# 中國大冶有色金屬礦業有限公司

# China Daye Non-Ferrous Metals Mining Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 00661)

## Annual Report 2009

# Contents

# Corporate Information

## Board of Directors

**Executive Directors:**

Wan Bi Qi *(Chairman)*
Chen Xiang
Yuan Ping
Zhang He

**Independent Non-executive Directors:**

Wang Guoqi
Wang Qihong
Qiu Quan Zhou

## Audit Committee/ Remuneration Committee

Wang Guoqi
Wang Qihong
Qiu Quan Zhou

## Company Secretary

Chan Yim Kum

## Solicitors

As to Bermuda law:
Conyers, Dill & Pearman

## Auditors

PAN-CHINA (H.K.) CPA LIMITED

## Banker

Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Bank of Communications Co., Limited

## Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

## Head Office and Principal Place of Business

Unit 2001, World Wide House,
19 Des Voeux Road Central,
Hong Kong

## Principal Registrar

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

## Hong Kong Branch Registrar

TRICOR INVESTOR SERVICES LIMITED
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

## Stock Codes

Ordinary shares: 661
Preference shares: 421

# Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of China Daye Non-Ferrous Metals Mining Limited (the "Company") and its subsidiaries (the "Group"), I am pleased to present the annual results of the Group for the financial period ended 31 December 2009.

## Financial review

During the period under review, the Group recorded a revenue of approximately HK$1.6 million (For the year ended 30 April 2009: HK$20.2 million), representing a decrease of approximately 91.7% against the prior year. Net loss attributable to owners of the Company amounted to approximately HK$91.1 million (For the year ended 30 April 2009: net loss HK$123.3 million). The reason of the loss incurred for the period was mainly due to recognition of share-base payment of approximately HK$87,627,000 in the statement of comprehensive income.

Nevertheless, as compared to previous year, the Group's net loss was narrowed significantly. Due to an increase in the fair value of mining right as at 31 December 2009, the Group recorded an impairment of mining right written back amounted to approximately HK$87,407,000.

## Business Review and Prospect

### Business Review

The Group is principally engaged in securities trading and investments, and natural resources investment and development.

Given the continuing economic growth and accelerated industrialization and urbanization in the PRC, natural resources are in demand at all times and the Board considers that the demand for natural resources will maintain its growth momentum.

# Chairman's Statement

### Mining and related businesses

In view of the prospects of the natural resources business, during the period, the Company achieved the following developments as part of the Group's strategy to broaden its business scope and earning base:–

(1) During the period, the mining related business of the Group has been strengthened, according to the latest report issued by CNFMRGS on 24 May 2009, the Company's WQ(SLB) copper mine in Uluqat County, Xinjiang, the PRC is proven to have reserves of copper ore of 63,747,600 tonnes, copper metals of 537,585.90 tonnes and 伴生銀 (associated silver) of 668.13 tonnes (which shows an increase compared to the previously disclosed levels).

Such findings have shown the tremendous potential in the copper mine acquired by the Company, which will enhance the Group's business and its asset value.

(2) A Strategic Cooperation Agreement was signed between the Company and 新疆有色金屬工業（集團）有限公司 (Xinjiang Non-Ferrous Metals Industry (Holdings) Company Limited) ("Xinjiang Non-Ferrous") on 2 July 2009 (the "Strategic Cooperation Agreement"), pursuant to which, the parties will cooperate in the exploitation and mining of non-ferrous metals and precious metals in Xinjiang.

According to the Strategic Cooperation Agreement, the Company and Xinjiang Non-Ferrous will establish a strategy alliance to enable both parties to utilize their respective potential to the fullest extent in exploitation and development of non-ferrous metals and precious metals in Xinjiang. The parties will adopt flexible approaches in their future cooperation, for example, (i) Xinjiang Non-Ferrous may provide mineral resources bases and the Company may provide the necessary capital and technical know-how; or (ii) Xinjiang Non-Ferrous may provide mineral resources bases while both parties can jointly inject the necessary capital and technical know-how in the mining projects.

(3) On 5 August 2009, the Company signed another strategic cooperation framework agreement with the Government of Xinjiang Ili Kazakh Autonomous Prefecture of China (hereinafter referred to as the "Ili Government") for the joint development of the non-ferrous metals and mineral resources in Xinjiang.

The agreement provided that the parties thereto shall exchange their respective specialized resources in accordance with government directions and market mechanisms, with an aim to expand and strengthen the non-ferrous metals industry in the Ili area by developing and integrating non-ferrous metals enterprises in the area. The project shall involve, in particular, the integration and development of five metallogenic belts, namely the copper-lead-zinc metallogenic belt in Boluokenu (博羅克努), the iron-copper metallogenic belt in Awulale (阿吾拉勒), the copper-lead-zinc polymetallic metallogenic belt in Wusun Mountain-Yishijilike (烏孫山－伊什基里克), the copper-lead-zinc-muscovite rare metal metallogenic belt in Nalati (那拉提) and the black gold (烏金) non-ferrous metallogenic belt in Haerketa (哈爾克他). In addition, the parties shall actively develop and exploit the non-ferrous metals resources in the neighbouring countries by capitalizing on the location advantage of Ili.

The Ili Government shall support the cooperation between the parties by means of administration and policies within its legal authority. Based on the current development and exploitation of non-ferrous metals and mineral resources in the area, the Ili Government shall promote resources integration and assist the Company in better deployment of non-ferrous metals and mineral resources in Ili, in order to ensure the smooth running of the Company's future investment projects in Ili and to maximize the exploitation of resources. Under its legal authority, the Ili Government shall ensure the stability and continuity of the relevant policies for facilitating the Company's future projects, and shall give the Company preferential treatment in finance, taxation and land.

Taking the advantage of the current overall business environment in the PRC, the Company is expected to take the opportunity to capture good quality investment and development business, mainly in molybdenum/wolfram and silver/copper mining and related businesses.

# Chairman's Statement

### Securities trading and investments

During the period, total revenue from corporate investment and trading in securities was approximately HK$1.6 million (For the year ended 30 April 2009: HK$20.2 million).

For the period ended 31 December 2009, the financial markets started to recover from global crisis, the price of certain listed securities held by Company increased throughout the period under review. Accordingly, the Company recorded a gross profit of approximately HK$1,027,000 (For the year ended 30 April 2009: Gross loss of HK$7,460,000) arising from the investment in securities trading. Nevertheless, the Company incurred a loss on the changes in fair value of investment held for trading amounted to approximately HK$1,186,000 (For the year ended 30 April 2009: HK$4,204,000).

### Change of Company Name

On 9 July 2009, the change of the English name of the Company from "China National Resources Development Holdings Limited" to "China Daye Non-Ferrous Metals Mining Limited" and the adoption of the new Chinese name "中國大冶有色金屬礦業有限公司" as the Company's secondary name have become effective.

The Board considers that the Change of Company Name will benefit the Company's future business development as the new English and Chinese names of the Company signify the introduction of Hubei Daye Non Ferrous Metals Company as a substantial shareholder of the Company which will result in an overall upgrade of the Company's business development functions in ore exploration, mining and management operation.

### Prospect

In view of the global economic recovery, the Board expects that there will be increasing demand in mineral resources. Accordingly, the Group proposes to further invest in molybdenum/wolfram and silver/copper mining related businesses.

On 13 April 2010, the Company entered into the Framework Agreement for the acquisition of 80% shareholding in the Qianyi Limited, a company which will, upon completion of the reorganization, indirectly hold 100% equity interest in 新疆同興礦業有限責任公司 (Xinjiang Tong Xing Mining Company Limited), a company incorporated with limited liability in the PRC ("Tong Xing").

# Chairman's Statement

Tong Xing is a company incorporated with limited liability in the PRC with a fully paid registered capital of RMB20,000,000. The equity interest of Tong Xing was indirectly held as to 40% by 新疆偉福礦業有限公司 (Xinjiang Wei Fu Mining Company Limited) (a subsidiary of the Vendor) and as to 60% by two Independent Third Parties. Pursuant to the Framework Agreement, upon completion of reorganization the equity interest of Tong Xing will be wholly indirectly owned by the Qianyi Limited.

The principal businesses of Tong Xing are exploration and exploitation of copper in the PRC. Tong Xing is the owner of the Mine located in Xinjiang Uygur Autonomous Region of the PRC and has obtained the related exploration right in respect of an area of 21.67 square kilometers, it is in the process of applying for the mining right for the Mine from the relevant government authorities in the PRC.

According to the valuation report issued by an independent valuer on 1 March 2010, the market value of the Mine as at 31 January 2010 was HK$400,000,000.

The Board believes that, in view of the signs of global economy recovery which support the continued appreciation of the price of copper, the Acquisition will increase the Company's copper reserves and enhance the competitiveness of the Company in the future. Therefore, the Company considers that the Acquisition will be beneficial to the Company and its Shareholders.

To further enhance the Company's business and provide satisfactory returns for its investors, the Group will take full advantage of the support in respect of management, talents, resources and technology provided by Hubei Daye Non Ferrous Metals Company ("Hubei Daye"), a substantial shareholder of the Company. The development plan of the Group for the coming three to five years is as follows:

1. **Increasing the Company's operating income by developing the international trading business**

   In spite of its nature of business as mineral resources, the operating income of the Group was principally generated from the business of securities trading, which had a turnover of approximately HK$100 million. Following the acquisition by Hubei Daye, the Group is gradually withdrawing from the securities trading business and this resulted in a plunge in turnover for the period ended 31 December 2009 to approximately HK$1.6 million. While pending for the production of the current development of the Company's mineral resources, the Group will develop a new business line of international trading with the support of Hubei Daye, with an aim to enlarge the operation scale and improve the cash flow of the Group and realize part of its profits, as well as to incorporate certain international businesses developed by the controlling shareholder. This can demonstrate the support of a controlling shareholder to a listed company. The Group will strive to achieve high growth in the international trading business.

# Chairman's Statement

## 2. Speeding up development and construction of current resources projects to become a stream of profit growth of the Group

The Group has a number of mines in Uluqat County, Xinjiang and Mongolia and has various resources projects with a total metal reserve of 600,000 tonnes, yet none of which are in production, thus greatly restricting the Group's further development. With the acquisition by Hubei Daye, the Group will achieve overall improvements in mine exploration, mining, management and operation and can project a better picture of its business prospects to investors. The Group intends to boost investors' confidence by speeding up the development and construction of its current resources projects under the following plans:

1. For the coming three years, the Group will invest RMB500 million in the construction of the Uluqat project of Xinjiang Gold Forever Mineral Corporation Limited（新疆匯祥永金礦業有限公司）. The project has a daily processing capacity of 35 million tonnes of ore and an annual production of 8,000 tonnes of copper. In this regards, the Group will first increase the capital of Xinjiang Gold Forever Mineral Corporation Limited（新疆匯祥永金礦業有限公司）to reach RMB120 million, which can meet the initial funding requirement of the project, and such capital increase is in good progress. Furthermore, the Group, with the support of the controlling shareholder, will coordinate the project financing for Xinjiang Gold Forever Mineral Corporation Limited（新疆匯祥永金礦業有限公司）in order to facilitate the production of the Uluqat project in Xinjiang.

2. The Group will complete the technical analysis and examination of the molybdenum and wolfram mine projects of China Reservoir Mining Limited（中國雷石維爾礦業有限公司）, as well as to select a mine project which can meet operation conditions and is with low investment requirements and high effectiveness for development and construction.

## 3. Identifying potential non-ferrous metal resources and increasing the Group's resources reserves

One of the development objectives of the Group is to increase its reserve of non-ferrous metal resources. With its unique edge, the Group intends to increase its reserve of non-ferrous metal resources by raising funds from new issue, carrying out mergers and acquisitions of external resources by way of issue of shares or convertible bonds.

# Chairman's Statement

Current mineral resources of the Group comprise 530,000 tonnes of copper, 57,000 tonnes of molybdenum and some wolfram resources. In the coming three to five years, the Group will endeavour to increase its copper reserve and gold reserve to 3 million tones and 100 tonnes respectively, as well as increase its other metal reserves such as molybdenum and wolfram with the following measure:

1. Further exploration of the Group's current unexplored mines: (1) for Xinjiang Gold Forever Mineral Corporation Limited（新疆匯祥永金礦業有限公司）, there are 4 mines in the mining area in Uluqat County, Xinjiang. One of the mines has a reserve of 530,000 tonnes of copper, while the other three mines are yet to be explored. According to geological statistics, the prospective reserve of the mining area is promising and the Group will urge Xinjiang Gold Forever Mineral Corporation Limited（新疆匯祥永金礦業有限公司）to make further efforts in mine exploration so as to increase the resources reserve from the area. (2) with the opportunities arisen from the entering into a strategic cooperation framework agreement with the Ili Government for the joint development of the nonferrous metals and mineral resources in Xinjiang, the Group can strengthen its relationship with the land authorities of Ili and to identify potential non-ferrous metal mineral resources projects from five metallogenic belts, namely the copper-lead-zinc metallogenic belt in Boluokenu（博羅克努）, the iron-copper metallogenic belt in Awulale（阿吾拉勒）, the copper-lead-zinc polymetallic metallogenic belt in Wusun Mountain-Yishijilike（烏孫山ー伊什基里克）, the copper-lead-zinc-muscovite rare metal metallogenic belt in Nalati（那拉提）and the black gold（烏金）non-ferrous metallogenic belt in Haerketa（哈爾克他）in Ili for exploration and development. This will greatly increase the Group's reserves of non-ferrous metals such as copper, lead and zinc.

2. Further mergers and acquisitions of non-ferrous metals resources: the Group will actively identify quality non-ferrous metals for domestics and overseas mergers and acquisitions. Domestically, the Group will increase its reserves of non-ferrous metals under the support of the controlling shareholder. On the other hand, the Group will also identify overseas opportunities by taking advantage of the international capital market in Hong Kong to actively pursue quality non-ferrous metals resources overseas and consider mergers and acquisitions under the circumstances. As a company engaging in resources development, the Group will be dedicated to increase its resources reserves in view of its long-term and sustainable development.

# Chairman's Statement

## Appreciation

I would like to express my greatest appreciation to the entire staff of the Group for their hard work and efforts. I would also like to extend my gratitude to the investors business partners, and shareholders for their support and confidence in the Group over the past years. I am highly confident that the Group will continue to grow and create significant value to the consumers of our services, which shall generate significant shareholder value. I look forward to sharing with you more positive developments in years to come.

*Chairman*
**Wan Bi Qi**
Hong Kong, 28 April 2010

# Management Discussion and Analysis

## Financial and operating highlights

- Revenue of the Group for the period ended 31 December 2009 was HK$1.6 million, representing a decrease of HK$18.6 million (or 91.7%) over the year ended 30 April 2009.

- Loss attribute to the owners of the Company for the period ended 31 December 2009 was HK$91.1 million, representing a decrease HK$32.2 million (or 26.1%) over the year ended 30 April 2009.

- Basic loss per share for the period ended 31 December 2009 was HK cents 1.76, representing a decrease of HK cents 0.63 (or 26.4%) over the year ended 30 April 2009.

- Total assets increased from HK$2,186.5 million to HK$2,518.9 million.

# Management Discussion and Analysis

## Final dividend

The Board of Directors does not recommend the payment of a final dividend for the period ended 31 December 2009.

## Equity

The Company's issued and fully paid share capital as at 31 December 2009 amounted to approximately HK$279,560,000 divided into 5,591,195,552 ordinary shares of HK$0.05 each.

## Capital structure

On 1 December 2009, 439,516,000 ordinary shares were issued at a subscription price of HK$0.64 per share pursuant to placing and subscription agreement entered into between the vendor with the placing agent and the Company on 18 November 2009. Details of placing of subscription agreement are set out in the Company's announcement dated 20 November 2009.

## Liquidity and financial resources

As at 31 December 2009, the Group's current ratio was 21.81%, based on the current assets of HK$356 million and current liabilities of HK$16 million. The Group's gearing ratio was 28.07%, based on the total liabilities of HK$552 million and total equity of HK$1,967 million.

As at 31 December 2009, the Group was in a net cash position and has sufficient funding to pay off all the outstanding liabilities, and meet its working capital requirement.

## Bank borrowings and pledge of assets

As at 31 December 2009, the Group had neither bank borrowings nor assets pledged to fund/ loan providers.

## Foreign exchange exposure

The Group's cash balance and short term investments are mainly in the currency of Hong Kong Dollars. Nonetheless, the effect of the exchange rate on the Group's cash flow is minimal and the Group had not employed any financial instrument for hedging purpose.

## Material Acquisitions and Disposal of Subsidiaries

The Group has not made any material acquisition or disposal of subsidiaries during the period ended 31 December 2009.

## Contingent liabilities

As at 31 December 2009, the Group had no contingent liabilities.

## Employees, remuneration policy and share option scheme

As at 31 December 2009, the Group had 55 employees (At 30 April 2009: 53). The remuneration package consists of basic salary, mandatory provident fund, insurances and other benefits considered as appropriate. The Company adopted a share option scheme on 13 October 2003 to enable the Company to grant options to selected participants, including employees and directors of the Group, as incentive or rewards for their contribution to the Group.

# Report of the Directors

The Board of Directors (the "Board") is pleased to submit their report together with the audited accounts of the Company and its subsidiaries (the "Group") for the period ended 31 December 2009.

## Change of Company Name

Pursuant to a special resolution passed at the special general meeting held on 29 June 2009 and an approval by the Registrar of Companies in Bermuda, the change of the English name of the Company from "China National Resources Development Holdings Limited" to "China Daye Non-Ferrous Metals Mining Limited" and the adoption of the new Chinese name "中國大冶有色金屬礦業有限公司" as the Company's secondary name have become effective on 9 July 2009, and the Company has thereafter ceased to use the Chinese name "中國資源開發集團有限公司" for identification purpose.

## Change of Financial Year End Date

On 19 January 2010, the Board announced that the financial year end date of the Company has been changed from 30 April to 31 December.

The reason for such a change is to coincide with the financial year end date of the Company's principal operating subsidiaries, which are mainly situated in the People's Republic of China, and thereby facilitating the preparation of the consolidated financial statements of the Company and its subsidiaries.

## Principal Activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are securities trading and investments, and natural resources investment and development.

An analysis of the Group's revenue and loss for the period by principal activity for the period ended 31 December 2009 is set out in notes 6 to 8 to the financial statements.

## Results and Appropriations

The results of the Group for the period ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 32.

The Board does not recommend the payment of a final dividend for the period ended 31 December 2009 (For the year ended 30 April 2009: Nil). No interim dividend was declared during the period (For the year ended 30 April 2009: Nil).

Details of the preference dividend payable during the period/year are set out in note 26 to the financial statements.

# Report of the Directors

## Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group and the Company during the period/year are set out in note 15 to the financial statements.

## Share Capital and Share Options

Details of the movements in the Company's share capital and share options during the period/year are set out in notes 27 and 28 to the financial statements.

## Reserves

Details of the movements in the reserves of the Group and the Company during the period/year are set out in note 29 to the financial statements.

## Major Customers and Suppliers

During the period, the Group's major income was generated from the sales of marketable securities bought forward from previous year. All sales were conducted through one stockbroker. There was no purchase of marketable securities during the period.

At no time during the period did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors own more than 5% of the issued capital of the Company) had any beneficial interest in the Group's major stockbrokers.

## Directors

The Directors of the Company during the period and as at the date of this report were as follows:

**Executive directors**

Mr. Wan Bi Qi *(Chairman)*
Mr. Chen Xiang
Ms. Yuan Ping
Mr. Zhang He

**Independent non-executive directors**

| | |
|---|---|
| Mr. Wang Guoqi | |
| Mr. Wang Qihong | |
| Mr. Wong Sat | (resigned on 14 May 2009) |
| Mr. Qiu Quan Zhou | (appointed on 14 May 2009) |

In accordance with the Company's bye-laws and the agreement among the directors, Mr. Wang Guoqi, Mr. Wang Qihong and Mr. Qiu Quan Zhou shall retire as directors of the Company at the forthcoming annual general meeting of the Company. The above retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

# Report of the Directors

## Independence Confirmation

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

## Biographical Details of Directors

### Executive Directors

**Mr. Wan Bi Qi**, aged 44, is an associate professor. Mr. Wan has studied in the Faculties of Geography and Social Science of Central South Industrial University (中南工業大學); and also the Economics School of Wuhan University. He has been the associate professor, the head of Economics Research Institute and the associate editor of the journal of Hubei Business Institute (湖北商業高等專科學校) (now known as Hubei University of Economics (湖北經濟學院)); the senior manager of investment banking division of China Eagle Securities Company Limited; the deputy general manger of investment banking division of Three Gorges Securities; the general manager of investment banking division of Fortune Securities and Wanlian Securities (萬聯證券); the deputy general manager of Flying Pace Investment Limited in Hong Kong; and the assistant manager of Daye Non Ferrous Metals Company (大冶有色金屬公司). Mr. Wan possesses extensive experience in merger and acquisition reorganization, financing through listing and financing for listed firms throughout the years. He has also obtained a degree in engineering, a master degree in philosophy and a doctorate in economics.

**Mr. Chen Xiang**, aged 41, is an economist and licensed lawyer in PRC. Mr. Chen is a graduate of Wuhan University in law. He was previously a solicitor at 黃石市律師事務所, deputy officer of Daye Non Ferrous Metals Company and secretary to the board of directors of Daye Non Ferrous Metals Company. He principally engaged in areas like material investment and fund raising, merger and acquisition, contract management, dispute management as well as providing legal advice in respect to the material operating decision of senior management. Mr. Chen has 15 years of experience in corporate management, investment, merger and acquisition and legal fields. Mr. Chen obtained a master degree in Law from Wuhan University, corporate lawyer license (公司律師執業證) from Ministry of Justice of the People's Republic of China and qualified secretary to the board certificate (董事會秘書資格證書) from Shanghai Stock Exchange.

**Ms. Yuan Ping**, aged 41, is an accountant. Ms. Yuan is a graduate of Zhongnan University of Economics and Law in accounting. Ms. Yuan was previously the chief financial officer of Changzhou Dajiang Copper Industry Co.,Ltd（常州市大江銅業有限公司）and deputy officer of the finance department of Daye Non Ferrous Metals Company. Ms. Yuan has 19 years of experience in financial management and investment.

**Mr. Zhang He**, aged 49, is an executive director. Mr. Zhang has over 20 years of experience in the aspects of finance/accounting and corporate management. Prior to joining the Company, Mr. Zhang worked in China Everbright Group in both the Hong Kong and the PRC offices over 13 years. He also worked for Deloitte Touche Tohmatsu, being an international public accounting firm, in Tokyo, Japan in audit aspect. Mr. Zhang holds a bachelor degree of finance and economy from the Renmin University of China, the PRC.

### Independent Non-executive Directors

**Mr. Wang Guoqi**, aged 49, is an independent non-executive Director. Mr. Wang is a qualified accountant of The Chinese Institute of Certified Public Accountants, the PRC. Mr. Wang has extensive experience in accounting and financing areas in different industries. Currently, he is the managing partner of Hua-Ander CPAs in the PRC. Mr. Wang holds a doctor degree in philosophy from The University of London, the United Kingdom.

**Mr. Wang Qihong**, aged 57, is an independent non-executive Director. Mr. Wang has extensive experience in postal and tele-communications field in PRC. Mr. Wang graduated from Liaoning University, the PRC.

**Mr. Qiu Quan Zhou**, aged 61, obtained his bachelor's, master's and doctor's degree of engineering from the Guangdong University of Technology and the Central South University of Technology. Mr. Qiu has gained extensive and practical experience during his term of service as an officer responsible for administration and technology on the front line of a copper smelting enterprise. Mr. Qiu has been focusing on the teaching of and scientific research on mining engineering in the Central South University of Technology since 1987. Since 1990, he has acted as head of the Department of Mining Engineering of the Central South University of Technology and vice-president of the Central South University of Technology and the Central South University. Mr. Qiu is a renowned expert, professor and supervisor of doctorate students in the field of mining engineering in China.

## Directors' Service Contracts

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

# Report of the Directors

## Directors' Interests in Contracts

No contract of significance in relation to the Company's business to which the Company, its holding company, or any of its subsidiaries was a party and in which a Director has material interest, whether directly or indirectly, subsisted at the year end or at any time during the year.

## Directors' Interests in Securities

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

**(i) Long positions in share of the Company**

| Name of director | Capacity | Number of shares | Approximate percentage of total relevant class of shares in issue |
|---|---|---|---|
| Zhang He | Beneficial owner | 23,100,000 Shares | 0.45% |
| Wang Qihong | Beneficial owner | 1,500,000 Shares | 0.03% |
| Wang Guoqi | Beneficial owner | 900,000 Shares | 0.02% |

**(ii) Long positions in underlying share of the Company**

| Name of director | Capacity | Number of shares |
|---|---|---|
| Wan Bi Qi *(Chairman)* | Beneficial owner | 50,000,000 Shares |
| Chen Xiang | Beneficial owner | 50,000,000 Shares |
| Yuan Ping | Beneficial owner | 5,000,000 Shares |
| Zhang He | Beneficial owner | 9,000,000 Shares |

Save as disclosed above, none of the Directors, chief executives or their associates had any interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Directors' Right to Acquire Shares or Debentures

The share option scheme of the Company adopted on 27 October 1998 had been terminated and simultaneously a new share option scheme (the "Scheme") had been approved and adopted at the annual general meeting of the Company held on 13 October 2003.

The purpose of the Scheme is a share incentive scheme to enable the Company to grant option to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme, the Board may, at its discretion, grant options to any eligible participants (as set out in the Company's circular dated 19 September 2003).

# Report of the Directors

The principal terms of the Scheme are summarized as follows:

(i) The maximum number of Shares in respect of which options may be granted under the Scheme must not, in aggregate, exceed 10% of the issued share capital of the company as at the approval of the Scheme, unless approval of the shareholders has been obtained to renew the limit. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes adopted of the Group shall not in aggregate exceed 30% of the Shares in issue from time to time.

(ii) The maximum entitlement of each participant under the Scheme in any 12-month period shall not exceed 1% of the Shares in issue as at the date of grant.

(iii) The exercise price is determined by the Board in its absolute discretion at a price not less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day (b) the average the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and (c) the nominal value of a Share.

(iv) An option may be accepted by a proposed grantee within 7 days from the date of the offer of grant of the option. There is no minimum period for which an option must be held before it can be exercised. An option may be exercised at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date.

(v) Upon acceptance of the option, the grantee shall pay of HK$1.00 to the Company by way of consideration for the grant of the option.

(vi) Subject to earlier termination by the Company in general meeting, the Scheme will remain valid for a period of 10 years commencing on 13 October 2003, being the date on which it was adopted.



The following table discloses movements in the Company's share options during the period:

| | No. of options outstanding at 30 April 2009 | No. of options lapsed/cancelled during the period | No. of options granted during the period | No. of options outstanding at 31 December 2009 |
|---|---|---|---|---|
| Directors | | | | |
| – Wan Bi Qi | – | – | 50,000,000 | 50,000,000 |
| – Chen Xiang | – | – | 50,000,000 | 50,000,000 |
| – Yuan Ping | – | – | 5,000,000 | 5,000,000 |
| – Zhang He | 9,000,000 | (9,000,000) | 9,000,000 | 9,000,000 |
| – Wang Guoqi | 900,000 | (900,000) | – | – |
| – Wang Qihong | 900,000 | (900,000) | – | – |
| – Wong Sat | 900,000 | (900,000) | – | – |
| Employees and others | 158,925,347 | (158,925,347) | 203,200,000 | 203,200,000 |
| Total | 170,625,347 | (170,625,347) | 317,200,000 | 317,200,000 |

Details of share options granted are as follows:

| Date of grant/ acceptance | Exercise period | Exercise price per share | Closing price immediately before date of offer | Closing price immediately before date of grant |
|---|---|---|---|---|
| 19 June 2009 | 19 June 2009 – 18 June 2019 | HK$0.61 | HK$0.61 | HK$0.60 |
| 19 June 2009 | 19 June 2010 – 18 June 2019 | HK$0.61 | HK$0.61 | HK$0.60 |

At no time during the period was the Company, its holding company, or any its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

# Report of the Directors

## Substantial Shareholders' Interest in Securities

As at 31 December 2009, so far as is known to the Directors, the following persons (other than the Directors and Chief Executives of the Company) had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

**Long positions in shares of the Company**

| Name of Shareholder | Capacity | Number of shares | Approximate percentage of total relevant class of shares in issue |
|---|---|---|---|
| China Times Development Limited *(Note 1)* | Beneficial owner | 1,552,116,988 Shares | 27.76% *(Note 2)* |
| Hubei Daye Non Ferrous Metals Co. *(Note 1)* | Controlled corporation | 1,552,116,988 Shares | 27.76% *(Note 2)* |
| Mr. Chen Liang | Beneficial owner | 360,001,772 Shares | 6.44% *(Note 2)* |
| China Times Development Limited *(Note 1)* | Beneficial owner | 5,495 CPS | 33.33% |
| Hubei Daye Non Ferrous Metals Co. *(Note 1)* | Controlled corporation | 5,495 CPS | 33.33% |

*Notes:*

1. These Shares are held by China Times Development Limited, the entire issued capital of which are beneficially owned by Hubei Daye Non Ferrous Metals Co.

2. The percentage is calculated based on 5,591,195,552 Shares in issue.

Save as disclosed above, the Directors are not aware of any other persons who have interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

# Report of the Directors

## Purchase, Sale or Redemption of Securities

During the period under review, the Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities.

## Pre-emptive Rights

No pre-emptive rights exist in the jurisdiction of Bermuda in which the Company is incorporated.

## Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the period.

## Related Party Transactions

During the period under review, there was no significant related party transaction.

## Audit Committee

The Company established an audit committee in accordance with the requirements of the Code, for the purpose of reviewing and providing supervising over the Group's financial reporting process and internal controls. The audit committee currently comprises of three independent non-executive Directors, Messrs. Wang Guoqi, Wang Qihong and Qiu Quan Zhou. The audit committee of the Company has reviewed the final results for the period ended 31 December 2009.

## Model Code for Securities Transactions by Directors

The Company had complied with the code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code. Having made specific enquiry of all Directors, they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transaction by the Directors adopted by the Company.

# Report of the Directors

## Compliance with the Code of Best Practice

In the opinion of the Directors, the Company has complied with the Code of Best Practice ("Code") as set out in Appendix 14 to the Listing Rules throughout the period under review, except that the independent non-executive Directors are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Bye-Laws.

The Code as set out in Appendix 14 to the Listing Rules was replaced by the Code on Corporate Governance Practices ("Code on CG Practices") which has become effective for accounting periods commencing on or after 1 January 2005. Appropriate actions are being taken by the Company for complying with the Code on CG Practices.

## Sufficiency of Public Float

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

## Events After the Reporting Period

Details of significant events occurring after the reporting period are set out in note 39 to the financial statements.

## Five Year Financial Summary

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

## Independent Auditors

The company's auditors, Pan-China (H.K.) CPA Limited (formerly practiced under the name of NCN CPA Limited), who retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Pan-China (H.K.) CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
**Wan Bi Qi**
*Chairman*

Hong Kong, 28 April 2010

# Corporate Governance Report

In the opinion of the board of directors of the Company (the "Board"), the Company has complied with the Code of Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the period from 1 May 2009 to 31 December 2009 except for certain deviations disclosed herein.

## Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its directors. Having made specific enquiry, all directors have confirmed that they have fully complied with the required standard set out in the Model during the period.

## Board of Directors

The Board is responsible for the leadership and control of the Group and oversees the Group's business, strategic decisions and performance. The Board has delegated the day-to-day responsibility to the executive directors and senior management who perform their duties under the leadership of the Chairman.

The Board currently consists of four executive directors and three Independent non-executive directors. One of our independent non-executive directors has relevant financial management expertise required by the Listing Rules.

The Board schedules four meetings a period and also meets as and when required. During the period, the Board held five meetings.

The members of the Board and the attendance of each member are as follows:

| Directors | Number of attendance |
|---|---|
| ***Executive Directors*** | |
| Mr. Wan Bi Qi *(Chairman)* | 5/5 |
| Mr. Chen Xiang | 5/5 |
| Ms. Yuan Ping | 5/5 |
| Mr. Zhang He | 3/5 |
| ***Independent Non-executive Directors*** | |
| Mr. Wang Guoqi | 0/5 |
| Mr. Wang Qihong | 0/5 |
| Mr. Qiu Quan Zhou (appointed on 14 May 2009) | 0/5 |
| Mr. Wong Sat (resigned on 14 May 2009) | 0/0 |

# Corporate Governance Report

The Company has received annual confirmations of independence from independent non-executive directors and the Company considers them to be independent.

Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of directors and their respective biographies are set out on pages 16 to 17 of this annual report respectively.

## Chairman and Chief Executive Officer

Mr. Wan Bi Qi is the Chairman of the Board and Mr. Chen Xiang is the Chief Executive Officer ("CEO") of the Company. The roles of the Chairman and the CEO are two distinctively separate positions. The Chairman is responsible for providing leadership for the Board of Directors and ensuring that the Board of Directors works effectively. The CEO is responsible for the Group's business development and management.

## Independent Non-executive Directors

Under A.4.1 of the Code, the independent non-executive directors should be appointed for a specific term, subject to re-election. Currently, none of the three Independent Non-executive Directors is appointed for a specific term, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws.

## Remuneration Committee

The Company has established its Remuneration Committee with specific written terms of reference. The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all directors and senior management of the Company and is delegated by the Board with the responsibility to determine on behalf of the Board the specific remuneration packages for all executive directors and senior management of the Company.

The Remuneration Committee currently comprises three independent non-executive directors, namely Mr. Wang Guoqi, Mr. Wang Qihong, and Mr. Qiu Quan Zhou. During the period, the Remuneration Committee held two meetings. Members of the Remuneration Committee and the attendance of each member are as follows:

| **Directors** | **Number of attendance** |
| --- | --- |
| ***Independent Non-executive Directors*** | |
| Mr. Wang Guoqi | 2/2 |
| Mr. Wang Qihong | 2/2 |
| Mr. Wong Sat (resigned on 14 May 2009) | 0/0 |
| Mr. Qiu Quan Zhou (appointed on 14 May 2009) | 2/2 |

## Nomination of Directors

The Company has not established a Nomination Committee. The duties and functions of the Nomination Committee recommended in the Code are performed by the Board collectively with no director being involved in fixing his/her own terms of appointment and no Independent Non-executive Director being involved in assessing his/her own independence.

## Auditor's Remuneration

The Company's external auditors are PAN-CHINA (H.K.) CPA Limited. The audit fee and other services of the Company for the period ended 31 December 2009 was approximately HK$840,000.

## Audit Committee

The Audit committee is responsible for reviewing and supervising the financial reporting process and internal control system of the Group and providing advice and comments to the Board.

During the period, the Audit Committee held two meetings. Members of the Audit Committee and the attendance of each member are as follows:

| **Directors** | **Number of attendance** |
| --- | --- |
| ***Independent Non-executive Directors*** | |
| Mr. Wang Guoqi | 1/1 |
| Mr. Wang Qihong | 1/1 |
| Mr. Wong Sat (resigned on 14 May 2009) | 0/0 |
| Mr. Qiu Quan Zhou (appointed on 14 May 2009) | 1/1 |

The Audit Committee has performed the following duties:

- reviewed with the management and the external auditors the audited financial statements for the period from 1 May 2009 to 31 December 2009 and the unaudited interim financial statements for the six months ended 31 October 2009, with recommendations to the Board for approval;

- reviewed reports on internal control system covering financial, operational, procedural compliance and risk management functions; and

- reviewed the compliance issues with the regulatory and statutory requirements.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the period from 1 May 2009 to 31 December 2009.

The Chairman of the Audit Committee, Mr. Wang Guoqi, possesses relevant financial management expertise and meets the requirements of rule 3.21 of the Listing Rules.

## Accountability

The directors are responsible for the preparation of the accounts of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the accounts for the six months ended 31 October 2009 and for the period from 1 May 2009 to 31 December 2009, the directors have adopted suitable accounting policies and applied them consistently. The accounts for the reporting period have been prepared on a going concern basis.

## Internal Controls

The Board has, through the Audit Committee, conducted interim and annual review of the effectiveness of the internal control system of the Group covering the financial, operational, procedural compliance and risk management functions. The internal control system is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

# Corporate Governance Report

## Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll.

## Shareholder Rights

The rights of shareholders are contained in the Bye-laws of the Company.

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. These include interim and annual reports, announcements and circulars.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Group encourages its shareholders to attend annual general meeting to ensure a high level of accountability and keep informed of the Group's strategy and goals. The Chairman of the Board and the chairman of all the Committees, or in their absence, other members of the respective committees, are available to answer any questions from the shareholders.

# Independent Auditors' Report

**TO THE SHAREHOLDERS OF**
**CHINA DAYE NON-FERROUS METALS MINING LIMITED**
*(incorporated in the Bermuda with limited liability)*

We have audited the financial statements of China Daye Non-Ferrous Metals Mining Limited set out on pages 32 to 111, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 1 May 2009 to 31 December 2009, and a summary of significant accounting policies and other explanatory notes.

## Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these 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 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 financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the 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 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 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 financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and of the Group's loss and cash flows for the period then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PAN-CHINA (H.K.) CPA LIMITED**
*Certified Public Accountants*
Hong Kong,
*Choi Man Chau Michael*
*Practising Certificate Number P01188*

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

# Consolidated Statement of Comprehensive Income

*For the period ended 31 December 2009*

| | Notes | 1 May 2009 to 31 December 2009 HK$'000 | 1 May 2008 to 30 April 2009 HK$'000 |
|---|---|---|---|
| REVENUE | 6 | **1,672** | 20,235 |
| COST OF SALES | | **(645)** | (27,695) |
| | | **1,027** | (7,460) |
| OTHER REVENUE | 6 | **300** | 411 |
| GENERAL AND ADMINISTRATIVE EXPENSES | | **(112,988)** | (461,724) |
| OPERATING LOSS FOR THE PERIOD/YEAR | 8 | **(111,661)** | (468,773) |
| IMPAIRMENT OF MINING RIGHT WRITTEN BACK | | **87,407** | – |
| LOSSES ON CHANGES IN FAIR VALUES OF INVESTMENTS HELD FOR TRADING | | **(1,186)** | (4,204) |
| FINANCE COSTS | 9 | **(5)** | (5) |
| LOSS BEFORE TAXATION | | **(25,445)** | (472,982) |
| INCOME TAX | 11 | **(21,852)** | 108,429 |
| LOSS FOR THE PERIOD/YEAR | | **(47,297)** | (364,553) |
| OTHER COMPREHENSIVE INCOME: | | | |
| Exchange difference arising on translation of foreign operations | | **4** | 5,850 |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD/YEAR, NET OF TAX | | **4** | 5,850 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR | | **(47,293)** | (358,703) |

# Consolidated Statement of Comprehensive Income

*For the period ended 31 December 2009*

| | Notes | **1 May 2009 to 31 December 2009** *HK$'000* | 1 May 2008 to 30 April 2009 *HK$'000* |
|---|---|---|---|
| LOSS FOR THE PERIOD/YEAR ATTRIBUTABLE TO: | | | |
| – owners of the Company | *12* | **(91,168)** | (123,313) |
| – non-controlling interests | | **43,871** | (241,240) |
| | | **(47,297)** | (364,553) |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | |
| – owners of the Company | | **(91,171)** | (122,907) |
| – non-controlling interests | | **43,878** | (235,796) |
| | | **(47,293)** | (358,703) |
| DIVIDEND | | **N/A** | N/A |
| | | ***HK cents*** | *HK cents* |
| Loss per share: | *14* | | |
| – Basic | | **(1.76)** | (2.39) |
| – Diluted | | **N/A** | N/A |

# Consolidated Statement of Financial Position

*As at 31 December 2009*

| | Notes | **As at 31 December 2009 HK$'000** | As at 30 April 2009 HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 15 | **18,731** | 18,142 |
| Prepaid lease payment | 16 | **1,670** | – |
| Jointly controlled entities | 19 | **–** | – |
| Mining rights | 17 | **2,142,547** | 2,055,140 |
| | | **2,162,948** | 2,073,282 |
| CURRENT ASSETS | | | |
| Investments held for trading | 20 | **6,990** | 8,821 |
| Inventories | 21 | **1,366** | 1,441 |
| Trade and other receivables | 22 | **3,644** | 5,102 |
| Cash and bank balances | 23 | **343,961** | 97,894 |
| TOTAL CURRENT ASSETS | | **355,961** | 113,258 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 24 | **10,448** | 7,786 |
| Deferred income | 25 | **3,975** | 3,976 |
| Tax payable | | **1,901** | 1,901 |
| TOTAL CURRENT LIABILITIES | | **16,324** | 13,663 |
| NET CURRENT ASSETS | | **339,637** | 99,595 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **2,502,585** | 2,172,877 |
| NON-CURRENT LIABILITIES | | | |
| Cumulative redeemable preference shares | 26 | **110** | 110 |
| Deferred tax liabilities | 31 | **535,637** | 513,785 |
| TOTAL NON-CURRENT LIABILITIES | | **535,747** | 513,895 |
| NET ASSETS | | **1,966,838** | 1,658,982 |
| CAPITAL AND RESERVES | | | |
| Share capital | 27 | **279,560** | 257,584 |
| Reserves | 29 | **815,249** | 573,247 |
| Equity attributable to the owners of the Company | | **1,094,809** | 830,831 |
| Non-controlling interests | | **872,029** | 828,151 |
| TOTAL EQUITY | | **1,966,838** | 1,658,982 |

**Wan Bi Qi**
*Chairman*

**Chen Xiang**
*Executive Director*

# Statement of Financial Position

*As at 31 December 2009*

| | Notes | As at 31 December 2009 HK$'000 | As at 30 April 2009 HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 15 | **1,282** | 72 |
| Jointly controlled entities | 19 | **–** | – |
| Interest in subsidiaries | 18 | **2,005,372** | 2,008,425 |
| TOTAL NON-CURRENT ASSETS | | **2,006,654** | 2,008,497 |
| CURRENT ASSETS | | | |
| Trade and other receivables | 22 | **1,724** | 4,571 |
| Cash and bank balances | 23 | **293,309** | 42,430 |
| TOTAL CURRENT ASSETS | | **295,033** | 47,001 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 24 | **3,913** | 4,078 |
| TOTAL CURRENT LIABILITIES | | **3,913** | 4,078 |
| NET CURRENT ASSETS | | **291,120** | 42,923 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **2,297,774** | 2,051,420 |
| NON-CURRENT LIABILITIES | | | |
| Cumulative redeemable preference shares | 26 | **110** | 110 |
| TOTAL NON-CURRENT LIABILITIES | | **110** | 110 |
| NET ASSETS | | **2,297,664** | 2,051,310 |
| CAPITAL AND RESERVES | | | |
| Share capital | 27 | **279,560** | 257,584 |
| Reserves | 29 | **2,018,104** | 1,793,726 |
| TOTAL EQUITY | | **2,297,664** | 2,051,310 |

**Wan Bi Qi**
*Chairman*

**Chen Xiang**
*Executive Director*

# Consolidated Statement of Changes in Equity

*For the period ended 31 December 2009*

| | Attributable to the owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** *HK$'000* | **Share premium** *HK$'000* | **Capital redemption reserve** *HK$'000* | **Warrant reserve** *HK$'000* | **Share-based payment reserve** *HK$'000* | **Exchange reserve** *HK$'000* | **Accumulated losses** *HK$'000* | **Total** *HK$'000* | **Non–controlling interests** *HK$'000* | **Total** *HK$'000* |
| At 1 May 2008 | 257,584 | 2,670,545 | 2,241 | – | 64,137 | (38,740) | (2,007,758) | 948,009 | 1,063,947 | 2,011,956 |
| Loss for the year | – | – | – | – | – | – | (123,313) | (123,313) | (241,240) | (364,553) |
| Exchange differences arising on translation of foreign operations | – | – | – | – | – | 406 | – | 406 | 5,444 | 5,850 |
| Total comprehensive income for the year | – | – | – | – | – | 406 | (123,313) | (122,907) | (235,796) | (358,703) |
| Recognition of share-based payment | – | – | – | – | 2,729 | – | – | 2,729 | – | 2,729 |
| Share option lapsed | – | – | – | – | (4,205) | – | 4,205 | – | – | – |
| Issue of warrants | – | – | – | 3,000 | – | – | – | 3,000 | – | 3,000 |
| At 30 April 2009 and At 1 May 2009 | 257,584 | 2,670,545 | 2,241 | 3,000 | 62,661 | (38,334) | (2,126,866) | 830,831 | 828,151 | 1,658,982 |
| Loss for the period | – | – | – | – | – | – | (91,168) | (91,168) | 43,871 | (47,297) |
| Exchange differences arising on translation of foreign operations | – | – | – | – | – | (3) | – | (3) | 7 | 4 |
| Total comprehensive income for the period | – | – | – | – | – | (3) | (91,168) | (91,171) | 43,878 | (47,293) |
| Recognition of share-based payment | – | – | – | – | 87,627 | – | – | 87,627 | – | 87,627 |
| Share option lasped/cancelled | – | – | – | – | (62,661) | – | 62,661 | – | – | – |
| Issue of shares | 21,976 | 245,546 | – | – | – | – | – | 267,522 | – | 267,522 |
| **At 31 December 2009** | **279,560** | **2,916,091** | **2,241** | **3,000** | **87,627** | **(38,337)** | **(2,155,373)** | **1,094,809** | **872,029** | **1,966,838** |

# Consolidated Statement of Cash Flows

*For the period ended 31 December 2009*

| | 1 May 2009 to 31 December 2009 HK$'000 | 1 May 2008 to 30 April 2009 HK$'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss before tax | **(25,445)** | (472,982) |
| Adjustments for: | | |
| Interest income | **(85)** | (470) |
| Impairment of mining right written back | **(87,407)** | – |
| Finance costs | **5** | 5 |
| Impairment of mining right | **–** | 433,719 |
| Impairment of other receivables | **33** | – |
| Inventories written off | **34** | – |
| Share-based payment expenses | **87,627** | 2,729 |
| Losses on changes in fair values of investments held for trading | **1,186** | 4,204 |
| Depreciation | **1,139** | 1,934 |
| Loss on disposal of property, plant and equipment | **9** | – |
| **Operating loss before changes in working capital** | **(22,904)** | (30,861) |
| Decrease in investments held for trading | **645** | 20,679 |
| Decrease/(increase) in inventories | **41** | (1,441) |
| Decrease in trade and other receivables | **1,425** | 78,407 |
| Increase/(decrease) in trade and other payables | **2,662** | (2,242) |
| Increase in deferred income | **–** | 3,976 |
| **Net Cash (used in)/generated from operations** | **(18,131)** | 68,518 |
| Interest paid | **(5)** | (5) |
| **Net cash (used in)/generated from operating activities** | **(18,136)** | 68,513 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest income | **85** | 470 |
| Purchase of property, plant and equipment | **(1,739)** | (17,600) |
| Prepaid lease payment | **(1,670)** | – |
| **Net cash used in investing activities** | **(3,324)** | (17,130) |

# Consolidated Statement of Cash Flows

*For the period ended 31 December 2009*

| | **1 May 2009 to 31 December 2009** *HK$'000* | 1 May 2008 to 30 April 2009 *HK$'000* |
|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Net proceeds from issue of ordinary shares | **267,522** | – |
| **Net cash generated from financing activities** | **267,522** | – |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | **246,062** | 51,383 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR | **97,894** | 40,682 |
| Effects of foreign exchange rate changes | **5** | 5,829 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR | **343,961** | 97,894 |
| ANALYSIS OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | **343,961** | 97,894 |

## 1. CORPORATE INFORMATION

China Daye Non-Ferrous Metals Mining Limited (the "Company") was incorporated in Bermuda as an exempted Company with limited liability and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Unit 2001, World Wide House, 19 Des Voeux Road Central, Hong Kong respectively.

During the period, the Group was involved in the following principal activities:

– Corporate investment and trading in securities; and

– Minerals exploitation.

The financial year end date of the Company was changed from 30 April to 31 December. The reason for the change is to coincide with the financial year end date of the Company's principal operating subsidiaries, which are mainly situated in the People's Republic of China, and thereby facilitating the preparation of the consolidated financial statements of the Company and its subsidiaries. As a result of the change, the current financial statements covered a period from 1 May 2009 to 31 December 2009 which was shorter than one year as compared with the previous financial statements which covered a period from 1 May 2008 to 30 April 2009. The comparative amounts for the statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes are not entirely comparable.

In the opinion of the directors, as at 31 December 2009 the ultimate holding company is Hubei Daye Non Ferrous Metals Co., a company incorporated in the People's Republic of China.

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

In the current period, the Group and the Company have applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

| | |
|---|---|
| HKAS 1 (Revised 2007) | Presentation of Financial Statements |
| HKAS 23 (Revised 2007) | Borrowing Costs |
| HKAS 32 & HKAS1 (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 (Amendment) | Vesting Conditions and Cancellations |
| HKFRS 7 (Amendment) | 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 |
| HKFRS (Amendments) | Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009 |
| HKFRS (Amendments) | Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39 |

Except as described below, the adoption of the new and revised HKFRSs has no material effect on the financial statements of the Group and the Company for the current and prior accounting periods.

### (a) HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

### (b) HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 7) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

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

### (c) Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements 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. The Group has not provided comparative information for the expanded disclosures in relation to fair value measurements in accordance with the transitional provision set out in the amendments.

The Group and the Company have not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKFRSs (Amendments) | Amendments 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) | Consolidated 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 Adopters[(3)] |
| 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[(6)] |
| 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 1 July 2009*

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

(3) *Effective for annual periods beginning on or after 1 January 2010*

(4) *Effective for annual periods beginning on or after 1 February 2010*

(5) *Effective for annual periods beginning on or after 1 January 2011*

(6) *Effective for annual periods beginning on or after 1 July 2010*

(7) *Effective for annual periods beginning on or after 1 January 2013*



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

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognized 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.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might not affect the classification and measurement of the leasehold land.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on financial statements.

## 3. BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain financial instruments, which are measured at fair values.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

The financial statements incorporate the financial statements of the Company and 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.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income 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 into 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 combinations and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses.



## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (b) Business combinations

The acquisition of subsidiaries 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 for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities 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, 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.

### (c) Subsidiary

A subsidiary is an enterprise in which the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another enterprise.

Investment in subsidiaries is included in the Company's statement of financial position at cost less any impairment losses, unless it is classified as held for sale. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (d) Associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, including any impairment loss on goodwill relating to the investment in associates and jointly controlled entities recognised for the year.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's statement of financial position, investment in associates and jointly controlled entities is stated at cost less impairment losses, unless it is classified as held for sale.

# Notes to the Financial Statements

*For the period ended 31 December 2009*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (e) Goodwill

Goodwill arising on an acquisition of a subsidiary 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 subsidiary at the date of acquisition. Goodwill arising on an acquisition of an associate or a jointly controlled entity represents the excess of the cost of the acquisition over the Group's share of the relevant associate's or jointly controlled entity's net assets at the date of acquisition.

Capitalised goodwill is presented separately in the consolidated statement of financial position and is carried at cost less any accumulated impairment losses. 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 periods.

On subsequent disposal of a subsidiary, an associate 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.

### (f) Revenue recognition

Revenue, which is measured at the fair value of the consideration received or receivable, is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, on the following bases:

(i) 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;

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (f) Revenue recognition *(Continued)*

(ii) Income arising from sales of trading securities is recognised on the completion of transfer of risks and rewards of ownership of the investments to the transferee and the legal title being passed;

(iii) interest income 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount; and

(iv) Dividend income is recognised when the shareholder's right to receive payment is established.

### (g) Leases

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.

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 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. Interest in leasehold land is amortised over the lease term on a straight-line basis

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (h) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange 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 the end of the reporting period. 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 included in profit or loss for the period. 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. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate prevailing at the end of the reporting period. Exchange differences arising are included in the translation reserve.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (i) Borrowing costs

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

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

### (j) Employee benefits

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

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

***(ii) Employee leave entitlements***

Provision for profit sharing and bonus payments due wholly within twelve months after the end of the reporting period are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

***(iii) Retirement benefit costs***

The Group's contributions to the defined contribution retirement scheme set up pursuant to the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "MPF" Scheme) for all qualifying employees are expensed as incurred. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (j) Employee benefits *(Continued)*

#### *(iii) Retirement benefit costs* (Continued)

The Company's PRC and Mongolia subsidiaries participate in defined contribution retirements schemes organized by the local government authorities. All of the employees are entitled to an annual pension equivalent to a fixed portion of their basic salaries at their retirement dates. The Company's PRC and Mongolia subsidiaries are required to contribute certain percentage of the basic salaries of their employees to the retirement schemes and have no further obligation for post-retirement benefits. The contributions are charged to the profits and loss of the Group as they become payable in accordance with the rules of schemes.

#### *(iv) Share-based payments*

The Group operates equity-settled share-based payments to certain directors, employees and other parties.

Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period with a corresponding increase in a capital reserve within equity, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained earnings).

Fair value is measured using the Black-Scholes Option Price Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (k) 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 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 at the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base 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.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (l) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of property, plant and equipment, after taking into account of their estimated residual value, if any, over their estimated useful lives, using the straight-line method. The principal annual rates are as follows:

| | |
|---|---|
| Leasehold improvement | 20% |
| Furniture, fixtures and equipment | 15% – 20% |
| Motor vehicles | 25% |
| Plant and machineries | 15% |
| Building and mining structure | 5% |

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 income statement in the year in which the item is derecognised.

Construction in progress, which represents assets under construction, is stated at cost less impairment loss, if any. When the assets are completed and ready for use, the carrying amount of the assets will be reclassified to property, plant and equipment and depreciated in accordance with the policy as set out above.

### (m) Leases of land and buildings

Whenever necessary in order to classify and account for a lease of land and buildings, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception of the lease.

The land element is classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term. The buildings element is classified as a finance or operating lease in the same way as leases of other assets.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (m) Leases of land and buildings *(Continued)*

If the lease payments on a lease of land and building cannot be allocated reliably between the land and building elements at the inception of the lease, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

### (n) Mining right

Mining rights are stated at cost less accumulated amortisation and any impairment losses and are amortised on a straight line basis over the estimated useful life of the mines based on the total proven and probable reserves of the mines using the units of production method.

### (o) Exploration and related expenses

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

### (p) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated income statement over the expected useful life of the relevant asset by equal annual installments.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (q) Impairment of tangible and intangible assets excluding goodwill

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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

Impairment losses recognised in an interim financial report prepared in compliance with "HKAS 34 Interim Financial Reporting" are not reversed at the end of the financial year to which the interim period relates even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of that financial year.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (r) Financial instruments

Financial assets and financial liabilities are recognised 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 and 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 that are 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.

***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income for financial assets and interest expense for financial liabilities are recognized on an effective interest basis.

*(i) Financial assets*

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (r) Financial instruments *(Continued)*

*(i) Financial assets (Continued)*

The accounting policies adopted in respect of each category of financial assets are set out below.

(1) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near future; or

– it is a part of and identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (r) Financial instruments *(Continued)*

*(i) Financial assets (Continued)*

(1) Financial assets at fair value through profit and loss *(Continued)*

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

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. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

(2) 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 receivables, loan receivables, other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

(3) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At the end of each reporting period subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (r) Financial instruments *(Continued)*

*(i) Financial assets (Continued)*

(4) 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.

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 and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition.

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (r) Financial instruments *(Continued)*

*(ii) Financial liabilities*

The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

(1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial liability is classified as held for trading if:

– it has been acquired principally for the purpose of repurchasing in the near future; or

– it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (r) Financial instruments *(Continued)*

*(ii) Financial liabilities (Continued)*

(1) Financial liabilities at fair value through profit or loss *(Continued)*

– the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At the end of each reporting period subsequent to initial recognition, financial liabilities 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. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability.

(2) Other financial liabilities and equity

Other financial liabilities (including bank and other borrowings, trade and other payables) are subsequently measured at amortised cost, using the effective interest method.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (r) Financial instruments *(Continued)*

#### *(ii) Financial liabilities (Continued)*

(3) Convertible bonds

Convertible bonds issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option 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 rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the convertible bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds 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 bonds equity reserve until the conversion option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the retained profits. 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 bonds are allocated to the liability and equity components in proportion to the allocation of the 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 component and amortised over the period of the convertible bonds using the effective interest method.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (r) Financial instruments *(Continued)*

*(iii) Equity instruments*

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on purchase, sale, issue or cancellation of the Company's own equity instruments.

Warrants issued by the group entities which will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments, are recorded at the proceeds received, net of direct issue costs.

### (s) Financial guarantees, provisions and contingent liabilities

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. The Group has asserted to regard financial guarantee contracts as insurance contracts and elect to apply "HKFRS 4 Insurance Contracts" to account for such contracts. The election applies to all existing contracts and new contracts on a contract-by-contract basis and is irrevocable for each contract elected.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (s) Financial guarantees, provisions and contingent liabilities *(Continued)*

Present obligation is disclosed as a contingent liability where it is not probable that an outflow of economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliably. Possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future event(s) is also disclosed as a contingent liability unless the probability of outflow of economic benefits is remote.

### (t) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### (u) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.



## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (v) Related parties

A party is considered to be related to the Group if:

(i) The party, directly or indirectly through one or more intermediaries, (1) controls, is controlled by, or is under common control with, the Group; (2) has an interest in the Group that gives it significant influence over the Group; or (3) has joint control over the Group;

(ii) The party is an associate;

(iii) The party is a jointly-controlled entity;

(iv) The party is a member of the key management personnel of the Group or its parent;

(v) The party is a close member of the family of any individual referred to in (i) or (iv);

(vi) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides, with directly or indirectly, any individual referred to in (iv) or (v); or

(vii) The party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

### (a) Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations as discussed below, which have the most significant effect on the amounts recognised in the financial statements.

#### *(i) Impairment of assets*

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES *(Continued)*

### (a) Judgments *(Continued)*

#### *(ii) Exploration and related expenses*

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgments in determining whether it is likely that future economic benefits will arise, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of capitalized expenditures are unlikely, the amount capitalized is written off in the income statement in the period when the new information becomes available.

#### *(iii) Income taxes*

Deferred tax is provided using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgment regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all or the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of each reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the income statement.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES *(Continued)*

### (b) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year are discussed below.

#### *(i) Impairment test of assets*

The Group determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

#### *(ii) Mine reserves*

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the subjective judgments involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as proven and probable. Proven and probable mine reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each mine. In addition, price and cost levels change from year to year, the estimates of proven and probable mine reserves also change. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in the related amortization rates of mining rights.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining amortization expenses and impairment losses of mining rights. Amortization rates are determined based on estimated proven and probable mine reserve quantity and capitalized costs of mining rights. The capitalized costs of mining rights are amortized over the estimated useful lives of the mines based on the proven and probable reserves of the mines using the units of production method.



## 5. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES *(Continued)*

### (b) Estimation uncertainty *(Continued)*

#### *(iii) Income taxes*

The Group reviews the carrying amount of deferred tax assets at the end of each reporting period and reduces the amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. This requires an estimation of the future taxable profits. Estimating the future taxable profits requires the Group to make an estimate of the expected future earnings from the Group and also to choose a suitable discount rate in order to calculate the present value of the earnings.

#### *(iv) Depreciation of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year the estimate is changed and the future period.

#### *(v) Valuation of share options*

Share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the profit and loss and share-based payment reserve.

## 6. REVENUE

(a) An analysis of the Group's revenue for the period/year is as follows:

| | **1 May 2009 to 31 December 2009** *HK$'000* | 1 May 2008 to 30 April 2009 *HK$'000* |
|---|---|---|
| Sales of marketable securities | **1,424** | 19,429 |
| Other interest income | **85** | 470 |
| Dividend income | **163** | 336 |
| | **1,672** | 20,235 |

(b) An analysis of the Group's other revenue for the period/year is as follows:

| | **1 May 2009 to 31 December 2009** *HK$'000* | 1 May 2008 to 30 April 2009 *HK$'000* |
|---|---|---|
| Miscellaneous income | **300** | 410 |
| Exchange gain | **–** | 1 |
| | **300** | 411 |

## 7. SEGMENT INFORMATION

Segment information reported to the chief operating decision maker, directors of the Company, is the type of goods delivered by the Group's operating division for the purposes of resource allocation and performance assessment. The Group's operating and reportable segments under HKFRS 8 are as follows:

The Group is currently organized into two major business division:

(a) Corporate investment and trading in securities; and

(b) Minerals exploitation.

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

Segment revenue represents revenue generated from external customers. There were no inter-segment sales during the period/year.

Segment result represents the profit/(loss) earned by each segment without allocation of corporate income and expense, central administration cost, directors' salaries, interest income, impairment of other receivables and finance costs.

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

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

## 7. SEGMENT INFORMATION *(Continued)*

### (a) Segment revenues and results

| | 1 May 2009 to 31 December 2009 | | |
|---|---|---|---|
| | **Corporate investment and trading in securities** *HK$'000* | **Minerals exploitation** *HK$'000* | **Total** *HK$'000* |
| Segments revenue | **1,587** | **–** | **1,587** |
| Segments results | **(264)** | **80,148** | **79,884** |
| Interest income | | | **85** |
| Unallocated corporate expenses | | | **(105,376)** |
| Impairment of other receivables | | | **(33)** |
| Finance costs | | | **(5)** |
| Consolidated loss before taxation | | | **(25,445)** |

| | 1 May 2008 to 30 April 2009 | | |
|---|---|---|---|
| | Corporate investment and trading in securities *HK$'000* | Minerals exploitation *HK$'000* | Total *HK$'000* |
| Segments revenue | 19,765 | – | 19,765 |
| Segments results | (23,623) | (449,444) | (473,067) |
| Interest income | | | 470 |
| Unallocated corporate expenses | | | (380) |
| Finance costs | | | (5) |
| Consolidated loss before taxation | | | (472,982) |

## 7. SEGMENT INFORMATION *(Continued)*

### (b) Segment assets and liabilities

| | **1 May 2009 to 31 December 2009** | | |
|---|---|---|---|
| | **Corporate investment and trading in securities** | **Minerals exploitation** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Segment assets | **8,610** | **2,166,341** | **2,174,951** |
| Unallocated assets | | | **343,958** |
| Consolidated assets | | | **2,518,909** |
| Segment liabilities | **47** | **10,292** | **10,339** |
| Unallocated liabilities | | | **541,732** |
| Consolidated liabilities | | | **552,071** |

| | 1 May 2008 to 30 April 2009 | | |
|---|---|---|---|
| | Corporate investment and trading in securities | Minerals exploitation | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Segment assets | 55,928 | 2,083,380 | 2,139,308 |
| Unallocated assets | | | 47,232 |
| Consolidated assets | | | 2,186,540 |
| Segment liabilities | 4,220 | 7,522 | 11,742 |
| Unallocated liabilities | | | 515,816 |
| Consolidated liabilities | | | 527,558 |

## 7. SEGMENT INFORMATION *(Continued)*

### (c) Other segment information

| | **1 May 2009 to 31 December 2009** | |
|---|---|---|
| | **Corporate investment and trading in securities** *HK$'000* | **Minerals exploitation** *HK$'000* |
| Capital expenditure | **–** | **2,068** |
| Depreciation | **–** | **1,008** |
| Impairment of mining right written back | **–** | **(87,407)** |

| | 1 May 2008 to 30 April 2009 | |
|---|---|---|
| | Corporate investment and trading in securities *HK$'000* | Minerals exploitation *HK$'000* |
| Capital expenditure | 27 | 17,573 |
| Depreciation | 47 | 1,887 |
| Impairment of mining right | – | 433,719 |

## 7. SEGMENT INFORMATION *(Continued)*

### (d) Geographical segments

The following tables present revenue and certain assets and expenditure information for the Group's geographical segments for the period ended 31 December 2009 and year ended 30 April 2009.

| | **1 May 2009 to 31 December 2009** | | | |
|---|---|---|---|---|
| | **Hong Kong** | **The PRC** | **Mongolia** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Segment revenue | **1,587** | **–** | **–** | **1,587** |
| Other segment information: | | | | |
| Non-current assets | **–** | **1,451,859** | **709,807** | **2,161,666** |
| Capital expenditure | **–** | **2,061** | **7** | **2,068** |

| | 1 May 2008 to 30 April 2009 | | | |
|---|---|---|---|---|
| | Hong Kong | The PRC | Mongolia | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Segment revenue | 19,765 | – | – | 19,765 |
| Other segment information: | | | | |
| Non-current assets | 72 | 1,450,817 | 622,393 | 2,073,282 |
| Capital expenditure | 27 | 17,573 | – | 17,600 |

## 8. OPERATING LOSS FOR THE PERIOD/YEAR

Operating loss of the Group for the period/year has been arrived at after charging the followings:

| | **1 May 2009 to 31 December 2009** ***HK$'000*** | 1 May 2008 to 30 April 2009 *HK$'000* |
|---|---|---|
| Staff costs (including directors' remuneration – *note 10*) | | |
| – Salaries and allowances | **6,993** | 4,886 |
| – Share-based payments *(note a)* | **33,758** | 558 |
| – Other staff costs | **1,087** | 416 |
| – Retirement benefits scheme contributions | **60** | 31 |
| | **41,898** | 5,891 |
| Depreciation | **1,139** | 1,934 |
| Auditors' remuneration | | |
| – Audit services | **720** | 720 |
| – Other services | **120** | 120 |
| Operating leases on land and buildings | **913** | 984 |
| Share-based payments – Consultants *(note a)* | **53,869** | 2,171 |
| Impairment of mining right | **–** | 433,719 |
| Impairment of other receivables | **33** | – |
| Inventories written off | **34** | – |
| Exploration and related expenses | **2,360** | 9,787 |

## 8. OPERATING LOSS FOR THE PERIOD/YEAR *(Continued)*

*Note a:* During the period/year, share-based payments arising from share options granted to directors, employees and consultants of the Group recognised as expenses in profit and loss are as follows:–

| | **1 May 2009 to 31 December 2009** *HK$'000* | 1 May 2008 to 30 April 2009 *HK$'000* |
|---|---|---|
| Directors' emolument | **31,493** | 558 |
| Staff costs | **2,265** | – |
| Professional fees | **53,869** | 2,171 |
| | **87,627** | 2,729 |

## 9. FINANCE COSTS

| | **1 May 2009 to 31 December 2009** *HK$'000* | 1 May 2008 to 30 April 2009 *HK$'000* |
|---|---|---|
| Dividends on cumulative redeemable preference shares *(note 13)* | **5** | 5 |
| | **5** | 5 |

## 10. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

### (i) Directors' emoluments

**1 May 2009 to 31 December 2009**

| | | Other emoluments | | | |
|---|---|---|---|---|---|
| | Fees | Salaries, allowances and other benefits | Employee share option benefits | Retirement benefits scheme contributions | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Executive Directors** | | | | | |
| Wan Bi Qi | – | 1,171 | 13,813 | – | 14,984 |
| Zhang He | – | 1,157 | 2,486 | – | 3,643 |
| Chen Xiang | – | 900 | 13,813 | – | 14,713 |
| Yuan Ping | – | 1,022 | 1,381 | – | 2,403 |
| **Independent Non-executive Directors** | | | | | |
| Wang Guoqi | – | – | – | – | – |
| Wang Qihong | – | – | – | – | – |
| Wong Sat *(note a)* | – | – | – | – | – |
| Qiu Quan Zhou *(note b)* | – | – | – | – | – |
| | – | 4,250 | 31,493 | – | 35,743 |

*Note (a):* Resigned on 14 May 2009

*Note (b):* Appointed on 14 May 2009

## 10. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS *(Continued)*

### (i) Directors' emoluments *(Continued)*

**1 May 2008 to 30 April 2009**

| | | Other emoluments | | | |
|---|---|---|---|---|---|
| | Fees | Salaries, allowances and other benefits | Employee share option benefits | Retirement benefits scheme contributions | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Executive Directors** | | | | | |
| Wang Jian Sheng *(note b)* | – | – | – | – | – |
| Wan Bi Qi *(note c)* | – | – | – | – | – |
| Li Qiao Feng *(note a)* | – | 345 | 302 | – | 647 |
| Zhang He | – | 950 | 196 | – | 1,146 |
| Chen Xiang *(note c)* | – | – | – | – | – |
| Yuan Ping *(note c)* | – | – | – | – | – |
| **Non-Executive Directors** | | | | | |
| Wang Bao Lin *(note b)* | – | 110 | – | – | 110 |
| **Independent Non-executive Directors** | | | | | |
| Wang Guoqi | – | 30 | 20 | – | 50 |
| Wang Qihong | – | – | 20 | – | 20 |
| Wong Sat *(note d)* | – | – | 20 | – | 20 |
| Qiu Quan Zhou *(note e)* | – | – | – | – | – |
| | – | 1,435 | 558 | – | 1,993 |

*Note (a):* Resigned on 16 April 2009

*Note (b):* Resigned on 20 April 2009

*Note (c):* Appointed on 20 April 2009

*Note (d):* Resigned on 14 May 2009

*Note (e):* Appointed on 14 May 2009

## 10. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS *(Continued)*

### (ii) Five highest paid employees

During the period, the five highest paid individuals included four directors (For the year ended 30 April 2009: three), details of whose emoluments are set out above. The emoluments of the remaining highest paid individual were as follows:

| | **1 May 2009 to 31 December 2009 *HK$'000*** | 1 May 2008 to 30 April 2009 *HK$'000* |
|---|---|---|
| Salaries and allowances | **1,242** | 1,530 |
| Retirement benefits scheme contributions | **8** | 21 |
| Employee share-based payment | **1,934** | – |
| | **3,184** | 1,551 |

Emoluments of the one (For the year ended 30 April 2009: two) non-director highest paid individual(s) fell within the following bands:

| | **Number of individual(s)** | |
|---|---|---|
| | **1 May 2009 to 31 December 2009** | 1 May 2008 to 30 April 2009 |
| HK$ Nil to HK$1,000,000 | **–** | 1 |
| HK$1,000,001 to HK$2,000,000 | **–** | 1 |
| HK$2,000,001 to HK$4,000,000 | **1** | – |

## 11. INCOME TAX

(a) Income tax expense in the consolidated statement of comprehensive income represents:

| | **1 May 2009 to 31 December 2009** | 1 May 2008 to 30 April 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax: | | |
| Hong Kong | **–** | – |
| Other jurisdictions | **–** | – |
| | **–** | – |
| Deferred tax *(note 31)* | **(21,852)** | 108,429 |
| Tax (expense)/income for the period/year | **(21,852)** | 108,429 |

Hong Kong profits tax has not been made as the Group has no assessable profits arising in or derived from Hong Kong during the period (For the year ended 30 April 2009: Nil). Overseas income taxes have not been made as the Group's operation in these countries was operating at a loss during the period (For the year ended 30 April 2009: Nil).

## 11. INCOME TAX *(Continued)*

(b) Reconciliation between tax expense and accounting loss at applicable tax rates is as follows:

| | **1 May 2009 to 31 December 2009** *HK$'000* | 1 May 2008 to 30 April 2009 *HK$'000* |
|---|---|---|
| Loss before tax | **(25,445)** | (472,982) |
| Notional tax on loss before tax, calculated at the tax rates applicable to profits in the jurisdictions concerned | **(10,368)** | (49,569) |
| Tax effect of income not taxable | **(27)** | (119) |
| Tax effect of expenses not deductible and loss not allowable | **–** | 451 |
| Tax effect of temporary differences not recognised for the period/year | **(8,741)** | (3) |
| Tax effect of estimated tax losses not recognised for the period/year | **19,136** | 49,240 |
| (Increase)/decrease in deferred tax liabilities arising from mining right *(note 31)* | **(21,852)** | 108,429 |
| | **(21,852)** | 108,429 |

## 12. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to the owners of the Company for the period ended 31 December 2009 includes a loss of approximately HK$108,795,000 (For the year ended 30 April 2009: approximately HK$11,268,000) which has been dealt with in the financial statement of the Company.

Reconciliation of the above amount to the Company's loss for the period/year is as follows:

| | **1 May 2009 to 31 December 2009** | 1 May 2008 to 30 April 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Amount of consolidated loss attributable to owners of the Company dealt with in the Company's financial statements | **(105,110)** | (11,268) |
| Impairment loss on amount due from subsidiaries | **(3,308)** | – |
| Impairment loss on other receivables | **(377)** | – |
| Company's loss for the period/year | **(108,795)** | (11,268) |

## 13. DIVIDENDS ON CUMULATIVE REDEEMABLE PREFERENCE SHARES

| | **1 May 2009 to 31 December 2009** | 1 May 2008 to 30 April 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Preference dividends | | |
| Payable of HK$0.151 per share on 16,485 shares (For the year ended 30 April 2009: HK$0.151 on 16,485 shares) | **3** | 3 |
| Payable of HK$0.149 per share on 16,485 shares (For the year ended 30 April 2009: HK$0.149 on 16,485 shares) | **2** | 2 |
| | **5** | 5 |

## 14. LOSS PER SHARE

The basic loss per share is calculated based on the loss attributable to owners of approximately HK$91,168,000 (For the year ended 30 April 2009: approximately HK$123,313,000) and the weighted average number of 5,187,804,155 (For the year ended 30 April 2009: 5,151,679,552) ordinary shares in issue during the period/year.

The diluted loss per share for the period ended 31 December 2009 and year ended 30 April 2009 has not been disclosed as the potential shares arising from the exercise and conversion of the Company's share options and convertible preference shares would increase the loss per share of the Group for the period/year and is regarded as anti-dilutive.

## 15. PROPERTY, PLANT AND EQUIPMENT

### Group

| | Leasehold improvement<br>*HK$'000* | Furniture, fixtures and equipment<br>*HK$'000* | Motor vehicles<br>*HK$'000* | Plant and machineries<br>*HK$'000* | Building and mining structure<br>*HK$'000* | Construction in progress<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| At 1 May 2008 | – | 421 | 1,379 | 1,431 | – | – | 3,231 |
| Additions | – | 86 | – | 2 | 906 | 16,606 | 17,600 |
| Transfer | – | – | – | 3,911 | 8,091 | (12,002) | – |
| Exchange adjustment | – | 4 | (69) | 8 | – | – | (57) |
| At 30 April 2009 and at 1 May 2009 | – | 511 | 1,310 | 5,352 | 8,997 | 4,604 | 20,774 |
| Additions | 1,160 | 188 | 376 | 9 | – | 6 | 1,739 |
| Disposals | – | (11) | – | – | – | – | (11) |
| Exchange adjustment | – | 1 | (6) | – | (1) | (1) | (7) |
| At 31 December 2009 | 1,160 | 689 | 1,680 | 5,361 | 8,996 | 4,609 | 22,495 |
| **Accumulated depreciation and impairment losses:** | | | | | | | |
| At 1 May 2008 | – | 195 | 526 | 55 | – | – | 776 |
| Charge for the year | – | 93 | 425 | 966 | 450 | – | 1,934 |
| Exchange adjustment | – | – | (75) | (3) | – | – | (78) |
| At 30 April 2009 and at 1 May 2009 | – | 288 | 876 | 1,018 | 450 | – | 2,632 |
| Charge for the period | 99 | 52 | 152 | 536 | 300 | – | 1,139 |
| Written back on disposal | – | (2) | – | – | – | – | (2) |
| Exchange adjustment | – | – | (6) | 1 | – | – | (5) |
| At 31 December 2009 | 99 | 338 | 1,022 | 1,555 | 750 | – | 3,764 |
| Net carrying amount: | | | | | | | |
| At 31 December 2009 | 1,061 | 351 | 658 | 3,806 | 8,246 | 4,609 | 18,731 |
| At 30 April 2009 | – | 223 | 434 | 4,334 | 8,547 | 4,604 | 18,142 |

## 15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

**Company**

| | Leasehold improvement *HK$'000* | Furniture, fixtures and equipment *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| **Cost:** | | | |
| At 1 May 2008 | – | 279 | 279 |
| Additions | – | 27 | 27 |
| At 30 April 2009 and at 1 May 2009 | – | 306 | 306 |
| Additions | 1,160 | 181 | 1,341 |
| At 31 December 2009 | 1,160 | 487 | 1,647 |
| **Accumulated depreciation and impairment losses:** | | | |
| At 1 May 2008 | – | 187 | 187 |
| Charge for the year | – | 47 | 47 |
| At 30 April 2009 and at 1 May 2009 | – | 234 | 234 |
| Charge for the period | 99 | 32 | 131 |
| At 31 December 2009 | 99 | 266 | 365 |
| **Net carrying amount:** | | | |
| At 31 December 2009 | 1,061 | 221 | 1,282 |
| At 30 April 2009 | – | 72 | 72 |

*For the period ended 31 December 2009*

## 16. PREPAID LEASE PAYMENT

| | **As at 31 December 2009** *HK$'000* | As at 30 April 2009 *HK$'000* |
|---|---|---|
| Cost/carrying amount: | | |
| At the beginning of the period/year | **–** | – |
| Additions | **1,670** | – |
| At the end of the period/year | **1,670** | – |
| Accumulated amortization: | | |
| At the beginning of the period/year | **–** | – |
| Charge for the period/year | **–** | – |
| At the end of the period/year | **–** | – |
| Net carrying value: | | |
| At 31 December/30 April | **1,670** | – |

Prepaid lease payment represented cost paid by a subsidiary to acquire land use right in the PRC on 25 December 2009. The subsidiary intends to erect office building on the land for own use. The land use right will be expired on 24 December 2049 and its cost is amortised over the lease term on a straight-line basis. No amortisation was provided during the period as the land use right was acquired during the end of the period.

## 17. MINING RIGHTS

| | **As at 31 December 2009** *HK$'000* | As at 30 April 2009 *HK$'000* |
|---|---|---|
| Cost/carrying amount: | | |
| At the beginning of the period/year | **2,055,140** | 2,488,859 |
| Impairment loss | **–** | (433,719) |
| Impairment loss written back | **87,407** | – |
| At the end of the period/year | **2,142,547** | 2,055,140 |

No amortisation was provided during the period/year as the Group has not yet commenced to exploit the ores.

## 18. INTEREST IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | **1 May 2009 to 31 December 2009** | 1 May 2008 to 30 April 2009 |
| | ***HK$'000*** | *HK$'000* |
| Unlisted shares, at cost | **–** | – |
| Amounts due from subsidiaries | **2,052,231** | 2,051,976 |
| Amounts due to subsidiaries | **(10,099)** | (10,099) |
| | **2,042,132** | 2,041,877 |
| Allowance for impairment losses | **(36,760)** | (33,452) |
| | **2,005,372** | 2,008,425 |

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

Particulars of the Company's principal subsidiaries are set out in note 38 to financial statements.

## 19. JOINTLY CONTROLLED ENTITIES

Details of jointly controlled entity of the Group at the balance sheet date are as follows:–

| | Group | | Company | |
|---|---|---|---|---|
| | **As at 31 December 2009** | As at 30 April 2009 | **As at 31 December 2009** | As at 30 April 2009 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Share of net liabilities | **–** | – | **–** | – |
| Amounts due from jointly controlled entities | **16,315** | 16,315 | **16,301** | 16,301 |
| Allowances for impairment losses | **(16,315)** | (16,315) | **(16,301)** | (16,301) |
| | **–** | – | **–** | – |

## 19. JOINTLY CONTROLLED ENTITIES *(Continued)*

| Company | Place of Incorporation/ operation | Principal activities | Attributable equity interest |
|---|---|---|---|
| Yetcome Investments Limited | British Virgin Islands | Investments holding | 33% |
| T & T Properties Sdn. Bhd. | Malaysia | Property development | 33% |
| Prizevest Sdn. Bhd. | Malaysia | Property development | 23% |
| Top Priority Sdn. Bhd. | Malaysia | Property development | 23% |
| Victec Enterprise Sdn. Bhd. | Malaysia | Property development | 23% |
| Prime Harvest Financial Holding Group Limited | British Virgin Islands | Investments holding | 40% |

Equity accounting for the Group's interests in all these jointly controlled entities has been discontinued since 2004 as the operations of these entities had ceased in consequence of Receivers appointed in the year 2002. The carrying amounts of these jointly controlled entities have been fully impaired.

The amounts due from these jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

## 20. INVESTMENTS HELD FOR TRADING

| | Group | |
|---|---|---|
| | **As at 31 December 2009** | As at 30 April 2009 |
| | ***HK$'000*** | *HK$'000* |
| Investments held for trading – at fair value | **6,990** | 8,821 |

The investments included above represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on quoted market prices.

## 21. INVENTORIES

| | Group | |
|---|---|---|
| | **As at 31 December 2009** | As at 30 April 2009 |
| | ***HK$'000*** | *HK$'000* |
| Raw materials | **750** | 825 |
| Finished goods | **616** | 616 |
| | **1,366** | 1,441 |

## 22. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **As at 31 December 2009** | As at 30 April 2009 | **As at 31 December 2009** | As at 30 April 2009 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Trade receivables | **–** | – | **–** | – |
| Other receivables | **2,279** | 3,342 | **962** | 3,410 |
| Prepayments and deposits | **1,365** | 1,760 | **762** | 1,161 |
| | **3,644** | 5,102 | **1,724** | 4,571 |

The aging analysis of trade receivables is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **As at 31 December 2009** | As at 30 April 2009 | **As at 31 December 2009** | As at 30 April 2009 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| 0 – 3 months | **–** | – | **–** | – |

## 23. CASH AND BANK BALANCES

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

## 24. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **As at 31 December 2009** | As at 30 April 2009 | **As at 31 December 2009** | As at 30 April 2009 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Trade payables | **–** | – | **–** | – |
| Temporary deposits, accruals and other payables | **10,448** | 7,786 | **3,891** | 4,078 |
| | **10,448** | 7,786 | **3,891** | 4,078 |

The aging analysis of trade payable is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **As at 31 December 2009** | As at 30 April 2009 | **As at 31 December 2009** | As at 30 April 2009 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| 0 – 3 months | **–** | – | **–** | – |

## 25. DEFERRED INCOME

| | Group | |
|---|---|---|
| | **As at 31 December 2009** | As at 30 April 2009 |
| | ***HK$'000*** | *HK$'000* |
| Government grant received: | | |
| At the beginning of the period/year | **3,976** | – |
| Additions | **–** | 3,976 |
| Exchange adjustment | **(1)** | – |
| At the end of the period/year | **3,975** | 3,976 |

## 26. CUMULATIVE REDEEMABLE PREFERENCE SHARES

| | **Number of shares** | **Amount** |
|---|---|---|
| | | *HK$'000* |
| **Authorised:** | | |
| 6% convertible cumulative redeemable preference shares of HK$1 each | 100,000,000 | 100,000 |
| **Issued and fully paid:** | | |
| Balance at 1 May 2008, 30 April 2009 and 31 December 2009 | 16,485 | 110 |

A holder of the convertible cumulative redeemable preference shares ("CPS") is entitled to receive a fixed cumulative preferential dividend at the rate of 6% per annum on the notional value of HK$5 per CPS to be paid half-yearly on 30 June and 31 December in each year.

A holder of the CPS may convert his shares held at any time into Ordinary Shares at the conversion price of HK$0.036 per share, subject to adjustment.

## 26. CUMULATIVE REDEEMABLE PREFERENCE SHARES *(Continued)*

The CPS may be redeemed by the holders of the CPS at any time after 30 June 1996 at a redemption price per share equal to the notional value plus accrued dividend.

The Company has the option to redeem all or some of the CPS at any time at the notional value of the CPS if the average of the closing prices of the Ordinary Share quoted on the Stock Exchange over the preceding 30 consecutive dealing days ending on the seventh day prior to the date upon which notice of redemption is given is greater than or equal to 150% of the conversion price in effect on such seventh day.

## 27. SHARE CAPITAL

| | Number of shares | Amount |
|---|---|---|
| | | *HK$'000* |
| **Authorised:** | | |
| Ordinary shares of HK$0.05 each | | |
| Balance at 1 May 2008, 30 April 2009 and 31 December 2009 | 30,000,000,000 | 1,500,000 |
| **Issued and fully paid:** | | |
| Ordinary shares of HK$0.05 each | | |
| Balance at 1 May 2008 and 30 April 2009 | 5,151,679,552 | 257,584 |
| Issue of shares *(note)* | 439,516,000 | 21,976 |
| Balance at 31 December 2009 | 5,591,195,552 | 279,560 |

*Note:* On 1 December 2009, 439,516,000 ordinary shares were issued at a subscription price of HK$0.64 per share pursuant to placing and subscription agreement entered into between the vendor with the placing agent and the Company on 18 November 2009. Details of placing of subscription agreement are set out in the Company's announcement dated 20 November 2009. The premium of the issue of new shares less related issuing costs amounted to approximately HK$245,546,000 was credited to the Company's share premium account.

## 28. SHARE OPTIONS SCHEME

The Company's share options scheme was adopted by the Company on 13 October 2003 (the "Scheme") for the purpose of enabling the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme, the Board of Directors of the Company may, at it's discretion, invite eligible participants (as contained in the Company's circular of 19 September 2003) to take up options to subscribe for shares of the Company. The principal terms of the Scheme are as follows:

(i) The maximum number of shares in respect of which options may be granted under the Scheme must not, in aggregate, exceed 10% of the issued share capital of the Company as at the date of approval of the Scheme, unless approval of the shareholders has been obtained to renew the limit, and which must not in aggregate (including all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group) exceed 30% of the shares of the Company in issue from time to time.

(ii) The number of shares in respect of which options may be granted to any individual in any 12-month period must not exceed 1% of the shares of the Company in issue as at the date of grant.

(iii) The exercise price is determined by the Board in its absolute discretion at a price not less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (b) the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and (c) the nominal value of share.

(iv) An option may be accepted by a proposed grantee within 7 days from the date of the offer of grant of the option. There is no minimum period for which an option must be held before it can be exercised. An option may be exercised at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date.

(v) Upon acceptance of the option, the grantee shall pay of HK$1.00 to the Company by way of consideration for the grant of the option.

(vi) The Scheme will remain valid for a period of 10 years commencing on October 2003, being the date on which it was adopted.

## 28. SHARE OPTIONS SCHEME *(Continued)*

Details of the existing share options granted by the Company under the Scheme are as follows:–

| | | Tranche 1 | Tranche 2 |
|---|---|---|---|
| Date of grant | : | 19 June 2009 | 19 June 2009 |
| Vesting periods/Fair value at grant date | : | 19 June 2009 – 18 June 2019/ HK$0.2836 | 19 June 2010 – 18 June 2019/ HK$0.2689 |
| Number of share options granted | : | 158,600,000 | 158,600,000 |
| Exercise price | : | HK$0.61 | HK$0.61 |
| Share price as at the valuation date | : | HK$0.60 | HK$0.60 |
| Expected volatility | : | 51.17% | 51.17% |
| Risk-free interest rate as at the valuation date | : | 2.276% | 2.137% |
| Excepted life of option | : | 5 years | 4.5 years |

The fair value of equity-settled share options granted was estimated as at the date of grant, using the Black-Scholes Option Price Model, taking into account the terms and conditions upon which the share options were granted. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the share options granted was incorporated into the measurement of fair value.

## 28. SHARE OPTIONS SCHEME *(Continued)*

Details of share options granted are as follows:

| Date of grant/ acceptance | Exercise period | Exercise price per share | Closing price immediately before date of offer | Closing price immediately before date of grant |
|---|---|---|---|---|
| 19 June 2009 | 19 June 2009 – 18 June 2019 | HK$ 0.61 | HK$ 0.61 | HK$ 0.60 |
| 19 June 2009 | 19 June 2010 – 18 June 2019 | HK$ 0.61 | HK$ 0.61 | HK$ 0.60 |

At no time during the period was the Company, its holding company, or any its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Share in, or debentures of, the Company or any other body corporate.

Details of the movement of the share options during the period/year under the Scheme are as follows:

### 1 May 2009 to 31 December 2009

| | Date of Grant | Exercise price *HK$* | Exercise period | At 1 May 2009 | Granted during the period | Lapsed during the period | Cancelled during the period | Exercise during the period | At 31 December 2009 |
|---|---|---|---|---|---|---|---|---|---|
| Director | 23 November 2006 | 0.107 | 23.11.2006-6.11.2016 | 11,700,000 | – | (11,700,000) | – | – | – |
| | 19 June 2009 | 0.610 | 19.6.2009-18.6.2019 | – | 57,000,000 | – | – | – | 57,000,000 |
| | 19 June 2009 | 0.610 | 19.6.2010-18.6.2019 | – | 57,000,000 | – | – | – | 57,000,000 |
| Other employees | 23 November 2006 | 0.107 | 23.11.2007-6.11.2016 | 300,000 | – | – | (300,000) | – | – |
| | 19 June 2009 | 0.610 | 19.6.2009-18.6.2019 | – | 4,100,000 | – | – | – | 4,100,000 |
| | 19 June 2009 | 0.610 | 19.6.2010-18.6.2019 | – | 4,100,000 | – | – | – | 4,100,000 |
| Consultants | 23 November 2006 | 0.107 | 23.11.2006-6.11.2016 | 11,066,381 | – | – | (11,066,381) | – | – |
| | 7 December 2006 | 0.185 | 7.12.2006-28.11.2016 | 54,000,000 | – | (54,000,000) | – | – | – |
| | 4 April 2007 | 0.550 | 4.4.2007-3.4.2017 | 93,558,966 | – | (93,558,966) | – | – | – |
| | 19 June 2009 | 0.610 | 19.6.2009-18.6.2019 | – | 97,500,000 | – | – | – | 97,500,000 |
| | 19 June 2009 | 0.610 | 19.6.2010-18.6.2019 | – | 97,500,000 | – | – | – | 97,500,000 |
| | | | | 170,625,347 | 317,200,000 | (159,258,966) | (11,366,381) | – | 317,200,000 |

## 28. SHARE OPTIONS SCHEME *(Continued)*

### 1 May 2008 to 30 April 2009

| | Date of Grant | Exercise Price *HK$* | Exercise period | At 1 May 2008 | Granted during the year | Lasped during the year | Cancelled during the year | Exercised during the year | At 30 April 2009 |
|---|---|---|---|---|---|---|---|---|---|
| Director | 23 November 2006 | 0.107 | 23.11.2006-6.11.2016 | 11,700,000 | – | – | – | – | 11,700,000 |
| | 7 December 2006 | 0.185 | 7.12.2006-28.11.2016 | 9,000,000 | – | (9,000,000) | – | – | – |
| Other employees | 23 November 2006 | 0.107 | 23.11.2007-6.11.2016 | 1,800,000 | – | (1,500,000) | – | – | 300,000 |
| Consultants | 23 November 2006 | 0.107 | 23.11.2006-6.11.2016 | 11,066,381 | – | – | – | – | 11,066,381 |
| | 7 December 2006 | 0.185 | 7.12.2006-28.11.2016 | 54,000,000 | – | – | – | – | 54,000,000 |
| | 4 April 2007 | 0.550 | 4.4.2007-3.4.2017 | 93,558,966 | – | – | – | – | 93,558,966 |
| | | | | 181,125,347 | – | (10,500,000) | – | – | 170,625,347 |

## 29. RESERVES

### Group

| | Share premium HK$'000 | Capital redemption reserve HK$'000 | Warrant reserve HK$'000 | Share-based payment reserve HK$'000 | Exchange reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| At 1 May 2008 | 2,670,545 | 2,241 | – | 64,137 | (38,740) | (2,007,758) | 690,425 |
| Loss for the year | – | – | – | – | – | (123,313) | (123,313) |
| Exchange difference arising on translation of foreign operations | – | – | – | – | 406 | – | 406 |
| Total comprehensive income for the year | – | – | – | – | 406 | (123,313) | (122,907) |
| Recognition of share-based payment | – | – | – | 2,729 | – | – | 2,729 |
| Share option lapsed | – | – | – | (4,205) | – | 4,205 | – |
| Issue of warrants | – | – | 3,000 | – | – | – | 3,000 |
| At 30 April 2009 and at 1 May 2009 | 2,670,545 | 2,241 | 3,000 | 62,661 | (38,334) | (2,126,866) | 573,247 |
| Loss for the period | – | – | – | – | – | (91,168) | (91,168) |
| Exchange difference arising on translation of foreign operations | – | – | – | – | (3) | – | (3) |
| Total comprehensive income for the period | – | – | – | – | (3) | (91,168) | (91,171) |
| Recognition of share-based payment | – | – | – | 87,627 | – | – | 87,627 |
| Share option lapsed/cancelled | – | – | – | (62,661) | – | 62,661 | – |
| Issue of shares | 245,546 | – | – | – | – | – | 245,546 |
| **At 31 December 2009** | **2,916,091** | **2,241** | **3,000** | **87,627** | **(38,337)** | **(2,155,373)** | **815,249** |

## 29. RESERVES *(Continued)*

### Company

| | Share premium | Capital redemption reserve | Warrant reserve | Share-based payment reserve | Accumulated losses | Total |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 May 2008 | 2,670,545 | 2,241 | – | 64,137 | (937,658) | 1,799,265 |
| Loss for the year | – | – | – | – | (11,268) | (11,268) |
| Recognition of share-based payment | – | – | – | 2,729 | – | 2,729 |
| Share option lapsed | – | – | – | (4,205) | 4,205 | – |
| Issue of warrants | – | – | 3,000 | – | – | 3,000 |
| At 30 April 2009 and at 1 May 2009 | 2,670,545 | 2,241 | 3,000 | 62,661 | (944,721) | 1,793,726 |
| Loss for the period | – | – | – | – | (108,795) | (108,795) |
| Recognition of share-based payment | – | – | – | 87,627 | – | 87,627 |
| Share option lapsed/cancelled | – | – | – | (62,661) | 62,661 | – |
| Issue of shares | 245,546 | – | – | – | – | 245,546 |
| **At 31 December 2009** | **2,916,091** | **2,241** | **3,000** | **87,627** | **(990,855)** | **2,018,104** |

**(a)** Nature and purpose of the reserves are explained below:–

***(i) Share premium***

The share premium account of the Company is distributable to the equity holders of the Company under the Companies Law of the Cayman Islands subject to the provisions of the Company's Memorandum and Articles of Association and provided that the Company will be in a position to payoff its debts as they fall due in the ordinary course of business immediately following the date on which the dividend is proposed to be distributed.

***(ii) Share options reserve***

The share options reserve represents the fair value of the number of unexercised share options granted by the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(j)(iv).

## 29. RESERVES *(Continued)*

**(a)** *(Continued)*

***(iii) Translation reserve***

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(h).

**(b) Distributability of reserves**

In the opinion of the directors of the Company, the Company had no balance of distributable reserves available for distribution to equity holders as at 31 December, 2009 (For the year ended 30 April 2009: Nil).

## 30. WARRANTS

In previous year, the Company issued 60,000,000 warrants at an issue price of HK$0.05 per warrant which attaching the rights to subscribe for 60,000,000 ordinary shares of the Company at a subscription price of HK$0.60 per share to a placing agent. The subscription period lasted from the date of issue of the warrants to the expiry of the second anniversary of the issue of the warrants (both days inclusive). Details of placing of warrants are set out in the announcement dated 24 April 2009.

## 31. DEFERRED TAXATION

(a) The major deferred tax liabilities recognised are analysed below:

**Group**

| | **Mining rights** *HK$'000* |
|---|---|
| At 1 May 2008 | 622,214 |
| Deferred tax credited to statement of comprehensive income | (108,429) |
| At 30 April 2009 and at 1 May 2009 | 513,785 |
| Deferred tax charged to statement of comprehensive income | 21,852 |
| At 31 December 2009 | 535,637 |

Deferred tax charged to statement of comprehensive income was due to the impairment on fair value of Mongolia's mining right written back.

## 31. DEFERRED TAXATION *(Continued)*

(b) The major deferred tax assets/(liabilities) not recognised are analysed below:

**Group**

| | **Property, plant and equipment** *HK$'000* | **Unused tax losses** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|
| At 1 May 2008 | (5) | 9,681 | 9,676 |
| Temporary differences not recognised in previous year | – | 1,599 | 1,599 |
| Net change in deferred tax assets/(liabilities) not recognised for the year | (3) | 3,506 | 3,503 |
| At 30 April 2009 and at 1 May 2009 | (8) | 14,786 | 14,778 |
| Net change in deferred tax assets/(liabilities) not recognised for the period | – | 70 | 70 |
| **At 31 December 2009** | **(8)** | **14,856** | **14,848** |

## 31. DEFERRED TAXATION *(Continued)*

(b) *(Continued)*

**Company**

| | Property, plant and equipment *HK$'000* | Unused tax losses *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| At 1 May 2008 | (5) | 9,681 | 9,676 |
| Temporary differences not recognised in previous year | – | 1,599 | 1,599 |
| Net change in deferred tax assets/(liabilities) not recognised for the year | (3) | 1,486 | 1,483 |
| At 30 April 2009 and at 1 May 2009 | (8) | 12,766 | 12,758 |
| Net change in deferred tax assets/(liabilities) not recognised for the period | – | – | – |
| **At 31 December 2009** | **(8)** | **12,766** | **12,758** |

The Group and the Company have unused tax losses approximately HK$14,856,000 and HK$12,766,000 respectively (2009: The Group and the Company have unsued tax losses approximately HK$14,786,000 and HK$12,766,000 respectively) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company and its subsidiaries have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

## 32. OPERATING LEASES COMMITMENTS

At the end of the reporting period, the Group had future aggregate minimum lease payments under non-cancellable operating leases are payable as follows:

| | **As at 31 December 2009** *HK$'000* | As at 30 April 2009 *HK$'000* |
|---|---|---|
| Properties | | |
| – within one year | **1,469** | 369 |
| – In the second to fifth years, both inclusive | **574** | – |
| | **2,043** | 369 |

Operating lease payments represent rental payable by the Group for its office properties and director's apartment.

## 33. RETIREMENT BENEFIT SCHEMES

The Group participates in the mandatory provident fund scheme (the "MPF Scheme") for its employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are calculated as a percentage of employee's basic salaries. The retirement benefit costs charged to the profit and loss represent contributions paid and payable by the Group to the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The subsidiaries in the PRC participate in certain employees' retirement schemes implemented by the relevant local municipal governments. Contributions are made by the relevant subsidiaries to these schemes based on certain percentages of the applicable payroll costs.

The Group has no other obligations other than the above-mentioned contributions.

## 34. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | **As at 31 December 2009** *HK$'000* | As at 30 April 2009 *HK$'000* |
|---|---|---|
| **Financial assets** | | |
| Fair value through profit and loss | | |
| – Investments held for trading | **6,990** | 8,821 |
| Loan and receivables | | |
| – Prepayments, deposits and other receivables | **3,644** | 5,102 |
| – Cash and bank balances | **343,961** | 97,894 |
| | **347,605** | 102,996 |
| **Financial liabilities** | | |
| Amortised cost | | |
| – Other payables and accruals | **10,448** | 7,786 |
| – Cumulative redeemable preference shares | **110** | 110 |
| | **10,558** | 7,896 |

### (b) Financial risk management and policies

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, other price risks, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note (4) to the financial statements.

***Cash flow interest rate risk***

The Group has no significant interest-bearing financial assets and liabilities with a floating interest rate. The Group's results and operating cash flows are substantially independent of changes in market interest rates.

## 34. FINANCIAL INSTRUMENTS *(Continued)*

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

***Foreign currency risk***

The Group has transactional currency exposures as the sales and purchases, certain other receivables, cash and bank balances, and trade and other payables of the Group were mainly transacted in Renminbi ("RMB"), Mongolia Tugrugs ("T"), United States dollars ("USD") and Hong Kong dollars ("HKD").

The exchange rate of RMB and T were comparatively volatile.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate of RMB and T, with all other variables held constant, of the Group's loss before tax.

| | Change in exchange rate<br>*%* | (Increase)/ decrease in loss before tax<br>*HK$'000* |
|---|---|---|
| **At 31 December 2009** | | |
| If HKD weakens against RMB | **5%** | **(163)** |
| If HKD strengthens against RMB | **5%** | **163** |
| If HKD weakens against T | **5%** | **(70)** |
| If HKD strengthens against T | **5%** | **70** |
| At 30 April 2009 | | |
| If HKD weakens against RMB | 5% | 373 |
| If HKD strengthens against RMB | 5% | (373) |
| If HKD weakens against T | 5% | (25) |
| If HKD strengthens against T | 5% | 25 |

At 31 December 2009 and 30 April 2009, the Group had not hedged any foreign currency to reduce such foreign currency risk.

In the opinion of the directors, if the exchange rate of these foreign currencies have continuous fluctuation, they will consider to use forward currency contracts to reduce these risks.

## 34. FINANCIAL INSTRUMENTS *(Continued)*

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

***Other price risks***

The Group is exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investment with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities quoted in The Stock Exchange of Hong Kong Limited. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

*Sensitivity analysis*

If equity prices had been 15% higher/lower (2009: 15% higher/lower), loss before tax for the period ended 31 December 2009 and year ended 30 April 2009 would decrease/increase by approximately HK$1,048,500 (2009: approximately HK$1,323,000). This is mainly due to the changes in fair value of marketable securities.

***Credit risk***

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the management.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and trade and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group.

## 34. FINANCIAL INSTRUMENTS *(Continued)*

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

***Liquidity risk***

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Management regularly reviews its major founding positions to ensure that it has adequate financial resources in meeting its financial obligations.

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.

In addition, the following table details the Group's expected maturity for some of its non-derivative financial assets. The tables below 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.

| | Effective interest rate | On demand or less than 3 months | More than 1 year | Total undiscounted cash flows | Total carrying amount at 31.12.2009 |
|---|---|---|---|---|---|
| | *%* | *HK$* | *HK$* | *HK$* | *HK$* |
| **At 31 December 2009** | | | | | |
| **Non-derivative financial assets** | | | | | |
| Cash and bank balances | – | 343,961 | – | 343,961 | 343,961 |
| **Non-derivative financial liabilities** | | | | | |
| Trade and other payables | – | 10,448 | – | 10,448 | 10,448 |

## 34. FINANCIAL INSTRUMENTS *(Continued)*

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

***Liquidity risk*** *(Continued)*

| | Effective interest rate | On demand or less than 3 months | More than 1 year | Total undiscounted cash flows | Total carrying amount at 30.4.2009 |
|---|---|---|---|---|---|
| | *%* | *HK$* | *HK$* | *HK$* | *HK$* |
| **At 30 April 2009** | | | | | |
| **Non-derivative financial assets** | | | | | |
| Cash and bank balances | – | 97,894 | – | 97,894 | 97,894 |
| **Non-derivative financial liabilities** | | | | | |
| Trade and other payables | – | 7,786 | – | 7,786 | 7,786 |

## 35. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

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

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

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



## 35. FAIR VALUE HIERARCHY *(Continued)*

As at 31 December 2009, the Group held the following financial instruments measured at fair value:

**Financial assets measured at fair value:**

| | Level 1<br>*HK$'000* | Level 2<br>*HK$'000* | Level 3<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|---|
| Listed investments held for trading | 6,990 | – | – | 6,990 |

During the period ended 31 December 2009, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

## 36. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as debt divided by total equity. Debt represents current and non-current liabilities as shown in the consolidated statement of financial position. Total equity represents the equity as show in the consolidated statement of financial position.

## 36. CAPITAL MANAGEMENT *(Continued)*

During the period, the Group's strategy, which was unchanged from 2009, was to maintain the net debt-to-equity ratio at satisfactory level. The net debt-to-equity ratios at 31 December 2009 and 30 April 2009 are as follows:

| | Group | |
|---|---|---|
| | **As at 31 December 2009** | As at 30 April 2009 |
| | ***HK$'000*** | *HK$'000* |
| Total debt | **552,071** | 527,558 |
| Total equity | **1,966,838** | 1,658,982 |
| Net debt-to-equity ratio | **28.07%** | 31.80% |

## 37. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Key management personnel represent the directors of the Group and their remunerations are set out in note 10.

## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 December 2009 and 30 April 2009 are as follows:–

| Name of Company | Place of incorporation/ operation | Form of legal entity | Issue and paid up capital/ registered capital | Proportion of nominal value of issued capital/ registered capital held by the Company: Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|---|
| Ample Year Limited | British Virgin Islands | International business company | US$1 | 100% | – | Investment holding |
| China National Recycling Int'l Trading Limited | Hong Kong | Limited liability company | HK$1 | – | 100% | Investment holding |
| China National Information Resources Holdings Limited | Hong Kong | Limited liability company | HK$2 | – | 100% | Investment holding |

## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

| Name of Company | Place of incorporation/ operation | Form of legal entity | Issue and paid up capital/ registered capital | Proportion of nominal value of issued capital/ registered capital held by the Company Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|---|
| China National Resources Investments Limited | Hong Kong | Limited liability company | HK$2 | – | 100% | Investment holding |
| China Reservoir Mining Limited | British Virgin Islands | International business company | US$10,000 | – | 51% | Investment holding |
| Fuken Investments Limited | British Virgin Islands | International business company | US$1 | – | 100% | Investment holding |
| Giant Strong International Limited | British Virgin Islands | International business company | US$3 | – | 100% | Investment holding |
| Goldway Investment International Limited | Hong Kong | Limited liability company | HK$100 | – | 100% | Investment holding |
| Golden Brand Investments Limited | British Virgin Islands | International business company | US$1 | – | 100% | Investment holding |
| Goldright Finance Limited | British Virgin Islands | International business company | US$1 | 100% | – | Securities trading |
| Reservoir (Mongolia) Limited | The Republic of Mongolia | Limited liability company | US$10,000 | – | 51% | Mineral exploration |
| Reservoir Moly Mongolia Limited *(note (a))* | The Republic of Mongolia | Limited liability company | US$10,000 | – | 28% | Mineral exploration |
| Reservoir Tungs Limited *(note (a))* | The Republic of Mongolia | Limited liability company | US$10,000 | – | 33% | Mineral exploration |
| Jetlight Investment Limited | British Virgin Islands | International business company | US$1 | 100% | – | Investment holding |
| Keytrade Investments Limited | British Virgin Islands | International business company | US$1 | 100% | – | Securities trading |

## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

| Name of Company | Place of incorporation/ operation | Form of legal entity | Issue and paid up capital/ registered capital | Proportion of nominal value of issued capital/ registered capital held by the Company Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|---|
| Profit Jumbo Investment Limited | British Virgin Islands | International business company | US$1 | 100% | – | Investment holding |
| Vast Profits Limited | British Virgin Islands | International business company | US$3 | 67% | – | Investment holding |
| Vintage International Finance Holding Group Limited | British Virgin Islands | International business company | US$1 | 100% | – | Investment holding |
| 新疆匯祥永金礦業有限公司 | People's Republic of China | Sino-foreign equity joint venture company | RMB39,000,000 | – | 55% | Mineral exploration |

*Note (a):* Although the Company does not own more than half of the entity shares of Reservoir Moly Mongolia Limited and Reservoir Tungs Limited, and consequently it does not control more than half of the voting power of those shares, it has the power to appoint and remove the majority of the board of directors and control of the entity is by the board. Consequently, Reservoir Moly Mongolia Limited and Reservoir Tungs Limited are controlled by the Company and is consolidated in these financial statements.

## 39. EVENTS AFTER THE REPORTING PERIOD

On 13 April 2010, the Company entered into framework agreement pursuant to which the Company conditionally agreed to purchase 80% equity interest of Qianyi Limited, a company incorporated with limited liability in the British Virgin Islands which will, upon completion of the reorganization, indirectly hold 100% equity interest in 新疆同興礦業有限責任公司 (Xinjiang Tong Xing Mining Company Limited), a company incorporated with limited liabilities in the PRC ("Tong Xing"), at the consideration of HK$280 million (the "Consideration"). The Consideration will be satisfied as to HK$60 million by cash and as to HK$220 million by the Company's issuing the convertible notes to the vendor. Details of the acquisition are set out in the announcement of the Company dated 16 April 2010.

## 40. APPROVAL OF ACCOUNTS

The financial statements were approved and authorised for issue by the Company's Board of directors on April 28, 2010.

# Financial Summary

*For the period ended 31 December 2009*

The summarised consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements of the Group, were set out below:

## RESULTS

| | Year ended 30 April | | | | 1 May 2009 to 31 December 2009 |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | ***HK$'000*** |
| Revenue | 76,399 | 125,001 | 164,330 | 20,235 | **1,672** |
| Operating loss after finance costs | (7,679) | (62,039) | (1,169,611) | (472,982) | **(25,445)** |
| Share of results of associates and a jointly controlled entities | (627) | (441) | 135 | – | **–** |
| Gain on disposal of a jointly controlled entity | – | – | 4,493 | – | **–** |
| Gain on disposal of subsidiaries | 2,700 | – | – | – | **–** |
| Loss before tax | (5,606) | (62,480) | (1,164,983) | (472,982) | **(25,445)** |
| Income tax | – | – | (1,901) | 108,429 | **(21,852)** |
| Loss for the year/period | (5,606) | (62,480) | (1,166,884) | (364,553) | **(47,297)** |
| Attributable to: | | | | | |
| Owners of the Company | (5,606) | (62,480) | (1,165,896) | (123,313) | **(91,168)** |
| Non-controlling interests | – | – | (988) | (241,240) | **43,871** |
| | (5,606) | (62,480) | (1,166,884) | (364,553) | **(47,297)** |
| Loss per share | | | | | |
| Basis (HK cents) | (0.29) | (2.11) | (29.50) | (2.39) | **(1.76)** |
| Diluted (HK cents) | – | – | – | – | **-** |

## ASSETS AND LIABILITIES

| | As at 30 April | | | | As at 31 December 2009 |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | ***HK$'000*** |
| Total assets | 46,510 | 108,952 | 2,646,396 | 2,186,540 | **2,518,909** |
| Total liabilities | (3,457) | (3,613) | (634,440) | (527,558) | **(552,071)** |
| | 43,053 | 105,339 | 2,011,956 | 1,658,982 | **1,966,838** |
| Equity attributable to owners of the Company | 43,053 | 105,339 | 948,009 | 830,831 | **1,094,809** |
| Non-controlling interests | – | – | 1,063,947 | 828,151 | **872,029** |
| | 43,053 | 105,339 | 2,011,956 | 1,658,982 | **1,966,838** |