	10,606	6,001

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of two years with fixed rentals.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

36. CAPITAL COMMITMENTS

The Group and the Company did not have any significant capital commitments as at 31st December, 2009 and 2008.

37. PLEDGE OF ASSETS

At 31st December, 2009, property, plant and equipment of approximately HK$1,908,000 was pledged as security for the Group's finance lease obligation.

As 31st December, 2008, property, plant and equipment of approximately HK$2,544,000 and a bank deposit of approximately HK$19,500,000 were pledged to secure the Group's finance lease obligation and banking facilities granted to the Group respectively.

38. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, this contribution is matched by employees.

The employees of the Group's subsidiaries established in the PRC are members of state-managed retirement benefits schemes operated by the local government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefits schemes to fund the benefits. The only obligations of the Group with respect to the retirement benefits schemes are to make the specified contributions.

39. CONTINGENT LIABILITIES

Save as disclosed in note 28, no material contingent liabilities of the Group and the Company were noted at 31st December, 2009 and 2008.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

40. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the consolidated financial statements, during the year, the Group had entered into transactions with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business, as shown below:

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 11, is as follows:

	2009	2008
	HK$'000	*HK$'000*
Short term employee benefits	**4,288**	5,666
Retirement benefits schemes contributions	**145**	181
	4,433	5,847

The related party transactions disclosed above did not fall under the definition of connected transaction or continuing connected transaction in Chapter 14A of the Listing Rules, with which the Company has complied throughout the year.

41. EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed in note 22, there was no significant event took place subsequent to the end of the reporting period.

42. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 19th April, 2010.

Five Year Financial Summary

	2005 *HK$'000*	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*	**2009** ***HK$'000***
RESULTS					
Turnover	376,107	531,652	586,193	665,901	**67,988**
(Loss)/profit before taxation	(75,000)	(258,213)	79,734	12,742	**(70,391)**
Income tax (expense)/credit	(1,898)	(1,438)	(6,375)	(304)	**214**
(Loss)/profit for the year	(76,898)	(259,651)	73,359	12,438	**(70,177)**
(Loss)/profit attributable to:					
Owners of the Company	(75,614)	(238,132)	75,319	12,915	**(70,177)**
Non-controlling interests	(1,284)	(21,519)	(1,960)	(477)	**–**
	(76,898)	(259,651)	73,359	12,438	**(70,177)**

	2005 *HK$'000*	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*	**2009** ***HK$'000***
ASSETS AND LIABILITIES					
Total assets	945,997	761,367	1,136,063	1,175,295	**1,625,339**
Total liabilities	(452,701)	(497,386)	(160,641)	(52,173)	**(192,156)**
	493,296	263,981	975,422	1,123,122	**1,433,183**
Equity attributable to owners of the Company	473,142	262,650	975,422	1,123,122	**1,433,183**
Non-controlling interests	20,154	1,331	–	–	**–**
	493,296	263,981	975,422	1,123,122	**1,433,183**

For consistent presentation, certain figures have been restated and reclassified as appropriate.