DEJIN RESOURCES GROUP COMPANY LIMITED

德金資源集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1163)

Annual Report 2010

Build up the Bright future

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Hsu Chen Shen
(Chairman and Chief Executive Officer)
Mr. Cheung Wai Yin, Wilson *(Vice Chairman)*
Mr. Yang Hsien Lin
Mr. Lau Chi Yan, Pierre
Mr. Liu Hui Cai

Independent Non-executive Directors

Dr. Hsiao Horng Ching
Mr. Ma Chun Fung, Horace
Mr. Anthony John Earle Grey

REGISTERED OFFICE

Clarendon House, 2 Church Street,
Hamilton HM 11, Bermuda

PRINCIPAL PLACE OF BUSINESS

Room 2601-04 and 38-40, 26/F.,
Sun Hung Kai Centre,
30 Harbour Road, Wanchai,
Hong Kong

COMPANY SECRETARY

Mr. Tsang Yuk Yan, Nicol

AUTHORISED REPRESENTATIVES UNDER LISTING RULES

Mr. Hsu Chen Shen
Mr. Cheung Wai Yin, Wilson

AUDITOR

Pan-China (H.K.) CPA Limited

STOCK CODE & COMPANY'S WEBSITE

1163
www.dejinresources.com

AUDIT COMMITTEE MEMBERS

Mr. Ma Chun Fung, Horace *(Chairman)*
Dr. Hsiao Horng Ching
Mr. Anthony John Earle Grey

REMUNERATION COMMITTEE MEMBERS

Dr. Hsiao Horng Ching *(Chairman)*
Mr. Hsu Chen Shen
Mr. Ma Chun Fung, Horace

PRINCIPAL BANKERS

Bank of SinoPac
Bank of America, N.A.
The Bank of China (Hong Kong) Limited
The Hongkong & Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR & PRINCIPAL TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited
Bank of Bermuda Building, 6 Front Street,
Hamilton HM 11, Bermuda

HONG KONG BRANCH SHARE REGISTRAR & BRANCH TRANSFER OFFICE

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

Financial Summary

RESULTS

For the year ended 31 December

	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**804,305**	691,775	683,154	816,863	806,413
Profit before taxation	**69,741**	89,002	32,942	23,114	60,060
Income tax expense	**(15,633)**	(14,270)	(7,287)	(4,902)	(4,735)
Profit for the year	**54,108**	74,732	25,655	18,212	55,325
Non-controlling interests	**(1,803)**	–	–	–	–
Profit for the year attributable to owners of the Company	**52,305**	74,732	25,655	18,212	55,325
Earnings per share					
Basic and diluted (HK cents)	**1.34 cents**	11.48 cents	4.96 cents	3.56 cents	11.28 cents

ASSETS, LIABILITIES, NON-CONTROLLING INTERESTS AND EQUITY

At 31 December

	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Non-current assets	**7,848,905**	553,060	271,782	392,860	335,961
Current assets	**366,325**	510,642	451,465	347,557	324,694
Total assets	**8,215,230**	1,063,702	723,247	740,417	660,655
Liabilities					
Non-current liabilities	**2,721,792**	96,646	11,564	26,867	14,180
Current liabilities	**181,485**	256,820	228,385	196,361	193,075
Total liabilities	**2,903,277**	353,466	239,949	223,228	207,255
Net assets	**5,311,953**	710,236	483,298	517,189	453,400
Equity					
Share capital	**820,740**	104,378	51,899	51,450	49,050
Reserves	**4,459,495**	605,858	431,399	465,739	404,350
Equity attributable to owners of the Company	**5,280,235**	710,236	483,298	517,189	453,400
Non-controlling interests	**31,718**	–	–	–	–
Total equity	**5,311,953**	710,236	483,298	517,189	453,400

Chairman's Statement

I am pleased to present the annual results of Dejin Resources Group Company Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2010. During the year under review, the Group reported a turnover of approximately HK$804.3 million and recorded a profit attributable to owners of the Company of approximately HK$52.3 million.

The Group continued to achieve satisfactory results from the lighting segment. The Group will persist in devoting efforts to develop more new energy-saving products and at the same time establishing more measures to control rising material costs in order to maintain competitiveness in the lighting market.

After the completion of acquisitions of nine gold mine projects in May 2010, the Group started to refurbish and construct the ore processing plants. Management expects production capacity will increase once the processing facilities are in use and utilized with high efficiency. Management expects the gold mining segment to make significant contribution to the Group next year.

Shortly after year end, the Group successfully raised about HK$104 million by placing new 350,000,000 ordinary shares of the Company with an Asian hedge fund, which placing has provided general working capital to the Group for further development in the gold mining business.

On behalf of the board of directors of the Company (the "Board"), I would like to express our sincere thanks to our customers, vendors, business partners and shareholders for their continuous support; and to extend our gratitude and appreciation to all management and staff for their contribution to the Group's overall development.

Hsu Chen Shen
Chairman

Management Discussion and Analysis

BUSINESS REVIEW

Turnover generated for the year ended 31 December 2010 amounted to HK$804.3 million (2009: HK$691.8 million), representing a 16.3% increase over the previous year. The increase was attributable to the continuous growth of home lighting products sold to the chain stores in the United States of America (the "US") and the revenue generated from both forestry and mining segments.

Profit for the year attributable to owners of the Company amounted to HK$52.3 million (2009: HK$74.7 million). The decrease was mainly attributable to the drop of gross profit margin with rising raw material costs and labour costs, the imputed interest on promissory notes and convertible notes, which were partly offset by the gain on disposal of certain subsidiaries during the year.

As at 31 December 2010, the Group's equity attributable to owners of the Company amounted to HK$5,280.2 million, an increase of HK$4,570.0 million over the audited figure of HK$710.2 million as at 31 December 2009. The net asset value per share attributable to owners of the Company as at 31 December 2010 was HK$0.64 (31 December 2009: HK$0.68).

LIGHTING SEGMENT

For the year under review, the export market continued to be the main source of revenue. Turnover derived from the lighting segment amounted to approximately HK$755.6 million, representing a growth of about 9.2% as compared with last year. Turnover from the home lighting division continued to contribute significantly to the Group's lighting performance. Energy-saving products launched in recent years by the Group, sold through the large "DIY" chain stores in the US, recorded steady growth during the year. For the commercial lighting division, certain construction projects undertaken by the Group's commercial lighting customers in the US were close to final stage and the Group expects to deliver those commercial lighting products in early 2011.

Although the performance of the lighting segment was satisfactory, an upsurge trend in cost of sales, especially in labour costs, together with a rise in material costs were noted for the year under review. To cope with the rising costs, the Group disposed of certain subsidiaries, which are manufacturing factories, to independent third parties at an aggregate consideration of HK$165.0 million. As such, the Group has outsourced the manufacturing process to third parties suppliers so as to relieve the pressure on the rising production costs. The Group continues to focus on the trading of lighting products and put more efforts on the product design, product control and marketing campaign.

GOLD MINING SEGMENT

On 13 May 2010, the Group completed the acquisition of equity interest in Goldpic Investments Limited which owns seven gold mines through its subsidiaries in Hebei Province, China (the "Hebei Acquisition") and the acquisition of equity interest in Mark Unison Limited which owns two gold mines through its subsidiaries in Shandong Province, China (the "Shandong Acquisition").

Hebei Acquisition

During the reporting period, the total amount of unprocessed gold ore concentrates sold to customers was approximately 5,350 tonnes with reported turnover of approximately HK$41.7 million. The Group is currently reviewing the development status of each mine and planning ahead in order to allocate appropriate resources to individual mines. Commercial production has not yet commenced at Zijin gold mine, Qidaohexiang gold mine and Dayinzi gold mine. Management will continue to refurbish the existing ore processing facilities in Chilong gold mine and Mazhazi gold mine and the Group expects the refurbishment to be completed in the coming months. In addition, the design of the new ore processing plant in Longfeng gold mine with daily processing capacity of about 480 tonnes has been finalized and construction work will commence soon.

The Group will continue to look for opportunities to raise funds to finance capital expenditures at our existing gold mines. In the long run, the Group aims to construct more ore processing plants for our gold mines and at the same time provide sufficient funds for expanding exploration activities and future acquisitions of gold resources.

Management Discussion and Analysis

Shandong Acquisition

Commercial production has not yet commenced at the two acquired gold mines, namely, Sujiakou gold mine and Xiapangezhuang gold mine. Management is working with professionals to design and construct a new ore processing plant to cater for gold ore concentrates production from these two mines.

FORESTRY SEGMENT

For the year under review, the Group sold timber products in Guangdong Province, China and reported a turnover of approximately HK$7.0 million. Due to the keen competition in the timber business, the Group will continue to develop value-added products to strengthen its competitive edge and enhance the value of our forestry resources.

PROSPECT

Following the acquisition of nine gold mines in May 2010, the Group will speed up the process of reorganizing and integrating the gold mining segment with other business segments. Despite the increasingly difficult business environment, the Group will continue to seek opportunities to acquire more quality gold mines to increase our gold resources.

In June and September 2010, the Group entered into two non-legally binding Strategic Cooperation Framework Agreements (the "Agreements") with the local governments of Longhua County and Fengning Manchu Autonomous County respectively. Pursuant to the Agreements, the local governments will procure the integration and reorganization of the gold mine resources in their jurisdiction. Upon completion, the Group will be given first right of refusal to obtain the exploration licence as well as the permit and licence in relation to the construction of the relevant ore processing plant. Currently, the Group is also working closely with Qinglong government to integrate the gold mine resources in Qinglong area. The Group expects this strategic cooperation with local governments to strengthen its competitive edge in the gold mining business in China.

FINANCING ACTIVITIES

Pursuant to the ordinary resolution passed by the shareholders of the Company at a special general meeting held on 3 May 2010, the Company issued zero coupon convertible notes and a promissory note with the principal amount of HK$6,950 million and HK$400 million respectively as part of the consideration for the Hebei Acquisition and Shandong Acquisition. As at 31 December 2010, the outstanding principal amount of convertible notes and promissory note were HK$2,658 million and HK$90 million respectively.

Management Discussion and Analysis

FINANCIAL RESOURCES AND LIQUIDITY

The financial leverage of the Group as at 31 December 2010, as compared to 31 December 2009 is summarized below:

	As at 31 December 2010 HK$'000	31 December 2009 *HK$'000*
Debt		
– from banks	**42,882**	47,901
– from promissory notes	**82,907**	–
– from convertible notes	**2,448,523**	–
Total debt	**2,574,312**	47,901
Cash and bank deposits	**57,084**	172,310
Net debt/Net cash	**2,517,228**	124,409
Total capital (Equity and total debt)	**7,886,265**	758,137
Total assets	**8,215,230**	1,063,702
Financial leverage		
– total debt to total capital	**32.6%**	6.3%
– total debt to total assets	**31.3%**	4.5%
– net debt to total capital	**31.9%**	N/A
– net debt to total assets	**30.6%**	N/A

GOLD RESOURCES

The following is a statement of gold resources of the Group as at 31 December 2010:

Mine	**Quantity of gold resources *(koz)***	**Resources**	**Reporting standard**	**Categories**	**Gold grade *(g/tonne)***
Hebei					
Longfeng gold mine	1,052.3	Resources	JORC	Inferred	22.0
Mazhazi gold mine	1,041.7	Resources	PRC	332+333+334	12.0
Zijin gold mine	1,070.6	Resources	PRC	332+333+334	16.5
Chilong gold mine	1,028.7	Resources	PRC	332+333+334	15.0
Dayingzi gold mine	777.9	Resources	PRC	332+333+334	15.0
Xiangshuigou gold mine	794.1	Resources	PRC	332+333+334	16.0
Qidaohexiang gold mine	681.6	Resources	PRC	332+333+334	12.5
Shandong					
Sujiakou gold mine	524.7	Resources	JORC	Indicated and Inferred	14.5
Xiapangezhuang gold mine	206.0	Resources	PRC	333	10.2

Management Discussion and Analysis

CAPITAL STRUCTURE

During the year, a total of 7,153,333,331 ordinary shares of the Company were allotted and issued as a result of the conversion of the convertible notes. In addition, all of the remaining share options had been exercised with a total of 10,288,000 ordinary shares of the Company being issued. Therefore, the issued share capital of the Company increased to HK$820.7 million (2009: HK$104.4 million), represented by approximately 8,207.4 million ordinary shares as at 31 December 2010 (2009: approximately 1,043.8 million ordinary shares).

PLEDGE OF ASSETS

As at 31 December 2010, the Group had no assets pledged for general banking facilities granted to the Group or as security for any debt or borrowings (2009: Nil).

CONTINGENT LIABILITIES

As at 31 December 2010, the Group had no material contingent liabilities (2009: Nil).

FOREIGN EXCHANGE EXPOSURE

The Group operates and invests mainly in Hong Kong and China, with revenue and expenditures denominated in Hong Kong dollars, Renminbi and United States dollars. The Group will continue to review its foreign exchange exposure regularly and might consider using financial instruments to hedge against foreign exchange exposures at appropriate times. There were no derivative financial instruments employed during the year ended 31 December 2010.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2010, the Group had approximately 400 employees (2009: approximately 2,400 employees). We remunerate our employees based on their performance and prevailing industry practice. The remuneration policies will be reviewed by the Board on a periodical basis to maintain competitiveness in the market. In addition, discretionary bonuses and employee share options will be awarded to employees based on their performance in order to motivate and retain our employees.

PLACING OF NEW ORDINARY SHARES AFTER 31 DECEMBER 2010

On 11 January 2011, the Group successfully raised a net amount of approximately HK$104 million by placing new 350,000,000 ordinary shares of the Company to Senrigan Capital Group Limited, an Asian hedge fund manager based in Hong Kong with an excess of US$800 million in assets under management for the Senrigan Master Fund, at a net subscription price of approximately HK$0.297 per ordinary share. Details of the transaction contemplated under the agreement were disclosed in the announcement dated 11 January 2011.

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Hsu Chen Shen, aged 52, is the founder of the Group. He is the Chairman of the Board, the Chief Executive Officer, a member of Remuneration Committee and the chairman of Executive Committee of the Company. He is also a director of various subsidiaries of the Company. Mr. Hsu is responsible for the strategic planning, corporate policy and overall management and marketing aspects of the Group. He has over 32 years of experience in the lighting industry. Mr. Hsu had been the committee member of the Taiwan Lighting Fixture Export Association (台灣區照明燈具輸出業同業公會) for a term of three years from 1989. In 1998, Mr. Hsu was appointed as a consultant to 廣東省台商照明聯誼會 (Taiwan Lighting Businessmen's Association). In 1999, Mr. Hsu was appointed as the director of the third general assembly for 台商協會 (Taiwan Businessmen's Association), Hu Men District of Dongguan.

Mr. Cheung Wai Yin, Wilson, aged 40, has been an executive director of the Company since April 2010. He is also the Vice Chairman of the Board and a member of Executive Committee of the Company. Mr. Cheung has over 15 years of experience in the field of audit, business development, corporate finance and financial management. He has worked in key corporate finance and business development positions in companies listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Cheung is a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Hong Kong Securities Institute. He holds a Master of Science degree in Financial Engineering from City University of Hong Kong and a Bachelor's degree in Arts and Administrative Studies from York University, Canada.

Mr. Liu Hui Cai, aged 58, has been an executive director of the Company since August 2010. He is also a member of Executive Committee of the Company. Mr. Liu has been working in the mining industry for 36 years and was in charge of many national mining plan projects over the past 26 years. Prior to joining the Group, Mr. Liu was the director of Shenyang Design and Research Institute of Nonferrous Metallurgy, a subsidiary of China Nonferrous Metal Mining (Group) Co., Ltd. Mr. Liu has extensive high level experience in geotechnical work in all aspects of the mining industry. He has been involved in the design, development, feasibility study, construction, and management of more than 300 non-ferrous metallurgy engineering projects. Mr. Liu holds a Non-Ferrous Metallurgy Engineer degree from the Jilin Institute of Architecture and Civil Engineering.

Mr. Yang Hsien Lin, aged 48, has been with the Group since its establishment. He is a member of Executive Committee of the Company and the production director of the lighting business of the Group. He is directly responsible for the Group's production as well as purchasing and materials control functions for the Group's lighting business. He has over 27 years of experience in the lighting industry.

Mr. Lau Chi Yan, Pierre, aged 35, has been an executive director of the Company since September 2009. He is also a member of Executive Committee of the Company. Mr. Lau graduated at the University of Calgary in Alberta, Canada in 2000 with a Bachelor of Science Degree in Computer Science. In 2008, he obtained an Executive Master Degree of Business Administration in General Management awarded by the University of Hull, the United Kingdom. Mr. Lau is an experienced management specialist in operations by his past working references in a number of renowned international firms, including Mirapoint Inc., PCCW Limited, Clifford Chance and Mallesons Stephen Jaques. Besides, Mr. Lau has been active in public services in Mainland China. He was a member of Guangdong Huizhou Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省惠州市委員會) and a member of the Youth Committee of Federation of Hong Kong Guangdong Community Organisations Limited (香港廣東社團總會有限公司青年委員會).

Directors and Senior Management Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Hsiao Horng Ching, aged 55, has been an independent non-executive director of the Company since March 2004. He is also the chairman of Remuneration Committee and a member of Audit Committee of the Company. He is the professor of the Department of Electrical Engineering at the National Taiwan University of Science and Technology (國立台灣科技大學) currently. Dr. Hsiao holds a doctoral degree from the National Taiwan University of Science and Technology and an electrical engineer's professional licence. Dr. Hsiao has over 32 years of experience in electrical engineering and lighting industry. Since 1994, he has been the director of the Taiwan Lighting Council (台灣照明學會) and the consultant of the Taiwan Lighting Fixture Export Association (台灣區照明燈具輸出業同業公會). Furthermore, Dr. Hsiao acted as the consultant and convener at many departments in Taiwan government, such as Environmental Protection Bureau, Energy Ministry and the Investigation Commission and Special Case Team.

Mr. Ma Chun Fung, Horace, aged 40, has been an independent non-executive director of the Company since June 2010. He is also the chairman of Audit Committee and a member of Remuneration Committee of the Company. Mr. Ma is a seasoned accountant with extensive experience in risk and internal control. Mr. Ma is a Certified Public Accountant (Practicing) registered with the HKICPA, a fellow member of the Association of Chartered Certified Accountants, a Certified Internal Auditor registered with the Institute of Internal Auditors and holder of Certification in Control Self-Assessment of the Institute of Internal Auditors. He is currently a council member of HKICPA. Mr. Ma also holds various degrees including a Master of Science and a Bachelor of Business Administration conferred by The Chinese University of Hong Kong and a Bachelor of Laws conferred by the University of London. In addition, Mr. Ma is an independent non-executive director of Universe International Holdings Limited (stock code: 1046) and Ming Fai International Holdings Limited (stock code: 3828), both companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Ma is also an executive director of Fava International Holdings Limited (appointed on 21 September 2010; stock code: 8108), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Mr. Anthony John Earle Grey, aged 75, has been an independent non-executive director of the Company since May 2010. He is also a member of Audit Committee of the Company. Mr. Grey graduated with a BA (Hons) degree in History and a Juris Doctor from the University of Toronto. He founded Pancontinental Mining Limited (previously listed on the Australian Securities Exchange), a major diversified mining house with interests in gold, base metals, coal, industrial minerals and uranium. Mr. Grey had been the chairman of Kingsgate Consolidated Limited, a gold mining company listed on the Australian Securities Exchange, and held the role for 4 years. Mr. Grey was also a director of the World Gold Council, the International Nuclear Law Association, the National Mutual Royal Bank and the chairman of the World Nuclear Association. Mr. Grey is currently the non-executive chairman of International Ferro Metals Limited, an integrated ferrochrome producer listed on the London Stock Exchange; a non-executive director of Mega Uranium Limited, a mineral resources company with a focus on uranium projects and listed on the Toronto Stock Exchange; and a non-executive director of Intercontinental Potash Corporation, a premium potash producer listed on the Toronto Venture Exchange.

COMPANY SECRETARY

Mr. Tsang Yuk Yan, Nicol, aged 37, is an Associate Member of the HKICPA and a Member of The Association of Chartered Certified Accountants. Mr. Tsang graduated from The Hong Kong Polytechnic University with a Bachelor of Arts in Accountancy. He is the Group financial controller and responsible for all the finance, company secretarial and investors relations matters of the Group. Prior to joining the Group in February 2002, Mr. Tsang had five years of experience in an international accounting and auditing firm in Hong Kong.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2010.

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance in sustaining its healthy growth and maintaining its corporate transparency and accountability. The Board is committed to strengthening the Group's corporate governance practices to the promotion of shareholder value and investor confidence.

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code, except for the code provisions A.2.1 and E.1.2. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviations are summarized below.

A. THE BOARD

A1. RESPONSIBILITIES AND DELEGATION

The Board is responsible for the leadership, control and management of the Company and oversees the Group's business, strategic decision and performances in the attainment of the objective of ensuring effective functioning and growth of the Company and enhancing value to investors. All the directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

The Board reserves for its decision all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have timely access to all relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The Executive Committee and the senior management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers. The Board has the full support of the senior management to discharge its responsibilities.

Corporate Governance Report

A2. BOARD COMPOSITION

The Board currently comprises the following members:

Executive directors:

Mr. Hsu Chen Shen	*(Chairman of the Board, Chief Executive Officer, Chairman of the Executive Committee and Member of the Remuneration Committee)*
Mr. Cheung Wai Yin, Wilson	*(Vice Chairman and Member of the Executive Committee)*
Mr. Liu Hui Cai	*(Member of the Executive Committee)*
Mr. Yang Hsien Lin	*(Member of the Executive Committee)*
Mr. Lau Chi Yan, Pierre	*(Member of the Executive Committee)*

Independent non-executive directors:

Mr. Anthony John Earle Grey	*(Member of the Audit Committee)*
Mr. Ma Chun Fung, Horace	*(Chairman of the Audit Committee and Member of the Remuneration Committee)*
Dr. Hsiao Horng Ching	*(Chairman of the Remuneration Committee and Member of the Audit Committee)*

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications of the Company.

The Board has at all times during the year ended 31 December 2010 met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise as required under the Listing Rules. The Company has also adopted the recommended best practice under the CG Code for having at least one-third of its Board members being independent non-executive directors.

The members of the Board have experience and skills appropriate for the business requirements and objectives of the Group. Each executive director supervises specific area of the Group's businesses in accordance with his expertise. The independent non-executive directors bring different business and financial expertise, experiences and independent judgment to the Board and they are invited to serve on the Board committees of the Company. Through participation in Board meetings, taking the lead in managing issues involving potential conflict of interests, the independent non-executive directors had made various contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders.

The biographical details of the directors of the Company are set out under "Directors and Senior Management Profile" in this annual report. None of the members of the Board is related to one another.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

A3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Hsu Chen Shen, the founder of the Group, currently holds the offices of Chairman and Chief Executive Officer of the Company. The Board believes that this structure provides the Group with consistent leadership and considers that Mr. Hsu is capable to guide discussion among Board members on the Group development and planning, leading to more effective and efficient decision making and execution of business strategies.

The Board also considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

A4. APPOINTMENT AND RE-ELECTION OF DIRECTORS

All non-executive directors of the Company are appointed for a specific term. The term of office of Dr. Hsiao Horng Ching is 2 years while the term of office of the other two independent non-executive directors, namely Mr. Anthony John Earle Grey and Mr. Ma Chun Fung, Horace, is 3 years.

The Company has not set up a nomination committee and the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors. The Company has adopted Directors' Nomination Procedure as a written guideline in providing a formal, considered and transparent procedure to the Board for evaluating and selecting candidates for directorships. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

Besides, the procedures and process of appointment, re-election and removal of directors are laid down in the Company's Bye-laws (the "Bye-laws"). According to the Bye-laws, one-third of the directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting provided that every director shall be subject to retirement at an annual general meeting at least once every three years. The retiring directors are eligible for re-election by the shareholders at the relevant general meeting. The code provision A.4.2 of the CG Code also stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

At the forthcoming annual general meeting of the Company (the "2011 AGM"), Mr. Hsu Chen Shen, Mr. Yang Hsien Lin and Dr. Hsiao Horng Ching shall retire by rotation and are eligible to offer themselves for re-election pursuant to the Bye-laws. Dr. Hsiao Horng Ching will not offer himself for re-election and will therefore retire at the 2011 AGM whereas the other two retiring directors, i.e. Mr. Hsu Chen Shen and Mr. Yang Hsien Lin, will offer themselves for re-election at the 2011 AGM. The Board recommended the re-appointment of the said two retiring directors standing for re-election at the 2011 AGM. The Company's circular, sent together with this annual report, contains detailed information of Mr. Hsu Chen Shen and Mr. Yang Hsien Lin pursuant to the requirements of the Listing Rules.

Corporate Governance Report

During the year ended 31 December 2010, the Board, through its meetings held on the following dates performed the following works regarding matters relating to nomination of directors:

(i) 8 January 2010 (with the presence of Mr. Hsu Shui Sheng, Mr. Pak Ping Chun and Mr. Yang Hsien Lin): acceptance of the resignation of Mrs. Hsu Wei Jui Yun as an executive director of the Company;

(ii) 5 March 2010 (with the presence of Mr. Hsu Chen Shen, Mr. Hsu Shui Sheng, Mr. Pak Ping Chun, Mr. Yang Hsien Lin, Mr. Lau Chi Yan, Pierre, Dr. Hsiao Horng Ching and Mr. Cheng Yung Hui): review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group; recommendation of the re-election of the retiring directors standing for re-election at the 2010 annual general meeting of the Company; and assessment of the independence of all the Company's then independent non-executive directors;

(iii) 12 April 2010 (with the presence of Mr. Hsu Shui Sheng, Mr. Pak Ping Chun and Mr. Yang Hsien Lin): appointment of Mr. Cheung Wai Yin, Wilson as an executive director and the Vice Chairman of the Company;

(iv) 6 May 2010 (with the presence of Mr. Cheung Wai Yin, Wilson, Mr. Hsu Shui Sheng, Mr. Pak Ping Chun and Mr. Yang Hsien Lin): appointment of Mr. Anthony John Earle Grey as an independent non-executive director of the Company;

(v) 3 June 2010 (with the presence of Mr. Hsu Shui Sheng, Mr. Pak Ping Chun and Mr. Yang Hsien Lin): acceptance of the resignation of Mr. Hsu Shui Sheng as an executive director of the Company;

(vi) 28 June 2010 (with the presence of Mr. Cheung Wai Yin, Wilson, Mr. Pak Ping Chun, Mr. Yang Hsien Lin and Mr. Lau Chi Yan, Pierre): acceptance of the resignation of Mr. Lu Zi Chin and the appointment of Mr. Ma Chun Fung, Horace as an independent non-executive director and the Chairman of the Audit Committee of the Company;

(vii) 12 August 2010 (with the presence of Mr. Cheung Wai Yin, Wilson and Mr. Lau Chi Yan, Pierre): appointment of Mr. Liu Hui Cai as an executive director of the Company; and

(viii) 1 November 2010 (with the presence of Mr. Cheung Wai Yin, Wilson, Mr. Pak Ping Chun and Mr. Yang Hsien Lin): acceptance of the resignation of Mr. Cheng Yung Hui as an independent non-executive director and a member of both the Audit Committee and Remuneration Committee of the Company; the appointment of Mr. Anthony John Earle Grey as a member of the Audit Committee of the Company; and the appointment of Mr. Ma Chun Fung, Horace as a member of the Remuneration Committee of the Company.

A5. TRAINING AND CONTINUING DEVELOPMENT FOR DIRECTORS

Each newly appointed director receives induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Group and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Corporate Governance Report

The existing directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors will be arranged whenever necessary.

A6. BOARD MEETING

A6.1 Board Practices and Conduct of Meetings

Schedules for regular Board meetings are normally agreed with directors in advance to facilitate attendance. In addition, notice of at least 14 days is given of a regular Board meeting. For other Board meetings, reasonable notice is generally given.

Draft agenda of each Board meeting is usually sent to all directors together with the notice of meeting in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chief Financial Officer, Company Secretary and senior management normally attend regular Board meetings and when necessary, other Board meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible to take and keep minutes of all Board meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon making request to the Board.

The Company's Bye-laws contains provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

A6.2 Directors' Attendance Records in Board Meetings

During the year ended 31 December 2010, 13 Board meetings were held, out of which 4 were regular meetings held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

Corporate Governance Report

The attendance records of each director at the Board meetings held during the year ended 31 December 2010 are set out below:

Name of Director	**Attendance/Number of Board Meetings**
Executive directors	
Mr. Hsu Chen Shen	4/13
Mr. Cheung Wai Yin, Wilson *(Note 1)*	6/10
Mr. Liu Hui Cai *(Note 2)*	0/3
Mr. Yang Hsien Lin	10/13
Mr. Lau Chi Yan, Pierre	4/13
Mr. Hsu Shui Sheng *(Note 3)*	8/8
Mrs. Hsu Wei Jui Yun *(Note 4)*	0/1
Mr. Pak Ping Chun *(Note 5)*	12/13
Independent non-executive directors	
Mr. Anthony John Earle Grey *(Note 6)*	0/8
Mr. Ma Chun Fung, Horace *(Note 7)*	0/4
Dr. Hsiao Horng Ching	4/13
Mr. Cheng Yung Hui *(Note 8)*	2/12
Mr. Lu Zi Chin *(Note 9)*	0/9

Notes:

1. Mr. Cheung Wai Yin, Wilson was appointed as an executive director of the Company on 12 April 2010. Subsequent to his appointment, there were a total of 10 Board meetings held during the year ended 31 December 2010.

2. Mr. Liu Hui Cai was appointed as an executive director of the Company on 12 August 2010. Subsequent to his appointment, there were a total of 3 Board meetings held during the year ended 31 December 2010.

3. Mr. Hsu Shui Sheng resigned as an executive director of the Company on 8 June 2010. Before his resignation, there were a total of 8 Board meetings held during the year ended 31 December 2010.

4. Mrs. Hsu Wei Jui Yun resigned as an executive director of the Company on 13 January 2010. Before her resignation, only 1 Board meeting was held during the year ended 31 December 2010.

5. Mr. Pak Ping Chun resigned as an executive director of the Company on 28 December 2010. Before his resignation, there were a total of 13 Board meetings held during the year ended 31 December 2010.

6. Mr. Anthony John Earle Grey was appointed as an independent non-executive director of the Company on 6 May 2010. Subsequent to his appointment, there were a total of 8 Board meetings held during the year ended 31 December 2010.

7. Mr. Ma Chun Fung, Horace was appointed as an independent non-executive director of the Company on 29 June 2010. Subsequent to his appointment, there were a total of 4 Board meetings held during the year ended 31 December 2010.

8. Mr. Cheng Yung Hui resigned as an independent non-executive director of the Company on 4 November 2010. Before his resignation, there were a total of 12 Board meetings held during the year ended 31 December 2010.

9. Mr. Lu Zi Chin resigned as an independent non-executive director of the Company on 29 June 2010. Before his resignation, there were a total of 9 Board meetings held during the year ended 31 December 2010.

A7. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Each director has been given a copy of the Own Code. Specific enquiry has been made of all the Company's directors and they have confirmed their compliance with the Own Code and the Model Code throughout the year ended 31 December 2010.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

B. BOARD COMMITTEE

The Board has established three Board committees, namely, the Executive Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available to shareholders upon request. All the Board committees should report to the Board on their decisions or recommendations made.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out in section A6.1 above.

B1. EXECUTIVE COMMITTEE

The Executive Committee comprises all the executive directors of the Company with the Chairman of the Board, Mr. Hsu Chen Shen, acting as the Chairman of such Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Company's strategic plans and operations of all business units of the Company and discusses and makes decisions on matters relating to the management and day-to-day operations of the Company.

B2. REMUNERATION COMMITTEE

The Remuneration Committee currently comprises three members, being one executive director, Mr. Hsu Chen Shen, and two independent non-executive directors, namely Dr. Hsiao Horng Ching and Mr. Ma Chun Fung, Horace (appointed as a member of the Committee on 4 November 2010 to fill the vacancy left by the resignation of Mr. Cheng Yung Hui). The chairman of the Remuneration Committee is Dr. Hsiao Horng Ching.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of directors and members of senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Group as well as market practice and conditions.

Corporate Governance Report

During the year ended 31 December 2010, the Remuneration Committee has met once with all the then committee members (i.e. Mr. Hsu Chen Shen, Dr. Hsiao Horng Ching and Mr. Cheng Yung Hui) present at the meeting. In this meeting, the members had generally reviewed the remuneration packages of the executive directors and the senior management and made recommendation to the Board.

Details of the remuneration of each of the directors of the Company for the year ended 31 December 2010 are set out in note 11 to the consolidated financial statements contained in this annual report.

B3. AUDIT COMMITTEE

The Audit Committee currently comprises a total of three members, being the three existing independent non-executive directors, namely Mr. Ma Chun Fung, Horace, Dr. Hsiao Horng Ching and Mr. Anthony John Earle Grey. The chairman of the Audit Committee is Mr. Ma Chun Fung, Horace, who possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

During the year under review, the Audit Committee has met twice and performed the following major tasks:

– Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2009, the related accounting principles and practices adopted by the Group and the relevant audit findings, the report from the management on the Company's internal control and risk management review and processes; and recommendation of the re-appointment of the external auditor; and

– Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2010, the related accounting principles and practices adopted by the Group and the relevant audit findings.

The external auditor was invited to attend one of the meetings without the presence of executive directors to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

The attendance records of the foregoing 2 Audit Committee's meetings are set out as follows:

Name of Audit Committee Member	**Attendance/Number of Audit Committee Meetings**
Mr. Ma Chun Fung, Horace *(Note 1)*	1/1
Mr. Anthony John Earle Grey *(Note 2)*	N/A
Dr. Hsiao Horng Ching	2/2
Mr. Lu Zi Chin *(Note 3)*	1/1
Mr. Cheng Yung Hui *(Note 4)*	2/2

Corporate Governance Report

Notes:

1. Mr. Ma Chun Fung, Horace was appointed as an independent non-executive director and the chairman of the Audit Committee of the Company on 29 June 2010. Subsequent to his appointment, only 1 Audit Committee meeting was held during the year ended 31 December 2010.

2. Mr. Anthony John Earle Grey, an independent non-executive director, was appointed as a member of the Audit Committee of the Company on 4 November 2010. Subsequent to his appointment as the Audit Committee member, no Audit Committee meeting was held during the year ended 31 December 2010.

3. Mr. Lu Zi Chin resigned as an independent non-executive director and the chairman of the Audit Committee of the Company on 29 June 2010. Before his resignation, only 1 Audit Committee meeting was held during the year ended 31 December 2010.

4. Mr. Cheng Yung Hui resigned as an independent non-executive director and a member of the Audit Committee of the Company on 4 November 2010. Before his resignation, there were a total of 2 Audit Committee meetings held during the year ended 31 December 2010.

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2010.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard the interests of shareholders and the Group's assets and for reviewing the effectiveness of such system on an annual basis. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

E. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

With effect from 3 January 2011, Elite Partners CPA Limited has resigned as auditor of the Company and Pan-China (H.K.) CPA Limited has been appointed as the new auditor to fill the said vacancy. Details of the above-mentioned changes are set out in the Company's announcement dated 3 January 2011.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" in this annual report.

Corporate Governance Report

The fees paid/payable to Pan-China (H.K.) CPA Limited in respect of audit services and non-audit services for the year ended 31 December 2010 are analyzed below:

Type of services provided by the external auditor	**Fees paid/payable**
	HK$'000
Audit services:	
– Audit fee for the year ended 31 December 2010	1,700
Non-audit services:	
– Interim review fee for the period ended 30 June 2010	100
TOTAL:	1,800

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of its corporate information, which enables shareholders and investors to make the best investment decision.

The Company maintains a website at www.dejinresources.com, as a communication platform with shareholders and investors, where information and updates on the Company's business developments and operations and other information are available for public access. Investors may write directly to the Company's principal place of business in Hong Kong for any inquiries.

Shareholders' meetings provide an opportunity for communication between the Board and the shareholders. Board members and appropriate senior staff of the Group are available at the meeting to answer any questions raised by shareholders.

Code provision E.1.2 of the CG Code stipulates that the chairman of a listed issuer should attend the issuer's annual general meeting. Mr. Hsu Chen Shen, the Chairman of the Company, was unable to attend the Company's 2010 annual general meeting held on 3 May 2010 due to other business engagement. However, he had arranged for Mr. Cheung Wai Yin, Wilson, an executive director and the Vice Chairman of the Company, to attend on his behalf and to chair the meeting and communicate with the shareholders of the Company.

G. SHAREHOLDER RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, the rights of shareholders for proposing resolutions are contained in the Bye-laws.

All resolutions put forward at shareholders' meetings of listed issuers shall be voted by poll pursuant to the Listing Rules. The poll voting results shall be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.dejinresources.com) after a shareholders' meeting.

Directors' Report

The directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in Note 24 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 31 to 32.

The directors did not recommend the payment of a final dividend in respect of the year ended 31 December 2010.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and Note 41 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 17 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year, together with the reasons therefor, are set out in Notes 39 and 40 to the consolidated financial statements respectively.

CONVERTIBLE NOTES

Details of the movements in the convertible notes of the Company during the year are set out in Note 38 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2010, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK$81,339,000 (2009: HK$193,092,000). In addition, the share premium of the Company amounted to approximately HK$3,800,543,000 (2009: HK$194,519,000) which may be distributed in the form of fully paid bonus shares.

Directors' Report

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out in the financial summary on page 3.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

DIRECTORS

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

Executive directors:

Mr. Hsu Chen Shen	
Mr. Cheung Wai Yin, Wilson	(appointed on 12 April 2010)
Mr. Yang Hsien Lin	
Mr. Lau Chi Yan, Pierre	
Mr. Liu Hui Cai	(appointed on 12 August 2010)
Mr. Pak Ping Chun	(resigned on 28 December 2010)
Mr. Hsu Shui Sheng	(resigned on 8 June 2010)
Mrs. Hsu Wei Jui Yun	(resigned on 13 January 2010)

Independent non-executive directors:

Dr. Hsiao Horng Ching	
Mr. Anthony John Earle Grey	(appointed on 6 May 2010)
Mr. Ma Chun Fung, Horace	(appointed on 29 June 2010)
Mr. Cheng Yung Hui	(resigned on 4 November 2010)
Mr. Lu Zi Chin	(resigned on 29 June 2010)

Pursuant to clause 87 of the Company's Bye-laws, Mr. Hsu Chen Shen, Mr. Yang Hsien Lin and Dr. Hsiao Horng Ching shall retire by rotation at the Company's forthcoming annual general meeting and they are eligible for re-election by the shareholders at the said annual general meeting. It is noted that Mr. Hsu Chen Shen and Mr. Yang Hsien Lin will offer themselves for re-election whereas Dr. Hsiao Horng Ching will not offer himself for re-election and he will therefore retire at the said annual general meeting.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

On 17 March 2003, Mr. Hsu Chen Shen and Mr. Yang Hsien Lin entered into service contracts with the Company which ratified as commencing on 21 October 2002. These service contracts will continue and are subject to termination by either party giving not less than 3 months' prior notice in writing.

Pursuant to Rule 13.69 of the Listing Rules, the aforementioned service contracts between the Company and its executive directors are exempt from the shareholders' approval requirement under Rule 13.68 of the Listing Rules.

Mr. Lau Chi Yan, Pierre entered into a service contract with the Company for a term of 3 years commencing on 9 September 2009.

Mr. Cheung Wai Yin, Wilson entered into a service contract with the Company for a term of 3 years commencing on 12 April 2010.

Mr. Liu Hui Cai entered into a service contract with the Company for a term of 1 year commencing on 12 August 2010.

Mr. Anthony John Earle Grey entered into a service contract with the Company for a term of 3 years commencing on 6 May 2010.

Dr. Hsiao Horng Ching entered into a service contract with the Company for a term 2 years commencing on 19 May 2010.

Mr. Ma Chun Fung, Horace entered into a service contract with the Company for a term of 3 years commencing on 29 June 2010.

Apart from the foregoing, 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.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Note 45 to the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries, or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 9 to 10.

Directors' Report

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2010, the interests of the directors of the Company in the shares of the Company as recorded in the register required to be kept by the Company under Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in the issued ordinary shares of the Company

Name of director	Capacity	Number of ordinary shares interested	Percentage# of the Company's issued share capital
Mr. Hsu Chen Shen *(Note 1)*	Interest held by controlled corporation	109,296,000	1.33%
Mr. Cheung Wai Yin, Wilson *(Note 2)*	Interest held by controlled corporation	100,000,000	1.21%
Mr. Yang Hsien Lin	Beneficial owner	5,144,000	0.06%

Notes:

1. Mr. Hsu Chen Shen was deemed to be interested in 109,296,000 shares of the Company which were held by Wealthy Way Investments Ltd., a controlled corporation of Mr. Hsu pursuant to the SFO.

2. Mr. Cheung Wai Yin, Wilson was deemed to be interested in 100,000,000 shares of the Company which were held by Knight Asia Investments Limited, a controlled corporation of Mr. Cheung pursuant to the SFO.

The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2010.

In addition to the above, as at 31 December 2010, a director of the Company held a share in a Hong Kong subsidiary of the Company in a non-beneficial capacity for the benefit of the Group, solely for the purpose of complying with the previous minimum company membership statutory requirement.

Save as disclosed above, as at 31 December 2010, none of the directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in Note 40 to these consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2010, the following parties had interests of 5% or more of the issued shares and underlying shares of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

A. Long position in issued ordinary shares of the Company

Name of substantial shareholder	Capacity	Number of ordinary shares interested	*Notes*	Percentage# of the Company's issued share capital
Perfect Direct Limited	Beneficial owner	1,019,259,999	*1 & 4*	12.41%
Mr. Mow Tai Loy	Interest held by controlled corporation	1,019,259,999	*1 & 4*	12.41%
Ms. Yiu Mei Lan	Interest held by spouse	1,019,259,999	*2 & 4*	12.41%
Mr. Mow Yan Loy, Milton	Interest held by controlled corporation	1,019,259,999	*1 & 4*	12.41%
Ms. Peggy Wong	Interest held by spouse	1,019,259,999	*2 & 4*	12.41%
Super Master Investments Limited	Beneficial owner	815,000,000	*3 & 4*	9.93%
Mr. Cheng Pak Lung	Interest held by controlled corporation	815,000,000	*3 & 4*	9.93%

Notes:

1. These shares were held by Perfect Direct Limited, a controlled corporation of Mr. Mow Tai Loy and Mr. Mow Yan Loy, Milton.

2. Ms. Yiu Mei Lan and Ms. Peggy Wong were deemed to be interested in these shares through the interests of their spouses, Mr. Mow Tai Loy and Mr. Mow Yan Loy, Milton respectively.

3. These shares were held by Super Master Investments Limited, a controlled corporation of Mr. Cheng Pak Lung.

4. These substantial shareholders had interests in both issued shares and underlying shares of the Company.

Directors' Report

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

B. Long position in the underlying shares of the Company (physically settled unlisted equity derivatives) – convertible notes

Name of substantial shareholder	Capacity	Number of underlying shares in respect of the convertible notes issued	*Notes*	Percentage# of the underlying shares over the Company's issued share capital
Perfect Direct Limited	Beneficial owner	2,731,666,667	*1 & 4*	33.28%
Mr. Mow Tai Loy	Interest held by controlled corporation	2,731,666,667	*1 & 4*	33.28%
Ms. Yiu Mei Lan	Interest held by spouse	2,731,666,667	*2 & 4*	33.28%
Mr. Mow Yan Loy, Milton	Interest held by controlled corporation	2,731,666,667	*1 & 4*	33.28%
Ms. Peggy Wong	Interest held by spouse	2,731,666,667	*2 & 4*	33.28%
Super Master Investments Limited	Beneficial owner	500,000,000	*3 & 4*	6.09%
Mr. Cheng Pak Lung	Interest held by controlled corporation	500,000,000	*3 & 4*	6.09%

Notes:

1. Mr. Mow Tai Loy and Mr. Mow Yan Loy, Milton were deemed to be interested in these 2,731,666,667 underlying shares of the Company, which may be issued and allotted upon exercise of the conversion rights attaching to the convertible notes in an aggregate principal amount of HK$1,639,000,000.20 at the initial conversion price of HK$0.60 per conversion share. Such convertible notes were held by Perfect Direct Limited, a controlled corporation of Mr. Mow Tai Loy and Mr. Mow Yan Loy, Milton.

2. Ms. Yiu Mei Lan and Ms. Peggy Wong were deemed to be interested in these underlying shares of the Company through the interests of their spouses, Mr. Mow Tai Loy and Mr. Mow Yan Loy, Milton respectively.

3. Mr. Cheng Pak Lung was deemed to be interested in these 500,000,000 underlying shares of the Company, which may be issued and allotted upon exercise of the conversion rights attaching to the convertible notes in an aggregate principal amount of HK$300,000,000.00 at the initial conversion price of HK$0.60 per conversion share. Such convertible notes were held by Super Master Investments Limited, a controlled corporation of Mr. Cheng Pak Lung.

4. These substantial shareholders had Interests in both issued shares and underlying shares of the Company.

The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at 31 December 2010.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Save as disclosed above, as at 31 December 2010, no person, other than the directors of the Company whose interests are set out in the section headed "Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of the Company required to be kept pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Details of the movements of share option of the Company during the year ended 31 December 2010 are set out in Note 40 to the consolidated financial statements. No share option was granted or cancelled or lapsed during the year ended 31 December 2010.

The total number of shares of the Company currently available for issue under the share option scheme is 20,586,000 shares, representing approximately 0.23% of the issued share capital of the Company as at the date of this annual report.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

Purchases
– the largest supplier accounted for approximately 34% of the total purchases for the year
– five largest suppliers in aggregate approximately 96% of the total purchases of the year

Sales
– the largest customer accounted for approximately 49% of the total sales for the year
– five largest customers in aggregate approximately 82% of the total sales for the year

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

Directors' Report

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had related party transactions, as detailed in Note 45 to the consolidated financial statements which also constituted a continuing connected transaction under the Listing Rules. In the opinion of the Directors, such continuing connected transaction was conducted in the normal commercial terms and was exempted from reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, it is confirmed that there is sufficient public float of at least 25% of the Company's total issued share capital as at the date of this report.

SUBSEQUENT EVENTS

Details of subsequent events are set out in Note 50 to the consolidated financial statements.

AUDITOR

The consolidated financial statements of the Group for the financial years ended 31 December 2008 and 31 December 2009 were audited by Grant Thornton and Elite Partners CPA Limited respectively. Due to a merger of the businesses of Elite Partners CPA Limited and Pan-China (H.K.) CPA Limited, Elite Partners CPA Limited has resigned with effect from 3 January 2011 and Pan-China (H.K.) CPA Limited has been appointed as auditor of the Company with effect from 3 January 2011 to fill the casual vacancy following the resignation of Elite Partners CPA Limited until the conclusion of the next annual general meeting of the Company.

The consolidated financial statements of the Company for the year ended 31 December 2010 were audited by Pan-China (H.K.) CPA Limited who will retire at the conclusion of the forthcoming annual general meeting and, being eligible, will offer itself for re-appointment. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Pan-China (H.K.) CPA Limited as the auditor of the Company.

ON BEHALF OF THE BOARD
Hsu Chen Shen
Chairman

Hong Kong
29 March 2011

Independent Auditor's Report

To the members of Dejin Resources Group Company Limited
(Formerly known as "Bright International Group Limited")
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Dejin Resources Group Company Limited (Formerly known as "Bright International Group Limited") (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 120, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Pan-China (H.K.) CPA Limited
Certified Public Accountants
Hong Kong, 29 March 2011

Yip Kai Yin
Practising Certificate Number P05131

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

Consolidated Income Statement

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	6	**804,305**	691,775
Cost of sales		**(616,793)**	(485,173)
Gross profit		**187,512**	206,602
Investment and other income	7	**4,559**	2,608
Other income and gains	8	**184,284**	69,354
Selling and distribution costs		**(31,006)**	(30,622)
Administrative expenses		**(124,533)**	(112,870)
Other operating expenses		**(40,045)**	(11,752)
Operating profit		**180,771**	123,320
Finance costs	9	**(111,030)**	(34,318)
Profit before taxation	10	**69,741**	89,002
Income tax expense	13	**(15,633)**	(14,270)
Profit for the year		**54,108**	74,732
Profit for the year attributable to:			
Owners of the Company		**52,305**	74,732
Non-controlling interests		**1,803**	–
		54,108	74,732
Dividends	15	**–**	–
Earnings per share			
– Basic and diluted	16	**1.34 HK cents**	11.48 HK cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Profit for the year		**54,108**	74,732
Other comprehensive income/(loss):			
Revaluation of land and buildings:			
– Surplus on revaluation of land and buildings		**–**	8,584
– Disposal of subsidiaries	47	**(22,201)**	(11,381)
– Income tax effect		**–**	(2,087)
		(22,201)	(4,884)
Exchange differences arising from:			
– Translation of foreign subsidiaries		**4,226**	(1,283)
– Acquisition of subsidiaries	46	**–**	75
– Disposal of subsidiaries	47	**(5,093)**	(18,229)
		(867)	(19,437)
Other comprehensive loss for the year		**(23,068)**	(24,321)
Total comprehensive income for the year		**31,040**	50,411
Total comprehensive income for the year attributable to:			
Owners of the Company		**30,002**	50,411
Non-controlling interests		**1,038**	–
		31,040	50,411

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	17	**24,938**	178,162
Land use rights	18	**35,103**	30,669
Investment properties	19	**–**	3,850
Biological assets	20	**334,000**	331,000
Goodwill	21	**844,275**	9,379
Mining rights	22	**6,532,545**	–
Exploration and evaluation assets	23	**78,044**	–
		7,848,905	553,060
Current assets			
Inventories	25	**275**	118,512
Trade and bills receivables	26	**126,342**	135,392
Financial assets at fair value through profit or loss	27	**–**	2,937
Investment deposits	28	**–**	30,000
Prepayments, deposits and other receivables	29	**182,624**	51,491
Cash and cash equivalents	30	**57,084**	172,310
		366,325	510,642
Current liabilities			
Bank borrowings	31	**42,882**	47,901
Trade payables	32	**25,661**	109,970
Other payables and accruals	33	**68,321**	54,649
Amount due to a related company	34	**37**	430
Tax liabilities		**44,584**	43,870
		181,485	256,820
Net current assets		**184,840**	253,822

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 *HK$'000*	2009 *HK$'000*
Total assets less current liabilities		**8,033,745**	806,882
Non-current liabilities			
Deferred tax liabilities	*35*	**126,310**	96,646
Provision for land restoration and environmental cost	*36*	**64,052**	–
Promissory notes	*37*	**82,907**	–
Convertible notes	*38*	**2,448,523**	–
		2,721,792	96,646
Net Assets		**5,311,953**	710,236
Capital and reserves			
Share capital	*39*	**820,740**	104,378
Reserves	*41*	**4,459,495**	605,858
Equity attributable to owners of the Company		**5,280,235**	710,236
Non-controlling interests		**31,718**	–
Total equity		**5,311,953**	710,236

Approved and authorised for issue by the board of directors on 29 March 2011.

Hsu Chen Shen
Director

Cheung Wai Yin, Wilson
Director

Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-Current Assets			
Interests in subsidiaries	*24*	**7,514,372**	450,385
Current Assets			
Investment deposits	*28*	**–**	30,000
Prepayments, deposits and other receivables	*29*	**15,325**	14,328
Cash and cash equivalents	*30*	**711**	1,138
		16,036	45,466
Current Liabilities			
Other payables and accruals		**33,844**	1,835
Financial guarantee contract	*43*	**–**	1,206
		33,844	3,041
Net current (liabilities)/assets		**(17,808)**	42,425
Total assets less current liabilities		**7,496,564**	492,810
Non-Current Liabilities			
Deferred tax liabilities	*35*	**43,315**	–
Promissory notes	*37*	**82,907**	–
Convertible notes	*38*	**2,448,523**	–
		2,574,745	–
Net assets		**4,921,819**	492,810
Capital and reserves			
Share capital	*39*	**820,740**	104,378
Reserves	*41*	**4,101,079**	388,432
Total Equity		**4,921,819**	492,810

Approved and authorised for issue by the board of directors on 29 March 2011.

Hsu Chen Shen
Director

Cheung Wai Yin, Wilson
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to the equity holders of the Company										
	Share capital	Share premium	Contributed surplus	Convertible notes reserve	Share repurchase reserve	Asset revaluation reserve	Exchange fluctuation reserve	Share based payment reserve	Retained profits	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2009	51,899	68,984	286	–	(857)	27,085	23,482	3,165	309,254	–	483,298
Profit and total comprehensive income for the year	–	–	–	–	–	(4,884)	(19,437)	–	74,732	–	50,411
	51,899	68,984	286	–	(857)	22,201	4,045	3,165	383,986	–	533,709
Cancellation of own shares relating to repurchase in previous year	(252)	(605)	–	–	857	–	–	–	–	–	–
Repurchase and cancellation of own shares	(355)	(877)	–	–	–	–	–	–	–	–	(1,232)
Issuance of convertible notes	–	–	–	13,495	–	–	–	–	–	–	13,495
Deferred tax relating to transactions with owners	–	–	–	(2,227)	–	–	–	–	–	–	(2,227)
Conversion of convertible notes	40,000	60,000	–	(11,268)	–	–	–	–	–	–	88,732
Exercise of share options	3,086	14,872	–	–	–	–	–	(2,344)	–	–	15,614
Placing of shares	10,000	53,000	–	–	–	–	–	–	–	–	63,000
Share issuance expenses	–	(855)	–	–	–	–	–	–	–	–	(855)
Balance at 31 December 2009 and at 1 January 2010	**104,378**	**194,519**	**286**	**–**	**–**	**22,201**	**4,045**	**821**	**383,986**	**–**	**710,236**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(22,201)**	**(867)**	**–**	**52,305**	**1,803**	**31,040**
	104,378	**194,519**	**286**	**–**	**–**	**–**	**3,178**	**821**	**436,291**	**1,803**	**741,276**
Issuance of convertible notes	**–**	**–**	**–**	**686,401**	**–**	**–**	**–**	**–**	**–**	**–**	**686,401**
Deferred tax relating to transactions with owners	**–**	**–**	**–**	**(113,256)**	**–**	**–**	**–**	**–**	**–**	**–**	**(113,256)**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**29,915**	**29,915**
Conversion of convertible notes	**715,333**	**3,602,197**	**–**	**(353,948)**	**–**	**–**	**–**	**–**	**–**	**–**	**3,963,582**
Exercise of share options	**1,029**	**3,827**	**–**	**–**	**–**	**–**	**–**	**(821)**	**–**	**–**	**4,035**
At 31 December 2010	**820,740**	**3,800,543**	**286**	**219,197**	**–**	**–**	**3,178**	**–**	**436,291**	**31,718**	**5,311,953**

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Profit before taxation		**69,741**	89,002
Adjustments for:			
Finance costs		**53**	1,056
Imputed interest on promissory notes and convertible notes		**110,977**	31,880
Interest income		**(402)**	(628)
Dividend income received from financial assets at fair value through profit or loss		**(5)**	(104)
Gain on disposal of property, plant and equipment		**–**	(18,457)
Gain arising from changes in fair value less estimated point-of-sale		**(3,000)**	(16,000)
Gain on disposal of subsidiaries		**(193,368)**	(61,620)
Gain on disposal of financial assets at fair value through profit or loss		**(38)**	(296)
Depreciation		**16,932**	24,396
Amortisation of land use rights		**522**	620
Amortisation of mining rights		**2,645**	–
Fair value gain on financial assets at fair value through profit or loss		**–**	(577)
Impairment of goodwill		**4,062**	18,065
Provision for obsolete inventories		**34,736**	16,175
Provision for impairment of trade receivables		**11,761**	6,149
Operating profit before working capital changes		**54,616**	89,661
Decrease/(increase) in inventories		**3,677**	(5,890)
Increase in trade and bills receivables		**(272,840)**	(24,540)
Increase in prepayments, deposits and other receivables		**(183,782)**	(32,662)
Increase in trade payables		**38,025**	14,223
Increase in other payables and accruals		**465,922**	17,489
Cash generated from operations		**105,618**	58,281
Interest received		**402**	628
Interest paid		**(53)**	(1,056)
Dividends income received		**5**	104
Corporate income tax paid		**(4,552)**	(1,172)
Net cash generated from operating activities		**101,420**	56,785

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from investing activities			
Purchase of items of property, plant and equipment		**(17,243)**	(11,934)
Purchase of exploration and evaluation assets		**(4,884)**	–
Proceeds from disposal of property, plant and equipment		**–**	74,985
Proceeds from disposal of financial assets at fair value through profit or loss		**2,975**	1,773
Proceed received from held-to-maturity investments		**–**	33,529
Payment for deposit of acquisition of subsidiaries		**–**	(30,000)
Cash effect of acquisition of subsidiaries	*46*	**(34,579)**	1
Cash effect of disposal of subsidiaries	*47*	**153,305**	92,539
Net cash generated from investing activities		**99,574**	160,893
Cash flows from financing activities			
Increase of discounted bills with recourse		**491,821**	17,377
Repayment of bank loans		**(496,840)**	(22,500)
Settlement of promissory notes		**(310,000)**	(200,000)
Proceeds from placing of shares		**–**	63,000
Repurchase of shares		**–**	(1,232)
Proceeds from exercise of share options		**4,035**	15,614
Net cash used in financing activities		**(310,984)**	(127,741)
Net (decrease) increase in cash and cash equivalents		**(109,990)**	89,881
Cash and cash equivalents at 1 January		**172,310**	84,613
Effect of foreign exchange rate changes, net		**(5,236)**	(2,184)
Cash and cash equivalents at 31 December		**57,084**	172,310
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**57,084**	168,768
Non-pledged time deposits with original maturity of less than three months when acquired		**–**	3,542
		57,084	172,310

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

1. GENERAL INFORMATION

Dejin Resources Group Company Limited (Formerly known as "Bright International Group Limited") (the "Company") was incorporated in Bermuda as an exempted company with limited liability. The addresses of the registered office and the principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Room 2601-04 and 38-40, 26/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong, respectively. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The principal activities of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in Note 24 to the consolidated financial statements.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

2.1 Standards and Interpretations adopted in the current period

In the current year, the Group has adopted the following new and revised standards, amendments and interpretations (hereinafter collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKIPCA") which are relevant to and effective for the Group's financial period beginning on 1 January 2010:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRS 2008
HKFRSs (Amendments)	Improvements to HKFRS 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK-Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC)-Int 17	Distributions of Non-cash assets to Owners

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

2.1 Standards and Interpretations adopted in the current period (continued)

HKFRS 3 (as revised in 2008) – Business Combination

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

The impact of the application of HKFRS 3 (as revised in 2008) is as follows:

(a) HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' shares of recognised identifiable net assets of the acquiree.

(b) HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or liability are recognised in profit or loss.

(c) HKFRS 3 (as revised in 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

(d) HKFRS 3 (as revised in 2008) requires acquisition-related cost to be accounted for separately from the business combination, generally leading to those costs being recognised as an expenses in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

The impact of adoption of HKFRS 3 (as revised in 2008) on the acquisition during the current period has been related to the acquisition-related costs. It requires acquisition-related costs to be accounted for separately from the business combination. As a result, the Group has recognised these costs as expenses in profit or loss. The acquisition costs in the current period were insignificant.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

2.1 Standards and Interpretations adopted in the current period (continued)

Amendment to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 has removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. The application of amendment to HKAS 17 had no material effect on the consolidated financial statements.

2.2 Standards and Interpretations in issued but not yet adopted

The Group has not early applied any of the following new and revised standards, amendments and interpretations which have been issued but are not yet effective for annual periods beginning on 1 January 2010:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for Firs-time Adopters[3]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (as revised in 2009)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1. Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2. Effective for annual periods beginning on or after 1 February 2010
3. Effective for annual periods beginning on or after 1 July 2010
4. Effective for annual periods beginning on or after 1 January 2011
5. Effective for annual periods beginning on or after 1 July 2011
6. Effective for annual periods beginning on or after 1 January 2012
7. Effective for annual periods beginning on or after 1 January 2013

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

2.2 Standards and Interpretations in issued but not yet adopted (continued)

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition. Specifically, under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that the application of HKFRS 9 will have no significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

The consolidated financial statements have been prepared on the historical cost basis except for biological assets and financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its entities controlled by the Company or 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 year are included in the profit or loss from the effective date of acquisition and 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 in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of consolidation (continued)

Changes in the Group's ownership interest in existing subsidiaries (continued)

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010 (continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to accumulated losses). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

3.3 Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Business combinations (continued)

Business combinations that took place on or after 1 January 2010 (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Business combinations (continued)

Business combinations that took place on or after 1 January 2010 (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was 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 that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Business combinations (continued)

Business combinations that took place prior to 1 January 2010 (continued)

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

3.4 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually as described in Note 3.15.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.5 Property, plant and equipment

Leasehold land and buildings (where the fair value of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease) are stated at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation and any subsequent impairment losses. Fair value is determined in appraisals by external professional valuers with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Property, plant and equipment (continued)

Any surplus arising on revaluation of leasehold land and buildings is credited to the revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss as described in Note 3.15. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase dealt with in the revaluation reserve. A decrease in net carrying amount of leasehold land and buildings arising on revaluations or impairment testing is charged against any revaluation surplus in the revaluation reserve relating to the same asset and the remaining decrease is recognised in profit or loss.

Depreciation is provided to write off the cost or revalued amounts less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	over the lease terms
Leasehold improvements	20%
Plant, machinery and moulds	10% – 33%
Furniture, fixtures and equipment	20% – 33%
Motor vehicles	20%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting period. The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to retained earnings on the disposal of land and buildings.

Construction in progress represents factory buildings, plant and machinery under construction and installation, which is stated at cost less any impairment losses and is not depreciated. Cost comprises direct costs of construction, installation and testing. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

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

3.6 Biological assets

Biological assets represent timber holdings and are measured at fair value less estimated point-of-sale costs. The fair value of biological assets is determined based on the income capitalisation approach. This approach determines value based on the income-producing potential of the trees being appraised. Change in fair value less estimated point-of sale costs of the biological assets is included in profit or loss for the period in which it arises.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the statement of financial position reflect the prevailing market conditions at the end of the reporting period.

Gain or loss arising from change in the fair value of an investment property is included in profit or loss for the period in which they arise.

3.8 Land use rights

All lands in the PRC are state-owned and no individual land ownership right exists. The Group acquired the rights to use certain lands and the premiums paid for such rights are recorded as land use rights, which are stated at cost and amortised over the lease term using the straight-line method.

3.9 Mining rights

Mining rights acquired separately are initially measured at cost. Mining rights are reclassified from exploration and evaluation assets at the carrying amount when the technical feasibility and commercial viability of extracting mineral resources are demonstrable. Mining rights with finite useful lives are carried at costs less accumulated amortisation and any identified impairment loss. Amortisation for mining rights with finite useful lives is provided using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the mineral mines.

3.10 Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses. Exploration and evaluation assets include topographical and geological survey drilling, exploratory drillings, sampling and trenching and expenditure incurred for the technical feasibility studies and incurred to secure further mineralisation in the mine ore. Expenditure incurred prior to obtaining the exploration and evaluation rights to explore an area are written off as incurred. Once the technical feasibility and commercial viability of extracting the mineral resource had been determined and that the project reaches development phase, exploration and evaluation costs capitalised are amortised. If exploration property is abandoned during the evaluation stage, the total expenditure thereon will be written off.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 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 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.

3.11.1 Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

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 is the rate that exactly discounts estimated future cash receipts (including all fees and 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.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial instruments (continued)

3.11.1 Financial assets (continued)

Financial assets at FVTPL (continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- on initial recognition it is part of a portfolio of identified 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 FVTPL 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
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the consolidated statement of comprehensive income.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment (see the accounting policy in respect of impairment loss on financial assets below).

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial instruments (continued)

3.11.1 Financial assets (continued)

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

AFS financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS 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 investments are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amount due from a non-controlling interest of a subsidiary, pledged bank deposit and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial instruments (continued)

3.11.1 Financial assets (continued)

Impairment of financial assets (continued)

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial instruments (continued)

3.11.1 Financial assets (continued)

Impairment of financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3.11.2 Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial instruments (continued)

3.11.2 Financial liabilities and equity instruments (continued)

Financial liabilities at FVTPL (continued)

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified 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 FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- 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 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the consolidated statement of comprehensive income.

Other financial liabilities

Other financial liabilities (including trade and other payables, amount due to a non-controlling interest of a subsidiary, convertible bonds and promissory note) are subsequently measured at amortised cost using the effective interest method.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial instruments (continued)

3.11.2 Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and 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 financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Convertible bonds

Convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion 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 gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible bonds using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial instruments (continued)

3.11.2 Financial liabilities and equity instruments (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, 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 in other comprehensive income and accumulated in equity is recognised in profit or loss.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial instruments (continued)

3.11.2 Financial liabilities and equity instruments (continued)

Derecognition (continued)

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.12 Inventories

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

3.13 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of presentation in the statement of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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 on monetary items re recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes for presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Foreign currencies (continued)

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 of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

3.15 Impairment

Impairment of tangible and intangible assets other than 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Impairment (continued)

Impairment of goodwill

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 *Impairment of Assets* whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Revenue recognition

Revenue comprises the fair value for the sale of goods and the use by others of the Group's assets yielding interest and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.
- Interest income is recognised on a time-proportion basis using the effective interest method.
- Rental income is recognised on a time-proportion basis over the lease terms.

3.17 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.

3.18 Income taxes

Income tax comprises current tax and deferred tax.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Income taxes (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.19 Retirement benefit costs and short term employee benefits

Retirement benefits to employees are provided through defined contribution plans.

3.19.1 Defined contribution plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Hong Kong Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the Hong Kong Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the Hong Kong Scheme. The assets of the Hong Kong Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Hong Kong Scheme.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Retirement benefit costs and short term employee benefits (continued)

3.19.1 Defined contribution plan (continued)

Pursuant to the relevant regulations of the government of the People's Republic of China except Hong Kong and Macau (the "PRC"), subsidiaries of the Company operating in the PRC participate in a local municipal government retirement benefits scheme (the "PRC Scheme"), whereby the subsidiaries are required to make contributions, as calculated under the rules specified by the relevant PRC local government authorities, to the PRC Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries. The only obligation of the Group with respect to the PRC Scheme is to pay the ongoing required contributions under the PRC Scheme mentioned above. Contributions under the PRC Scheme are charged to profit or loss as incurred. There are no provisions under the PRC Scheme whereby forfeited contributions may be used to reduce future contributions.

3.19.2 Short term employee benefits

(i) Provisions for bonus due are recognised 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.

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

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

3.20 Share-based employee compensation

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Share-based employee compensation (continued)

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

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

3.21 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

3.21.1 Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 3.9); and

- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease (see note 3.8). For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Leases (continued)

3.21.2 Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

3.21.3 Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straightline basis over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

Contingent rentals are recognised as income in the accounting period in which they are earned.

3.22 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.22 Provisions, contingent liabilities and contingent assets (continued)

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 *Provision, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

3.23 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) 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.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

4.1 Useful life of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

4.2 Estimated impairment of assets

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

4.3 Estimated impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2010 was approximately HK$844,275,000 (2009: HK$9,379,000).

4.4 Estimated impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers/borrowers and current market conditions. Management reassess the impairment of receivables at the end of the reporting period.

4.5 Income taxes

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the amount of the provision for income taxes and the timing of payment of related taxes. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which the tax outcome is realisable.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.6 Fair values of biological assets

The Group's management estimates the current market prices for biological assets at the end of reporting period less estimated point-of-sales costs with reference to market prices and professional valuations. Management considers that there is presently an absence of effective financial instruments for hedging against the pricing risks with the underlying agricultural produce. Un-anticipated volatile changes in market prices of the underlying agricultural produce could significantly affect the fair values of these biological assets and result in fair value re-measurement losses in future accounting periods.

The Group's forestry business is subject to the usual agricultural hazards from fire, wind and insects. Forces of nature such as temperature and rainfall may also affect harvest efficiency. Management considers adequate preventive measures are in place and the relevant legislation under forestry law in the PRC will assist in minimising exposure. Nevertheless, un-anticipated factors affecting harvestable agricultural produce may result in re-measurement or harvest losses in future accounting periods.

4.7 Impairment of mining rights

The carrying value of mining rights is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of mining rights, or, where appropriate, the cash-generating unit to which they belong, is calculated as the higher of its fair value less costs to sell and value in use. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

4.8 Provision for land restoration and environmental costs

The provision for land restoration and environmental costs are based on estimates of future payments made by management. Estimates used are subjective in nature and involve uncertainties and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The aggregate carrying value of provision was HK$64,052,000 (2009: Nil).

4.9 Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the end of the reporting period.

4.10 Fair value of financial assets and instruments

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

5. SEGMENT INFORMATION

Information reported to the Board of Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered by the Group's operating divisions.

In prior year, the Group has two operating segments namely, lighting operation and forestry operation whose operating results were reviewed regularly by the Group's Chief Executive Officer to make decisions about resources to be allocated to each segment and assess its performance. During the year, with the acquisitions of (i) the entire equity interest in Goldpic Investments Limited; and (ii) the entire equity interest in Mark Unison Limited (Note 46), the Group changes the structure of internal organization which results in redesignation of its operating segments. Under the new structure of internal organization, the information reported to the Chief Executive Officer is analysed based on the types of goods delivered, including (i) lighting products (export and PRC markets) for lighting operation; (ii) timber for forestry operation; and (iii) gold ore concentrates for mining operation.

The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

1. Lighting operation
2. Forestry operation
3. Mining operation

5.1 Segment revenue and results

	Segment revenue		Segment results	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Lighting operation				
– Export market	**735,518**	643,018	**128,318**	188,074
– PRC market	**20,055**	48,757	**28,691**	18,528
Forestry operation	**7,036**	–	**5,343**	–
Mining operation	**41,696**	–	**25,160**	–
Total	**804,305**	691,775	**187,512**	206,602
Interest income and other gains			**188,843**	71,962
Central administration costs			**(195,584)**	(155,244)
Finance costs			**(111,030)**	(34,318)
Profit before taxation			**69,741**	89,002

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2009: Nil).

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For the year ended 31 December 2010

5. SEGMENT INFORMATION (continued)

5.1 Segment revenue and results (continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment result represents the profit earned by each segment without allocation of corporate income as disclosed in Note 8 and expenses, central administrative costs, directors' salaries, gain on disposal of property, plant and equipment and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

5.2 Segment assets and liabilities

	Segment assets		Segment liabilities	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Lighting operation	**269,460**	678,740	**117,303**	251,957
Forestry operation	**398,029**	375,658	**90,379**	85,535
Mining operation	**7,531,704**	–	**130,321**	–
Subtotal	**8,199,193**	1,054,398	**338,003**	337,492
Unallocated	**16,037**	9,304	**2,565,274**	15,974
Total	**8,215,230**	1,063,702	**2,903,277**	353,466

1. For internal reports that are regularly reviewed by the chief operating decision maker, lighting division for both export market and PRC market is considered as one reportable segment for the purpose of allocating resources to segments and assessing their performance for segment assets, segment liabilities and other segment information.

2. For the purposes of monitoring segment performances and allocating resources between segments:

   – all assets are allocated to reportable segments other than goodwill, intangible assets and assets used jointly by reportable segments.

   – all liabilities are allocated to reportable segments other than derivative financial instruments, bank borrowings, deferred tax liabilities and liabilities for which reportable segments are jointly liable.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

5. SEGMENT INFORMATION (continued)

5.3 Other segment information

	Depreciation and amortisation		Capital expenditures	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Lighting operation	**14,825**	24,596	**3,032**	9,086
Forestry operation	**1,255**	620	**5,251**	–
Mining operation	**1,374**	–	**10,846**	–
	17,454	25,216	**19,129**	9,086

In addition to the depreciation and amortisation reported above, the impairment losses of HK$11,761,000 (2009: HK$6,149,000) and HK$4,062,000 (2009: HK$18,065,000) were recognised in respect of trade receivables and goodwill respectively. These impairment losses were attributable to the following reportable segments:

	Impairment losses recognised					
	Property, plant and equipment		Trade receivables		Goodwill	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Lighting operation	**–**	–	**11,761**	6,149	**4,062**	18,065
Forestry operation	**–**	–	**–**	–	**–**	–
Mining operation	**–**	–	**–**	–	**–**	–
	–	–	**11,761**	6,149	**4,062**	18,065

The Group also recognises the gain arising from changes in fair value less estimated point-of-sale cost of timber holdings of approximately HK$3,000,000 and HK$16,000,000 for the years ended 31 December 2010 and 2009 respectively which are related to forestry operation.

5. SEGMENT INFORMATION (continued)

5.4 Geographical information

The Group's operations are located in the following geographical areas. The following table provides an analysis of the Group's revenue from external customers and assets by geographical location:

	Segment revenue from external customers		Segment assets	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States of America	**689,785**	600,011	**126,303**	158,186
The People's Republic of China (the "PRC")	**68,787**	48,757	**7,674,653**	769,444
Canada	**20,912**	23,626	**2,746**	21,911
Others*	**24,821**	19,381	**411,528**	114,161
	804,305	691,775	**8,215,230**	1,063,702

* Others represent unallocated items.

5.5 Information about major customers

Included in revenue arising from sales of lighting products of approximately HK$755,573,000 (2009: HK$691,775,000) are revenue of approximately HK$392,177,000 (2009: HK$338,643,000) which arose from sales to the Group's largest customer. No other single customers contributed 10% or more to the Group's revenue for the years ended 31 December 2010 and 2009.

6. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year. An analysis of revenue is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Sales of lighting products	**755,573**	691,775
Sales of timbers	**7,036**	–
Sales of gold ore concentrates	**41,696**	–
	804,305	691,775

Notes to Consolidated Financial Statements

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7. INVESTMENT AND OTHER INCOME

	Group 2010 HK$'000	2009 HK$'000
Bank interest income	**402**	628
Dividend income received from equity investments	**5**	104
Gross rental income from investment properties	**482**	765
Other income	**3,670**	1,111
	4,559	2,608

The following is an analysis of investment and other income:

Loan and receivables (including cash and bank balances)	**402**	628
Dividend income earned on financial assets at fair value through profit or loss	**5**	104
Investment income earned on non-financial assets	**4,152**	1,876
	4,559	2,608

8. OTHER INCOME AND GAINS

	Group 2010 HK$'000	2009 HK$'000
Gain on disposal of property, plant and equipment	**–**	18,457
Gain on disposal of subsidiaries	**193,368**	61,620
Gain on disposal of financial assets designated as at FVTPL	**38**	296
Gain arising from changes in fair value less estimated point-of-sale cost of timber holdings	**3,000**	16,000
Fair value gain on financial assets at fair value through profit or loss	**–**	577
Net foreign exchange gain/(loss)	**3,701**	(3,382)
Impairment loss recognised in respect of goodwill	**(4,062)**	(18,065)
Impairment loss recognised in respect of trade receivables	**(11,761)**	(6,149)
	184,284	69,354

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

9. FINANCE COSTS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**53**	1,056
Imputed interest on promissory notes	**32,412**	33,262
Imputed interest on convertible notes	**78,565**	–
	111,030	34,318

10. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Amortisation of land use rights	**522**	620
Auditor's remuneration	**1,700**	1,000
Staff costs (including directors' remuneration *(Note 11)*)		
– Wages and salaries	**60,751**	87,970
– Defined contribution scheme	**4,492**	6,487
	65,243	94,457
Cost of inventories sold	**271,914**	262,188
Depreciation of property, plant and equipment	**16,932**	24,596
Operating lease payments in respect of:		
– Land and buildings	**1,998**	4,829
– Office equipment	**–**	17
Provision for obsolete inventories	**34,736**	16,175
Research and development costs	**4,058**	5,017

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For the year ended 31 December 2010

11. DIRECTORS' REMUNERATION

Remuneration of the directors disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Fees:		
Executive directors	**590**	670
Independent non-executive directors	**440**	310
	1,030	980
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	**5,095**	5,599
Discretionary bonuses	**988**	6,401
Contributions to pension schemes	**9**	–
	6,092	12,000
Independent non-executive directors:		
Salaries, allowances and benefits in kind	**–**	5
	7,122	12,985

During the year, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors have waived any emoluments during the year (2009: Nil).

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

11. DIRECTORS' REMUNERATION (continued)

(a) Executive directors

The emoluments paid to the executive directors during the year were as follows:

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Equity-settled share option expenses	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2010					
Mr. Hsu Chen Shen	**100**	**1,700**	**338**	**–**	**2,138**
Mr. Cheung Wai Yin, Wilson[1]	**–**	**900**	**–**	**–**	**900**
Mr. Liu Hui Cai[2]	**–**	**195**	**–**	**–**	**195**
Mr. Yang Hsien Lin	**100**	**900**	**312**	**–**	**1,312**
Mr. Lau Chi Yan, Pierre[3]	**240**	**–**	**–**	**–**	**240**
Mr. Hsu Shui Sheng[4]	**50**	**500**	**286**	**–**	**836**
Mrs. Hsu Wei Jui Yun[5]	**–**	**–**	**–**	**–**	**–**
Mr. Pak Ping Chun[6]	**100**	**900**	**52**	**–**	**1,052**
	590	**5,095**	**988**	**–**	**6,673**
2009					
Mr. Hsu Chen Shen	100	1,700	1,893	–	3,693
Mr. Hsu Shui Sheng[4]	100	1,200	1,754	–	3,054
Mrs. Hsu Wei Jui Yun[5]	100	400	650	–	1,150
Mr. Pak Ping Chun[6]	100	900	733	–	1,733
Mr. Yang Hsien Lin	100	900	739	–	1,739
Mr. Hsu Chiang Lung[7]	100	499	632	–	1,231
Mr. Lau Chi Yan, Pierre[3]	70	–	–	–	70
	670	5,599	6,401	–	12,670

1. Mr. Cheung Wai Yin, Wilson was appointed as an executive director and Vice Chairman on 12 April 2010.

2. Mr. Liu Hui Cai was appointed as an executive director on 12 August 2010.

3. Mr. Lau Chi Yan, Pierre was appointed as an executive director on 9 September 2009.

4. Mr. Hsu Shui Sheng was resigned as an executive director and Vice-Chairman on 8 June 2010.

5. Mrs. Hsu Wei Jui Yun was resigned as an executive director on 13 January 2010.

6. Mr. Pak Ping Chun was resigned as an executive director on 28 December 2010.

7. Mr. Hsu Chiang Lung was resigned as an executive director on 29 July 2009.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

11. DIRECTORS' REMUNERATION (continued)

(b) Independent non-executive directors

The emoluments paid to the independent non-executive directors during the year were as follows:

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Total remuneration *HK$'000*
2010			
Mr. Ma Chun Fung, Horace[1]	**60**	**–**	**60**
Dr. Hsiao Horng Ching	**120**	**–**	**120**
Mr. Anthony John Earle Grey[2]	**140**	**–**	**140**
Mr. Lu Zi Chin[3]	**60**	**–**	**60**
Mr. Cheng Yung Hui[4]	**60**	**–**	**60**
	440	**–**	**440**
2009			
Dr. Hsiao Horng Ching	100	5	105
Mr. Cheng Yung Hui[4]	120	–	120
Mr. Lu Zi Chin[3]	90	–	90
	310	5	315

1. Mr. Ma Chun Fung, Horace was appointed as an independent non-executive director on 29 June 2010.

2. Mr. Anthony John Earle Grey was appointed as an independent non-executive director on 6 May 2010.

3. Mr. Lu Zi Chin was appointed as an independent non-executive director on 23 March 2009 and resigned on 29 June 2010.

4. Mr. Cheng Yung Hui was resigned as an independent non-executive director on 4 November 2010.

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

12. EMPLOYEES' EMOLUMENTS

The five highest paid employees for the year were all (2009: all) directors of the Company, whose remuneration are set out in Note 11 above.

Out of the five highest paid employees, no employee (2009: two) whose remuneration fell within HK$3,000,000 to HK$4,000,000, three employees (2009: three) whose remuneration fell within HK$1,000,000 to HK$3,000,000 and two employees (2009: nil) fell within Nil to HK$1,000,000.

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13. INCOME TAX EXPENSE

Income tax recognised in profit or loss

	Group	
	2010	2009
	HK$'000	*HK$'000*
Current tax:		
PRC enterprise income tax	**6,675**	9,340
Other jurisdictions	**8,958**	(820)
Deferred tax *(Note 35)*	**–**	5,750
	15,633	14,270

No provision for Hong Kong profits tax has been made since the Group incurred taxation losses for the year (2009: Nil). The PRC enterprise income tax has been provided at the rate of 25% (2009: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the countries in which the Group operates.

The tax charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Profit before taxation	**69,741**	89,002
Tax at the statutory tax rates	**17,435**	15,066
Tax losses not recognised	**15,305**	8,857
Difference from tax rate of other jurisdictions	**(2,003)**	–
Income not subject to tax	**(26,900)**	(29,466)
Expenses not deductible for tax	**13,919**	19,988
Tax losses utilized from previous period	**(2,123)**	(175)
Income tax expense for the year	**15,633**	14,270

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For the year ended 31 December 2010

13. INCOME TAX EXPENSE (continued)

Income tax recognised directly in equity

	Group 2010 HK$'000	2009 HK$'000
Deferred tax		
Arising on transactions with owners:		
– Initial recognition of the equity component of convertible notes	**113,256**	2,227
Total income tax recognised directly in equity	**113,256**	2,227

Income tax recognised in other comprehensive income

	Group 2010 HK$'000	2009 HK$'000
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
– Revaluation of land and buildings	**–**	2,087
Total income tax recognised in other comprehensive income	**–**	2,087

14. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company for the year ended 31 December 2010 amounted to approximately HK$111,753,000 (2009: approximately HK$7,329,000) which has been dealt with in the consolidated financial statements of the Company (Note 41(b)).

15. DIVIDENDS

The Directors do not recommend the payment of any final dividend in respect of the year ended 31 December 2010 (2009: Nil).

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

16. EARNINGS PER SHARE

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

	2010	2009
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purpose of basic earnings per share attributable to owners of the Company	**52,305**	74,732
Effect of dilutive potential ordinary shares:		
– Imputed interest on convertible notes	**78,565**	–
Earnings for the purpose of diluted earnings per share attributable to owners of the Company	**130,870**	74,732

	2010	2009
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,907,827**	651,143
Effect of dilutive potential ordinary shares:		
– Convertible notes issued by the Company	**2,827,918**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,735,745**	651,143

For the year ended 31 December 2010, no dilutive earnings per share has been presented as the conversion of the Company's outstanding convertible notes could result in an increase in the earnings per share.

For the year ended 31 December 2009, no diluted earnings per share had been presented as the outstanding share options for the year had no dilutive effect on the basic earnings per share as the exercise price of the share options was higher than the average market price of the Company's ordinary shares. There was no outstanding share option at 31 December 2010.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant, machinery and moulds *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
At cost or valuation:							
At 1 January 2009	187,600	28,488	109,669	23,488	13,824	530	363,599
Additions	502	49	6,718	405	2,849	1,411	11,934
Transfers	428	–	203	–	–	(631)	–
Disposals	–	–	(1,836)	(967)	(170)	–	(2,973)
Disposal of subsidiaries	(61,430)	–	–	–	–	–	(61,430)
Surplus on revaluation	8,584	–	–	–	–	–	8,584
Exchange realignment	(13,554)	659	1,906	924	872	37	(9,156)
At 31 December 2009	122,130	29,196	116,660	23,850	17,375	1,347	310,558
Representing:							
At cost:	–	29,196	116,660	23,850	17,375	1,347	188,428
At valuation:	122,130	–	–	–	–	–	122,130
	122,130	29,196	116,660	23,850	17,375	1,347	310,558
At cost:							
At 1 January 2010	**122,130**	**29,196**	**116,660**	**23,850**	**17,375**	**1,347**	**310,558**
Additions	**131**	**1,619**	**4,033**	**544**	**8,511**	**2,405**	**17,243**
Acquisition of subsidiaries	**2,110**	**1,199**	**5,503**	**440**	**5,265**	**–**	**14,517**
Disposal of subsidiaries	**(122,130)**	**(29,702)**	**(121,606)**	**(23,191)**	**(14,635)**	**(3,522)**	**(314,786)**
Exchange realignment	**82**	**796**	**5,394**	**340**	**540**	**19**	**7,171**
At 31 December 2010	**2,323**	**3,108**	**9,984**	**1,983**	**17,056**	**249**	**34,703**
Representing:							
At cost:	**2,323**	**3,108**	**9,984**	**1,983**	**17,056**	**249**	**34,703**

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Leasehold land and buildings	Leasehold improvements	Plant, machinery and moulds	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated depreciation and impairment:							
At 1 January 2009	–	18,923	69,184	20,897	8,790	–	117,794
Charge for the year	7,775	2,744	11,158	1,765	1,154	–	24,596
Eliminated on revaluation	(7,775)	–	–	–	–	–	(7,775)
Eliminated on disposal of subsidiaries	–	–	(620)	(831)	(162)	–	(1,613)
Exchange realignment	–	(32)	(636)	721	(659)	–	(606)
At 31 December 2009 and at 1 January 2010	**–**	**21,635**	**79,086**	**22,552**	**9,123**	**–**	**132,396**
Charge for the year	**82**	**2,072**	**10,315**	**1,213**	**3,250**	**–**	**16,932**
Acquisition of subsidiaries	**487**	**–**	**1,921**	**11**	**134**	**–**	**2,553**
Eliminated on disposal of subsidiaries	**–**	**(23,900)**	**(88,791)**	**(22,946)**	**(9,622)**	**–**	**(145,259)**
Exchange realignment	**20**	**547**	**2,771**	**320**	**(515)**	**–**	**3,143**
At 31 December 2010	**589**	**354**	**5,302**	**1,150**	**2,370**	**–**	**9,765**
Net carrying value:							
At 31 December 2010	**1,734**	**2,754**	**4,682**	**833**	**14,686**	**249**	**24,938**
At 31 December 2009	122,130	7,561	37,574	1,298	8,252	1,347	178,162

The Group's leasehold land and buildings included above are held under the following lease terms:

	Group					
	Hong Kong		PRC		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At cost or valuation:						
Medium term leases	**–**	2,600	**1,734**	119,530	**1,734**	122,130

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17. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

As at 31 December 2009, the Group's leasehold land and buildings were revalued individually by Asset Appraisal Limited, an independent professional qualified valuer, at an aggregate open market value of HK$122,130,000 based on their existing use. A revaluation surplus of HK$8,584,000 resulting from the above valuations had been recognised in consolidated statement of comprehensive income and accumulated in the asset revaluation reserve for the year ended 31 December 2009.

As at 31 December 2009, had these leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK$91,929,000.

18. LAND USE RIGHTS

Land use rights represent the Group's interest in the rights to use the land in the PRC, which are held under medium term leases. The movements are as follow:

	Group	
	2010	2009
	HK$'000	*HK$'000*
At cost:		
At 1 January	**30,669**	–
Acquisition of subsidiaries	**4,077**	31,189
Amortisation	**(522)**	(620)
Exchange realignment	**879**	100
At 31 December	**35,103**	30,669

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19. INVESTMENT PROPERTIES

		Group	
		2010	2009
	Note	***HK$'000***	*HK$'000*
At fair value:			
At 1 January		**3,850**	3,850
Disposal of subsidiaries	*47*	**(3,850)**	–
At 31 December		**–**	3,850

The Group's investment properties were held under medium term leases and were revalued as at 31 December 2009 by Asset Appraisal Limited, an independent professional qualified valuer, at HK$3,850,000. Valuations were based on the investment method by taking into account the net rental incomes of the properties derived from the existing tenancies with due allowance for the reversionary value of the properties. During the year ended 31 December 2010, the investment properties were disposed of through the disposal of a subsidiary as disclosed in note 47 to the consolidated financial statements. The Directors considered that the fair value of the investment properties as at the date of disposal were approximate to its fair value as at 31 December 2009.

20. BIOLOGICAL ASSETS

	Group	
	2010	2009
	HK$'000	*HK$'000*
At fair value less estimated point-of-sale:		
At 1 January	**331,000**	–
Acquisition of subsidiaries	**–**	315,000
Gain arising from changes in fair value less estimated point-of-sale	**3,000**	16,000
At 31 December	**334,000**	331,000

The Group's biological assets represent the tree resources comprising pine, Chinese fir and other trees located in northern part of Guangdong Province (the "Tree Resources"). The Tree Resources were valued at 31 December 2010 and 2009 by Castores MAGI, an independent professional qualified valuer. The valuer applied an income capitalization approach based on projected wood flows of the Group's Tree Resources, the projected future cash flows, based on their assessments of current and projected timber log prices, and a discount rate of 12.26% (2009: 12.76%).

The discount rate used in the valuation of the Tree Resources was determined by reference to published discount rates, cost of equity analysis, country risk, business risk, surveyed opinion of forest valuers practice and the implied discount rate of forest sales transactions in the PRC over a period of time, with more weight given to the weighted average cost of equity.

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21. GOODWILL

		Group	
		2010	2009
	Note	***HK$'000***	*HK$'000*
Cost:			
At 1 January		**40,626**	35,309
Acquisition of subsidiaries	*46*	**838,958**	5,317
At 31 December		**879,584**	40,626
Accumulated impairment:			
At 1 January		**31,247**	13,182
Impairment loss recognised during the year		**4,062**	18,065
At 31 December		**35,309**	31,247
Net carrying amount:			
At 31 December		**844,275**	9,379

Impairment test for cash-generating units containing goodwill

The carrying amount of goodwill has been allocated to the cash-generating units ("CGU") for impairment test according to business as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Lighting business	–	4,062
Forestry business	**5,317**	5,317
Mining business	**838,958**	–
	844,275	9,379

The recoverable amounts of the above CGU of forestry business and mining business have been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five year period and approved by senior management. The key assumptions include stable profit margins, which have been determined based on past experience in this market. The management believes that this is the best available input for forecasting this mature market. The discount rate applied to cash flow projection for forestry business and mining business are 12.26% (2009: 12.76%) and 22.10% (2009: Nil). Cash flows beyond the 5-year period for forestry business and mining business are extrapolated using a growth rate 5% (2009: 10%) and 5% (2009: Nil) which are similar to the average long-term growth rate of the forestry and mining industries.

Impairment of goodwill amounted to HK$4,062,000 was recognised for lighting business during the year ended 31 December 2010 (2009: HK$18,065,000).

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22. MINING RIGHTS

	Note	2010 HK$'000	2009 HK$'000
At 1 January		–	–
Acquisition of subsidiaries	46	6,535,190	–
Amortisation		(2,645)	–
At 31 December		6,532,545	–

In May 2010, the Group completed the acquisitions of entire equity interests in Goldpic Investments Limited and Mark Unison Limited which its subsidiaries hold the exploitation rights to gold mines located in Hebei ("Hebei Gold Mines") and in Shandong ("Shandong Gold Mines") respectively. The exploitation rights to the Hebei Gold Mines and Shandong Gold Mines have been granted by Land and Resources Bureau of Hebei and Shandong, the PRC.

The Directors considered that no impairment loss shall be recognised for the year ended 31 December 2010 as there is no indication for provision of impairment loss has been identified.

23. EXPLORATION AND EVALUATION ASSETS

	Note	2010 HK$'000	2009 HK$'000
At 1 January		–	–
Acquisition of subsidiaries	46	71,018	–
Additions		4,884	–
Exchange realignment		2,142	–
At 31 December		78,044	–

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For the year ended 31 December 2010

24. INTERESTS IN SUBSIDIARIES

	Company 2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	**7,414,210**	43,715
Fair value of financial guarantee granted to subsidiaries *(Note 43)*	**–**	1,206
Due from subsidiaries	**100,162**	406,127
	7,514,372	451,048
Impairment loss recognised during the year	**–**	(663)
	7,514,372	450,385

The balances with subsidiaries for the years ended 31 December 2010 and 2009 are unsecured, interest-free and are not repayable within twelve months after the end of the reporting date.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
Bright Group (BVI) Limited	BVI/Hong Kong	US$702 Ordinary	100	–	Investment holding
Million Gold Fortune Limited	Hong Kong	HK$1 Ordinary	–	100	Investment holding
Beijing Tsingha Deshi Technology Company Limited	PRC	RMB15,000,000	–	75	Investment holding
Chengde Longxin Mining Company Limited	PRC	RMB10,000,000	–	60	Exploitation of gold mines
Dejin Resources Management Limited	Hong Kong	HK$1 Ordinary	–	100	Provision for management services
Longhua County Longde Mining Company Limited	PRC	RMB3,200,000	–	60	Exploitation of gold mines
Qinglong Manchu Autonomous County Zijin Mining Development Company Limited	PRC	RMB5,000,000	–	67.5	Exploitation of gold mines
Qinglong Manchu Autonomous County Qidaohe Huangjin Company Limited	PRC	RMB2,000,000	–	67.5	Exploitation of gold mines

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24. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
Qinglong Manchu Autonomous County Chilong Mining Development Company Limited	PRC	RMB11,800,000	–	67.5	Exploitation of gold mines
Qinglong Manchu Autonomous County Dayingzi Huangjin Company Limited	PRC	RMB2,000,000	–	67.5	Exploitation of gold mines
Qinglong Manchu Autonomous County Tsingda Dejin Gold Mine Company Limited	PRC	RMB10,000,000	–	67.5	Exploitation of gold mines
Mark Unison Limited	BVI/Hong Kong	US$1 Ordinary	–	100	Investment holding
Uni-Bright Development Limited	Hong Kong	HK$1 Ordinary	–	100	Investment holding
Yintai Huanghui Mining Company Limited	PRC	USD30,000,000	–	90	Exploitation of gold mines
Whole Bright Industries (Macao Commercial Offshore) Limited	Macau	MOP100,000	–	100	Trading of lighting products
Asiacorp Universal Limited	BVI/Hong Kong	US$1 Ordinary	–	100	Investment holding
環宇世紀林業(深圳)有限公司	PRC	HK$4,000,000	–	100	Tree plantation, research and development on plantation related technologies, and sale and distribution of plantation products

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

None of the subsidiaries had issued any debt securities for the years ended 31 December 2010 and 2009.

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For the year ended 31 December 2010

25. INVENTORIES

	Group 2010 HK$'000	2009 HK$'000
Raw materials	–	84,501
Work in progress	–	2,077
Finished goods	**275**	31,934
	275	118,512

26. TRADE AND BILLS RECEIVABLES

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group 2010 HK$'000	2009 HK$'000
0 – 30 days	**33,648**	110,357
31 – 90 days	**79,229**	21,379
91 – 180 days	**11,708**	2,084
181 – 360 days	**733**	1,039
Over 360 days	**1,024**	533
	126,342	135,392

Trading terms with customers are largely on credit, except for new customers, where trade deposits, advances or payments in advance are normally required. Invoices are normally payable within 30 to 90 days of issuance by letters of credit or on an open account basis. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest bearing.

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

	Group 2010 HK$'000	2009 HK$'000
At 1 January	**21,990**	15,841
Impairment losses recognised	**11,761**	6,149
At 31 December	**33,751**	21,990

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26. TRADE AND BILLS RECEIVABLES (continued)

At the end of each reporting period, the Group's provision for impairment of trade receivables were individually determined based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised.

The Group allows a credit period from 30 to 90 days (2009: 30 to 90 days) to its customers.

The carrying value of trade and bills receivables is considered as reasonable approximation of fair value. Impairment of trade and bills receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors and default or delinquency in payments are considered indicators that the trade and bills receivables is impaired. All of the Group's trade and bills receivables have been reviewed for indicators of impairment. As at 31 December 2010, the Group has determined no trade receivables (2009: Nil) as individually written off and certain trade and bills receivables were found to be impaired and bad debts of approximately HK$11,761,000 (2009: approximately HK$6,149,000) has been recognised accordingly. The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

In addition, some of the unimpaired trade and bills receivables are past due as at the end of the reporting period. Ageing analysis of trade and bills receivables past due but not impaired is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**112,877**	131,736
1 – 90 days	**11,708**	2,084
91 – 270 days	**733**	1,039
Over 270 days	**1,024**	533
Total trade and bills receivables, net	**126,342**	135,392

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. The Group's management considers that trade receivables that are past due but not impaired as at the balance sheet date are of good credit quality. The Group does not hold any collateral over these balances.

Included in trade and bills receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2010	2009
	HK$'000	*HK$'000*
US dollars	**126,342**	133,846

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27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Listed equity investment, at market value:		
Hong Kong	–	2,796
Elsewhere	–	141
	–	2,937

The fair values of the Group's investments had been determined by reference to their quoted closing prices at the end of the reporting period.

28. INVESTMENT DEPOSITS

	Group and Company	
	2010	2009
	HK$'000	*HK$'000*
Deposits for acquisition of subsidiaries	–	30,000

On 16 September 2009, Best Commerce Limited, a wholly owned subsidiary of the Company entered into an acquisition agreement with Silver Mark Enterprises Limited to acquire the entire equity interests in Goldpic Investments Limited at an aggregate consideration of approximately HK$6,350 million. The Group had paid a security deposit of HK$30,000,000 to proceed with the acquisition which was completed in May 2010.

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The amount of the Group's and the Company's prepayments, deposits and other receivables are expected to be recovered or recognised as expense more than one year is HK$770,000 (2009: HK$770,000). All of the other prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.

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30. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**57,084**	168,768	**711**	1,138
Time deposits	**–**	3,542	**–**	–
	57,084	172,310	**711**	1,138

At the end of the reporting date, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$25,574,000 (2009: HK$63,820,000). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

31. BANK BORROWINGS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Current		
Discounted bills with recourse – secured *(Note)*	**42,882**	47,901

Note: Balance represented proceeds from banks on discounted bills at 31 December 2010 which were secured by the related bills receivable and bear interests ranging from 5% to 8% (2009: 3% to 6%) per annum.

As at 31 December 2010 and 2009, all of the Group's bank borrowings were denominated in US dollars.

The Group's bank borrowing facilities amounting to HK$97 million (2009: HK$97 million), of which approximately of HK$43 million (2009: HK$48 million) has been utilised as at the end of the reporting period.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

32. TRADE PAYABLES

An aged analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
0 – 90 days	**25,654**	100,471
91 – 180 days	**–**	492
181 – 360 days	**–**	2,121
Over 360 days	**7**	6,886
	25,661	109,970

The trade payables are non-interest bearing and are normally settled on 60 days terms.

33. OTHER PAYABLES AND ACCRUALS

All of the Group's and the Company's other payables and accruals are expected to be settled or recognised as income within one year or are repayable on demand.

34. AMOUNT DUE TO A RELATED COMPANY

	Group		
	Maximum debit balance	**2010**	2009
	HK$'000	***HK$'000***	*HK$'000*
瑩輝興業股份有限公司	430	**37**	430

The amount due to a related company is unsecured, non-interest bearing and is repayable on demand. The amount represents reimbursement payable to the related company, 瑩輝興業股份有限公司, for expenses and purchases paid on behalf of the Group. The related company is a company which is beneficially owned by a director of the Company.

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35. DEFERRED TAX LIABILITIES

	Group					
	Convertible Notes	**Revaluation of investment properties**	**Revaluation of leasehold land and buildings**	**Revaluation of biological assets**	**Revaluation of land use rights**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009	–	488	11,076	–	–	11,564
Acquisition of subsidiaries	–	–	–	77,000	245	77,245
Deferred tax charged to profit or loss *(Note 13)*	–	–	–	5,750	–	5,750
Deferred tax charged to other comprehensive income	–	–	2,087	–	–	2,087
Initial recognition of equity component of convertible notes	2,227	–	–	–	–	2,227
Conversion of convertible notes	(2,227)	–	–	–	–	(2,227)
At 31 December 2009 and at 1 January 2010	**–**	**488**	**13,163**	**82,750**	**245**	**96,646**
Disposal of subsidiaries	**–**	**(488)**	**(13,163)**	**246**	**(245)**	**(13,650)**
Initial recognition of equity component of convertible notes	**113,256**	**–**	**–**	**–**	**–**	**113,256**
Conversion of convertible notes	**(69,942)**	**–**	**–**	**–**	**–**	**(69,942)**
At 31 December 2010	**43,314**	**–**	**–**	**82,996**	**–**	**126,310**

The Group has not recognised deferred tax assets in respect of cumulative tax losses in certain subsidiaries of HK$23,084,000 as at 31 December 2010 (2009: HK$45,285,000) as it is not probable that future profits against which the losses can be utilised will be available in the relevant subsidiaries.

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36. PROVISION FOR LAND RESTORATION AND ENVIRONMENTAL COST

	Note	2010 HK$'000	2009 HK$'000
At 1 January		–	–
Acquisition of subsidiaries	46	64,052	–
At 31 December		64,052	–

In accordance with relevant PRC rules and regulations, the Group is obligated to accrue the costs of land reclamation and mine closures of the Group's existing mines. The provision for land restoration and environmental cost has been determined by the Directors based on their best estimates.

37. PROMISSORY NOTES

	Group and Company 2010 HK$'000	2009 HK$'000
Fair value at the date of issue:	360,495	168,120
Imputed interest recognised during the year	32,412	31,880
	392,907	200,000
Settlement during the year	(310,000)	(200,000)
	82,907	–

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On 13 May 2010, the Company issued a zero-coupon promissory note due 2013 in the principal amount of HK$400,000,000 ("2010 Promissory Note") as part of the consideration for the acquisition of entire equity interests in Goldpic Investments Limited (Note 46). The effective interest rate of the 2010 Promissory Note is 3.47% per annum. During the year ended 31 December 2010, the 2010 Promissory Note in the principal amount of HK$310,000,000 was settled by the Company. At 31 December 2010, the carrying amount of the 2010 Promissory Note is approximately HK$82,907,000.

For the year ended 31 December 2009

On 29 April 2009, the Company issued a zero-coupon promissory note in the principal amount of HK$200,000,000 with a maturity period of 2 years ("2009 Promissory Note") as part of the acquisition of the entire equity interests in Asiacorp Universal Limited (Note 46). The principal was fully settled during the year ended 31 December 2009.

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38. CONVERTIBLE NOTES

	Group and Company	
	2010	2009
	HK$'000	*HK$'000*
Proceed of issue:	**6,950,000**	100,000
Equity component	**(686,402)**	(13,495)
Liability component at date of issue	**6,263,598**	86,505

The movements in liability component of the convertible notes are set out as follows:

	Liability component
	HK$'000
At 1 January 2009	–
Issue of 2009 Convertible Notes	86,505
Conversion of 2009 Convertible Notes	(86,505)
At 31 December 2009 and at 1 January 2010	–
Issue of 2010 Convertible Notes	**6,263,598**
Imputed interest	**78,565**
Conversion of 2010 Convertible Notes	**(3,893,640)**
At 31 December 2010	**2,448,523**

For the year ended 31 December 2010

On 3 May 2010, the Company issued two zero-coupon convertible notes in the aggregate principal amount of HK$6,950,000,000 ("2010 Convertible Notes") as to HK$5,920,000,000 and HK$1,030,000,000 for part of the consideration for the acquisitions of the entire equity interests in Goldpic Investments Limited and Mark Unison Limited respectively (Note 46).

The maturity date of the 2010 Convertible Notes is on 13 May 2013 ("Maturity Date") and will be redeemed at its principal amount at the Maturity Date by the Company. The Convertible Notes are convertible into ordinary shares of the Company at any time after 13 May 2010 up to, and excluding, the close of business on the Maturity Date at a conversion price of HK$0.6 per share. The conversion option component of the 2010 Convertible Notes will be settled by an exchange of a fixed number of cash for a fixed number of the Company's own equity instruments and accordingly is classified as an equity instrument of the Company.

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For the year ended 31 December 2010

38. CONVERTIBLE NOTES (continued)

For the year ended 31 December 2010 (continued)

The 2010 Convertible Notes contain two components, liability and equity components. The equity component is included in the convertible notes reserve. The effective interest rate of the liability component is 3.47% per annum. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The value of the equity conversion component, calculated with reference to valuation carried out by Castores MAGI, an independent professional qualified valuer, was included in shareholders' equity in convertible notes reserve. The fair value of the liability component and the equity conversion component were determined at issuance of the convertible notes.

During the year ended 31 December 2010, the 2010 Convertible Notes in the principal amount of HK$4,292,000,000 were converted into the ordinary shares of the Company. At 31 December 2010, the carrying amount of the liability component of the 2010 Convertible Notes is approximately HK$2,448,523,000.

For the year ended 31 December 2009

On 29 April 2009, the Company issued a zero-coupon convertible note in the principal amount of HK$100,000,000 ("2009 Convertible Notes") as part of the consideration for the acquisition of the entire equity interests in Asiacorp Universal Limited (Note 46).

The maturity date of the 2009 Convertible Note was on 29 April 2011 ("Maturity Date") and will be redeemed at its principal amount at the Maturity Date by the Company. The 2009 Convertible Notes was convertible into ordinary shares of the Company at any time after 29 April 2009 up to, and excluding, the close of business on the Maturity Date at a conversion price of HK$0.25 per share. The conversion option component of the 2009 Convertible Notes will be settled by an exchange of a fixed number of cash for a fixed number of the Company's own equity instruments and accordingly was classified as an equity instrument of the Company.

The 2009 Convertible Notes contained two components, liability and equity components. The equity component was included in the convertible notes reserve. The effective interest rate of the liability component of the convertible notes was 6.32%. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The value of the equity conversion component, calculated with reference to valuation carried out by Asset Appraisal Limited, an independent professional qualified valuer, was included in shareholders' equity in convertible notes reserve. The fair value of the liability component and the equity conversion component were determined at issuance of the convertible notes.

The 2009 Convertible Note had been fully converted into the ordinary shares of the Company during the year ended 31 December 2009.

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39. SHARE CAPITAL

	Notes	Company Number of shares '000	Nominal values HK$'000
Authorised:			
Ordinary shares of HK$0.1 each			
At 1 January 2009		1,000,000	100,000
Increase during the year	*(a)*	1,000,000	100,000
At 31 December 2009 and at 1 January 2010		**2,000,000**	**200,000**
Increase during the year	*(b)*	**23,000,000**	**2,300,000**
At 31 December 2010		**25,000,000**	**2,500,000**
Issued and fully paid:			
Ordinary shares of HK$0.1 each			
At 1 January 2009		518,996	51,899
Repurchase and cancellation of shares	*(c)*	(6,082)	(608)
Issuance of shares pursuant to conversion of convertible notes	*(d)*	400,000	40,000
Placing of shares	*(e)*	100,000	10,000
Exercise of share options	*(f)*	30,864	3,087
At 31 December 2009 and at 1 January 2010		**1,043,778**	**104,378**
Issuance of shares pursuant to conversion of convertible notes	*(g)*	**7,153,333**	**715,333**
Exercise of share options	*(h)*	**10,288**	**1,029**
At 31 December 2010		**8,207,399**	**820,740**

The movements in the Company's share capital are as follows:

(a) Pursuant to a special resolution passed by the shareholders of the Company at the annual general meeting held on 5 June 2009, the authorised share capital of the Company increased from HK$100,000,000 to HK$200,000,000 by the creation of an additional 1,000,000,000 unissued ordinary shares of HK$0.1 each, such new shares ranking pari passu in all respects with the existing shares of the Company.

(b) Pursuant to a special resolution passed by the shareholders of the Company at the annual general meeting held on 3 May 2010, the authorised share capital of the Company increased from HK$200,000,000 to HK$2,500,000,000 by the creation of an additional 23,000,000,000 unissued ordinary shares of HK$0.1 each, such new share ranking pari passu in all respects with the existing shares of the Company.

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39. SHARE CAPITAL (continued)

(c) During the year ended 31 December 2009, the Company repurchased a total of 3,552,000 of its listed shares on the Stock Exchange for the purpose of enhancing the net asset value of the Company. Details of the repurchases were summarised as follows:

Month/Year	Number of ordinary shares repurchased during the year	Number of ordinary shares cancelled during the year	Purchase price per share Highest HK$	Lowest HK$	Aggregate purchase consideration HK$
December 2008[1]	–	2,530,000	–	–	–
January 2009[2]	3,552,000	3,552,000	0.350	0.325	1,232,330
Total	3,552,000	6,082,000			1,232,330

1. The shares were repurchased during the year ended 31 December 2008 and the cancellation of shares had been completed in January 2009.

2. The cancellation of shares had subsequently been completed in January 2009.

(d) Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting held on 29 April 2009, the Company issued a convertible notes in the principal amount of HK$100,000,000 with a conversion price of HK$0.25 each to Knight Asia Investments Limited as part of the consideration for the acquisition of the entire equity interests in Asiacorp Universal Limited. Details of the acquisition as set out in the Company's circular dated 9 April 2009.

The full conversion of an aggregate principal amount of HK$100,000,000 of the convertible notes were made during the year ended 31 December 2009 resulted in an aggregate of 400,000,000 ordinary shares being issued by the Company. Details of the conversion of convertible notes were summarised as follows:

Date of conversion of convertible notes	Number of ordinary shares issued	Conversion price HK$	Aggregate consideration HK$
1 June 2009	96,000,000	0.25	24,000,000
29 June 2009	128,000,000	0.25	32,000,000
28 July 2009	24,000,000	0.25	6,000,000
28 December 2009	152,000,000	0.25	38,000,000
	400,000,000		100,000,000

39. SHARE CAPITAL (continued)

(e) On 15 October 2009, the Company entered into a placing agreement with Polaris Securities (Hong Kong) Limited, as the placing agent, pursuant to which the Company proposed to raise approximately HK$62,000,000 after deduction of expenses by way of placing 100,000,000 ordinary shares at a price of HK$0.63 per share through placement to independent third parties. The placing of shares had been completed on 29 October 2009.

(f) During the year ended 31 December 2009, an aggregate of 30,864,000 ordinary shares of HK$0.1 were issued in respect the exercise of share options by Directors and employees under the share option scheme. Details of the exercise of share options were summarised as follows:

Date of exercise of share options	Number of ordinary shares issued	Exercise price *HK$*	Aggregate consideration received *HK$*
9 November 2009	5,144,000	0.54	2,777,760
9 November 2009	15,432,000	0.472	7,283,904
17 December 2009	10,288,000	0.54	5,552,520
	30,864,000		15,614,184

(g) Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting held on 3 May 2010, the Company issued two convertible notes in the aggregate principal amount of HK$6,950,000,000 with a conversion price of HK$0.6 each for the acquisition of the entire equity interests in Goldpic Investments Limited and Mark Unison Limited. Details of the convertible notes issued by the Company has been set out in Note 38 to the consolidated financial statements.

During the year ended 31 December 2010, the principal amount of HK$4,292,000,000 of the convertible notes were converted during the year ended 31 December 2010 resulted in an aggregate of 7,153,333,331 ordinary shares being issued by the Company. Details of the conversion of convertible notes are summarised as follows:

Date of conversion of convertible notes	**Number of ordinary shares issued**	**Conversion price** ***HK$***	**Aggregate consideration** ***HK$***
26 May 2010	**1,150,000,000**	**0.6**	**690,000,000**
28 May 2010	**128,333,333**	**0.6**	**77,000,000**
9 June 2010	**483,333,333**	**0.6**	**290,000,000**
28 June 2010	**823,333,333**	**0.6**	**494,000,000**
23 July 2010	**1,038,333,333**	**0.6**	**623,000,000**
6 August 2010	**500,000,000**	**0.6**	**300,000,000**
8 September 2010	**1,329,999,999**	**0.6**	**798,000,000**
18 September 2010	**30,000,000**	**0.6**	**18,000,000**
11 October 2010	**670,000,000**	**0.6**	**402,000,000**
8 November 2010	**1,000,000,000**	**0.6**	**600,000,000**
	7,153,333,331		**4,292,000,000**

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39. SHARE CAPITAL (continued)

(h) During the year ended 31 December 2010, an aggregate of 10,288,000 ordinary shares of HK$0.1 were issued in respect the exercise of share options by employees under the share option scheme. Details of the exercise of share options are summarised as follows:

Date of exercise of share options	Number of ordinary shares issued	Exercise price *HK$*	Aggregate consideration received *HK$*
14 January 2010	**10,288,000**	**0.472**	**4,855,936**

40. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's Directors, including independent non-executive Directors, employees, whether full-time or part-time, of the Group or any Invested Entity (as defined in the Scheme), suppliers of goods or services to the Group or any Invested Entity, customers of the Group or any Invested Entity, person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or holder of securities issued by any member of the Group or any Invested Entity. The Scheme became effective on 25 April 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date on which the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the shares to be issued pursuant to the exercise of options under the Scheme.

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 by the Company must not exceed 30% of the total number of shares in issue from time to time. The maximum entitlement of each eligible participant (including both exercised and outstanding options) under the Scheme is 1% of the shares of the Company in issue within any 12-month period. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in advance in a general meeting of the Company.

Each grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive Directors of the Company. In addition, any grant of share options to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, resulting in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person, in a 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, is subject to shareholders' approval in advance in a general meeting of the Company.

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40. SHARE OPTION SCHEME (continued)

The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the Directors, save that such period shall not be more than 10 years from the date of the offer of the share options, subject to the provisions for early termination set out in the Scheme. There is no specific requirement that an option must be held for any minimum period before it can be exercised but the Board of Directors is empowered to impose at its discretion any such minimum period at the time of offering any particular option.

The exercise price of the share options is determined by the Directors, but shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of the share options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of a share of the Company

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

All shares option expense will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options.

The particulars in relation to the share option scheme of the Company are disclosed as follows:

2010

				Number of share options			
Option holder	Date of grant	Exercise price	Exercisable period	Outstanding at 1 January 2010	Granted during the year	Exercised during the year	Outstanding at 31 December 2010
Employees:							
Chang Ming Chi	29 May 2008	HK$0.472	29 May 2008 to 28 May 2010	5,144,000	–	(5,144,000)	–
Chiang Yu Lung	29 May 2008	HK$0.472	29 May 2008 to 28 May 2010	5,144,000	–	(5,144,000)	–
				10,288,000	–	(10,288,000)	–

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40. SHARE OPTION SCHEME (continued)

2009

				Number of share options			
Option holder	Date of grant	Exercise price	Exercisable period	Outstanding at 1 January 2009	Granted during the year	Exercised during the year	Outstanding at 31 December 2009
Directors:							
Pak Ping Chun	18 December 2007	HK$0.54	18 December 2007 to 17 December 2009	5,144,000	–	(5,144,000)	–
Yang Hsien Lin	18 December 2007	HK$0.54	18 December 2007 to 17 December 2009	5,144,000	–	(5,144,000)	–
				10,288,000	–	(10,288,000)	–
Employees:							
Chung Shao Hung	29 May 2008	HK$0.472	29 May 2008 to 28 May 2010	5,144,000	–	(5,144,000)	–
Chang Ming Chi	29 May 2008	HK$0.472	29 May 2008 to 28 May 2010	5,144,000	–	–	5,144,000
Chiang Yu Lung	29 May 2008	HK$0.472	29 May 2008 to 28 May 2010	5,144,000	–	–	5,144,000
Hsieh Yen Chu	29 May 2008	HK$0.472	29 May 2008 to 28 May 2010	5,144,000	–	(5,144,000)	–
Lo Chi Yi	29 May 2008	HK$0.472	29 May 2008 to 28 May 2010	5,144,000	–	(5,144,000)	–
Nugraha Soemampauw	18 December 2007	HK$0.54	18 December 2007 to 17 December 2009	5,144,000	–	(5,144,000)	–
				30,864,000	–	(20,576,000)	10,288,000

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40. SHARE OPTION SCHEME (continued)

Share options and weight average exercise price are presented as follows:

	2010		2009	
	Number of shares	Weighted average exercise price *HK$*	Number of shares	Weighted average exercise price *HK$*
Outstanding share options at 1 January	**10,288,000**	**0.472**	41,152,000	0.498
Exercised during the year	**(10,288,000)**	**0.472**	(30,864,000)	0.506
Outstanding share options at 31 December	**–**	**–**	10,288,000	0.472

On 14 January 2010, the remaining share options of 10,288,000 were fully exercised. There was no outstanding share option as at 31 December 2010 (2009: 10,288,000).

There was no share option being granted during the years ended 31 December 2010 and 2009.

During the year ended 31 December 2010, 10,288,000 (2009: 30,864,000) options were exercised, the weighted average exercise price of these shares was HK$0.472 (2009: HK$0.506). The weighted average share price of these shares at the date of exercise was HK$0.66 (2009: HK$0.75). All share options have been accounted for under HKFRS 2. The outstanding share options at 31 December 2009 had weighted average exercise prices of HK$0.472 and a weighted average remaining contractual life of 0.5 year.

41. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 36 of the consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

41. RESERVES (continued)

(b) Company

	Share premium account HK$'000	Contributed surplus HK$'000	Convertible notes reserve HK$'000	Share repurchase reserve HK$'000	Share based payment reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2009	68,984	43,515	–	(857)	3,165	156,906	271,713
Net loss for the year	–	–	–	–	–	(7,329)	(7,329)
Exercise of share options	14,872	–	–	–	(2,344)	–	12,528
Repurchase of shares							
– Cancellation of own shares for repurchase in priors year	(605)	–	–	857	–	–	252
– Repurchase and cancellation of own shares *(Note 39(c))*	(877)	–	–	–	–	–	(877)
Issuance of convertible notes	–	–	13,495	–	–	–	13,495
Deferred tax relating to transactions with owners	–	–	(2,227)	–	–	–	(2,227)
Conversion of convertible notes	60,000	–	(11,268)	–	–	–	48,732
Placing of shares	53,000	–	–	–	–	–	53,000
Share issuance expenses	(855)	–	–	–	–	–	(855)
At 31 December 2009 and at 1 January 2010	**194,519**	**43,515**	**–**	**–**	**821**	**149,577**	**388,432**
Net loss for the year	**–**	**–**	**–**	**–**	**–**	**(111,753)**	**(111,753)**
Exercise of share options *(Note 39(h))*	**3,827**	**–**	**–**	**–**	**(821)**	**–**	**3,006**
Issuance of convertible notes	**–**	**–**	**686,401**	**–**	**–**	**–**	**686,401**
Deferred tax relating to transactions with owners	**–**	**–**	**(113,256)**	**–**	**–**	**–**	**(113,256)**
Conversion of convertible notes	**3,602,197**	**–**	**(353,948)**	**–**	**–**	**–**	**3,248,249**
	3,800,543	**43,515**	**219,197**	**–**	**–**	**37,824**	**4,101,079**

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

41. RESERVES (continued)

(c) Nature and purpose of reserves

Contributed surplus

The contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1999, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its members out of its contributed surplus in certain circumstances.

Share based payment reserve

The share based payment reserve represent the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payment in Note 3.20.

Convertible notes reserve

The convertible notes reserve represent the amount allocated to the equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes in Note 3.11.2.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

42. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company had no significant liabilities (2009: Nil).

43. FINANCIAL GUARANTEE CONTRACTS

Company

The Company provided corporate guarantees to certain banks for bank borrowings granted to certain of its subsidiaries.

No recognition of financial guarantee contracts have been made on the financial statements as the Directors of the Company considered that the fair values of these financial guarantee contracts at their initial recognition were insignificant.

The fair values of the financial guarantee contracts, valued by Asset Appraisal Limited, an independent professional qualified valuer, recognised in the Company's balance sheet were HK$1,206,000 during the year ended 31 December 2009.

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44. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had the following outstanding commitments:

As lessor

The Group leased its investment properties under operating lease arrangements, with leases negotiated for terms of one year and renewable yearly. The terms of the leases generally also required the tenants to pay security deposits and provided for periodic rent adjustments according to the prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within one year	**–**	765

As lessee

The Group leases certain of its office equipment, office premises, staff quarters and warehouses under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group					
	2010			2009		
	Office equipment	**Office premises, staff quarters and warehouses**	**Total**	Office equipment	Office premises, staff quarters quarters and warehouses	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	**–**	**1,661**	**1,661**	51	1,466	1,517
In the second to fifth years, inclusive	**–**	**2,491**	**2,491**	–	–	–
	–	**4,152**	**4,152**	51	1,466	1,517

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

45. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances with related parties detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

(a) Purchase of services from a related party

The Group paid hotel room charges and food and beverage charges to a related company for an aggregate amount of approximately HK$320,000 (2009: HK$430,000) for the provision of services to the Group's business partners and business associates during their visits to the Group's factory in the PRC.

In the opinion of the directors, the transactions were made in the normal course of business and according to the prices and terms similar to those charged to and contracted with other major customers of the supplier.

The related party is a company which is beneficially owned by a Director of the Company.

(b) Compensation of key management personnel of the Group:

The remuneration of directors and other members of key management during the year were as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Short term employee benefits	**7,122**	12,980
Share-based payment	**–**	–
	7,122	12,980

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For the year ended 31 December 2010

46. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2010

On 16 September 2009, Best Commerce Limited, a wholly owned subsidiary of the Company, entered into acquisition agreements with Silver Mark Enterprises Limited and Wingem Investments Limited for the acquisitions of the entire equity interests in Goldpic Investments Limited ("Goldpic") and Mark Unison Limited ("Mark Unison") respectively for an aggregate consideration of HK$7,410 million which were payable by (i) HK$60 million in cash; (ii) the issue of promissory note in the principal amount of HK$400 million; and (iii) the issue of convertible notes in the principal amount of HK$6,950 million.

The principal activities of Goldpic and Mark Unison are investment holding and the principal activities of their subsidiaries are engaged in gold mine exploitation and gold ore concentrates processing. The acquisitions were completed in May 2010.

Goldpic and Mark Unison were acquired to diversify the existing business of the Group so as to broaden its revenue base and maintain a stable income stream for the Group in the future. The Group obtained control of Goldpic and Mark Unison though its voting power and board composition over Goldpic and Mark Unison.

For the year ended 31 December 2009

On 11 February 2009, Bright Group (BVI) Limited, a wholly owned subsidiary of the Company, entered into an acquisition agreement with Knight Asia Investments Limited for the acquisition of 100% of the entire issued share capital of Asiacorp Universal Limited ("Asiacorp") and its subsidiary for an aggregate consideration of HK$300,000,000 which were payable by (i) the issue of promissory note within principal amount of HK$200,000,000; and (ii) issue of convertible notes with principal amount of HK$100,000,000. Details of the acquisition were set out in the Company's circular dated 9 April 2009.

The principal activity of Asiacorp was investment holding and the principal activities of its subsidiary were engaged in tree plantation, research and development on plantation related technologies, and sale and distribution of plantation products. The acquisition was completed in May 2009.

46. ACQUISITION OF SUBSIDIARIES (continued)

The identified net assets and liabilities recognised at the date of acquisition and goodwill were set out as follows:

	2010 Carrying value HK$'000	2010 Fair value adjustment HK$'000	2010 Fair value HK$'000	2009 Carrying value HK$'000	2009 Fair value adjustment HK$'000	2009 Fair value HK$'000
Fair value of net assets acquired:						
Property, plant and equipment	11,964		11,964	–		–
Mining rights	–	6,535,190	6,535,190	–		–
Land use rights	4,077		4,077	31,189		31,189
Exploration and exploitation costs	71,018		71,018	–		–
Biological assets	–		–	–	315,000	315,000
Inventories	257		257	–		–
Cash and bank balances	25,421		25,421	1		1
Other receivables	2,789		2,789	–		–
Other payables	(25,212)		(25,212)	(6,067)		(6,067)
Deferred tax liabilities	–		–	–	(77,245)	(77,245)
Provision for land restoration and environment cost	(64,052)		(64,052)	–		–
Exchange reserves	–		–	(75)		(75)
	26,262		6,561,452	25,048		262,803
Non-controlling interests			(29,915)			–
			6,531,537			262,803
Total cost of acquisition:						
Fair value of the consideration for the acquisition:						
– Cash			60,000			–
– Issuance of promissory notes *(Note 37)*			360,495			168,120
– Issuance of convertible notes *(Note 38)*			6,950,000			100,000
			7,370,495			268,120
Goodwill			838,958			5,317

Acquisition-related costs amounting to HK$2,172,000 (2009: HK$1,381,000) had been excluded from the consideration transferred and had been recognised as an expense during the year.

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For the year ended 31 December 2010

46. ACQUISITION OF SUBSIDIARIES (continued)

The non-controlling interests in Goldpic and Mark Unison recognised at the acquisition date were measured by reference to its proportionate shares of the recognised amounts of the identifiable net assets of Goldpic and Mark Unison respectively.

Net cash outflow on acquisition:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Consideration paid in cash	**60,000**	–
Less: Cash and bank balances acquired of	**(25,421)**	(1)
	34,579	(1)

Impact of acquisitions on the results of the Group

Included in the results for the year were a profit of approximately HK$2,665,000 and a loss of approximately HK$1,000 attributable to the mining business operated by Goldpic and Mark Unison respectively. Revenue for the year included HK$41,696,000 and HK$Nil in respect of Goldpic and Mark Unison respectively.

During the end of the reporting period, the revenue and results of mining business amounted to HK$41,696,000 and HK$7,807,000 respectively.

47. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2010

Disposal of subsidiaries during the year were summarised as follows:

(a) On 25 June 2010, Bright Group (BVI) Limited, a wholly owned subsidiary of the Company entered into two sale and purchase agreements with Ultra Fast Holdings Limited for the disposal of the entire equity interests in Perfect Rich Holdings Limited and its subsidiary and Bright China Investment Holdings Limited and its subsidiaries at a cash consideration of HK$14,000,000 and HK$500,000 respectively. The transactions were completed in July 2010.

(b) On 31 August 2010, Bright Group (BVI) Limited, a wholly owned subsidiary of the Company entered into a sale and purchase agreement with Brand One Holdings Limited for the disposal of the entire equity interests in Willy Garden Limited and its subsidiary at a cash consideration of HK$82,000,000. The transaction was completed in October 2010.

(c) On 15 October 2010, Bright Group (BVI) Limited, a wholly owned subsidiary of the Company entered into a sale and purchase agreement with Union Classic Investment Limited for the disposal of the entire equity interests in Full Scene Development Limited and its subsidiary at a cash consideration of HK$65,000,000. The transaction was completed in November 2010.

47. DISPOSAL OF SUBSIDIARIES (continued)

For the year ended 31 December 2009

During the year, Bright Group (BVI) Limited, a wholly owned subsidiary of the Company entered into a sale and purchase agreement with New Wealth Far East Limited for the disposal of the entire equity interests in Sinograce Holdings Limited and its subsidiary at a cash consideration of HK$93,000,000. The transaction was completed in December 2009.

The net assets disposed of in the transaction and gain on disposal arising were as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Fair value of net liabilities disposed of:		
Property, plant and equipment	**169,527**	61,430
Investment properties	**3,850**	–
Inventories	**80,081**	–
Trade receivables	**302,541**	–
Prepayments, deposits and other receivables	**55,438**	10,180
Cash and bank balances	**11,375**	461
Trade payable	**(122,334)**	–
Other payables and accruals	**(477,462)**	(11,043)
Amount due to a related company	**(393)**	(38)
Amount due to intermediate holding company	**–**	(39,012)
Deferred tax liabilities	**(13,650)**	–
Tax liabilities	**(10,367)**	–
Exchange reserves	**(5,093)**	(18,229)
Property revaluation reserves	**(22,201)**	(11,381)
Net liabilities	**(28,688)**	(7,632)
Consideration:		
Cash consideration received	**164,680**	93,000
Less: Sales loan	**–**	(39,012)
	164,680	53,988
Gain on disposal of subsidiaries	**193,368**	61,620
Net cash inflow from disposal:		
Consideration received in cash	**164,680**	93,000
Less: Cash and bank balances disposed of	**(11,375)**	(461)
	153,305	92,539

Notes to Consolidated Financial Statements

For the year ended 31 December 2010

48. RISK MANAGEMENT OBJECTIVES AND POLICES

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates, currency exchange rates, credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risks is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes.

The Group's principal financial instruments mainly comprise of cash and cash equivalents, trade and bills receivables, prepayments, deposits and other receivables, financial assets at fair value through profit or loss, investment deposits, amount due to a related company, trade payables, other payables and accruals and bank borrowings. The most significant financial risks to which the Group is exposed and the financial risk management policies and practices used to manage these risks are described below.

Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rates except for certain discounted bills with recourse and bank overdrafts. A reasonably possible change in interest rate in the next twelve months is assessed, which could have immaterial change in the Group's profits after tax and retained earnings. Changes in interest rates have no impact on the Group's other components of equity. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense.

Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is United States dollar ("US$") and Renminbi ("RMB"). The Group reviews its foreign currency exposures regularly and does not consider its foreign exchange risk to be significant.

Foreign currency risk exposure

The following table details the Group's exposure at the end of the reporting period to foreign currency risk from the financial assets and financial liabilities denominated in a currency other than the functional currency to which the operating entities relate:

	Group	
	2010	2009
	US$'000	*US$'000*
Trade and bills receivables	**16,198**	17,160
Trade payables	**–**	(243)

48. RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

Foreign currency risk (continued)

Foreign currency risk sensitivity analysis

The Group is mainly exposed to the fluctuation in US$ against RMB.

The following table indicates the approximate change in the Group's profit after tax and retained earnings in response to the reasonable possible strengthening/weakening in US$ against RMB. There is no impact on other components of consolidated equity. Differences resulting from the translation of the financial statements of foreign operations into the group's presentation currency are excluded.

	2010		2009	
	Increase/ (Decrease) in foreign exchange rates	**Effect on profit after tax and retained earnings**	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained earnings
	%	***HK$'000***	%	*HK$'000*
US$	**3,76%**	**2,034**	6.82%	5,097
	(3,76%)	**(2,034)**	(6.82%)	(5,097)

The sensitivity rate of 3.76% (2009: 6.82%) is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 3.76% (2009: 6.82%) change in foreign currency rates. The functional currency of the Group's major operating subsidiaries is in RMB. A strengthening/weakening of the above foreign currencies against RMB at each balance sheet date would have had a profit/loss effect respectively to the amounts shown above, on the basis that all other variables remain constant.

The Company is not exposed to any foreign currency risk.

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For the year ended 31 December 2010

48. RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

Credit risk

The Group's exposure to credit risk is mainly limited to the carrying amount of financial assets recognised at the end of the reporting date, as summarised below:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Classes of financial assets:				
Trade and bills receivables	**126,342**	135,392	**–**	–
Financial assets at fair value through profit or loss	**–**	2,937	**–**	–
Investment deposits	**–**	30,000	**–**	30,000
Prepayments, deposits and other receivables	**182,624**	51,491	**15,325**	14,328
Cash and cash equivalents	**57,084**	172,310	**711**	1,138
	366,050	392,130	**16,036**	45,466

The Company is exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note 43 to the consolidated financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. The Group closely monitors the concentration of credit risk on individual customers based on their credit worthiness. The Group has certain concentrations of credit risk as 72% (2009: 77%) of the Group's trade receivables were due from the Group's two largest customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in Note 26 to the consolidated financial statements.

Liquidity risk

The Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise additional funding from the realisation of its assets if required.

48. RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

Liquidity risk (continued)

At 31 December 2010 and 31 December 2009, the remaining contractual maturity of the Group's and the Company's financial liabilities which are based on undiscounted cash flows are summarised below:

	Group					
	On demand	Less than 3 months	3 to less than 6 months	6 to less than 12 months	Over 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2010						
Trade payables	**–**	**25,654**	**–**	**–**	**7**	**25,661**
Other payables and accruals	**–**	**68,321**	**–**	**–**	**–**	**68,321**
Bank borrowings	**–**	**42,882**	**–**	**–**	**–**	**42,882**
Amount due to related company	**37**	**–**	**–**	**–**	**–**	**37**
	37	**136,857**	**–**	**–**	**7**	**136,901**
At 31 December 2009						
Trade payables	–	100,471	492	2,121	6,886	109,970
Other payables and accruals	–	54,649	–	–	–	54,649
Bank borrowings	–	47,901	–	–	–	47,901
Amount due to related company	430	–	–	–	–	430
	430	203,021	492	2,121	6,886	212,950

	Company					
	On demand	Less than 3 months	3 to less than 6 months	6 to less than 12 months	Over 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2010						
Financial guarantee contracts	**–**	**–**	**–**	**–**	**–**	**–**
Other payables and accruals	**–**	**33,844**	**–**	**–**	**–**	**33,844**
	–	**33,844**	**–**	**–**	**–**	**33,844**
At 31 December 2009						
Financial guarantee contracts	–	1,206	–	–	–	1,206
Other payables and accruals	–	1,834	–	–	–	1,834
	–	3,040	–	–	–	3,040

The carrying amounts of the Group's and the Company's financial assets and liabilities recognised at the balance sheet dates may also be categorised as follows. See Notes 3.11 and 3.14 for explanations on how the category of financial instruments affects their subsequent measurement.

Notes to Consolidated Financial Statements

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48. RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

Financial assets

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets at fair value through profit or loss	**–**	2,937	**–**	–
Cash and cash equivalents	**57,084**	172,310	**711**	1,138
Trade and bills receivables	**126,342**	135,392	**–**	–
Investment deposits	**–**	30,000	**–**	30,000
Prepayments, deposits and other receivables	**182,624**	51,491	**15,325**	14,328
	366,050	392,130	**16,036**	45,466

Financial liabilities

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial liabilities measured at amortised cost				
Trade payables	**25,661**	109,970	**–**	–
Other payables and accruals	**68,321**	54,649	**33,844**	1,834
Amount due to a related company	**37**	430	**–**	–
Bank borrowings	**42,882**	47,901	**–**	–
Financial guarantee contracts	**–**	–	**–**	1,206
	136,901	212,950	**33,844**	3,040

48. RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

Fair values

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

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

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

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

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

As at 31 December 2010

		Group		
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Assets				
Financial assets at fair value through profit or loss	–	–	–	–

As at 31 December 2009

		Group		
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Financial assets at fair value through profit or loss	2,937	–	–	2,937

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49. CAPITAL MANAGEMENT

Capital includes equity attributable to the equity holders of the Company. The primary objectives of the Group's capital management are:

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

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

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

The Group actively and regularly reviews and manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 2009.

The financial leverage of the Group as at 31 December 2010, as compared to 31 December 2009 has been disclosed in the management discussion and analysis.

50. EVENTS AFTER THE REPORTING PERIOD

On 11 January 2011, the Group successfully raised a net amount of approximately HK$104 million by placing new 350,000,000 ordinary shares of the Company to Senrigan Capital Group Limited, an Asian hedge fund manager based in Hong Kong with an excess of US$800 million in assets under management for the Senrigan Master Fund, at a net subscription price of approximately HK$0.297 per ordinary share. Details of the transaction contemplated under the agreement were disclosed in the announcement dated 11 January 2011.

51. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

52. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2011.