中國礦業資源集團有限公司*

China Mining Resources Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 340

Annual Report 2010

** For identification purpose only*

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

You Xian Sheng *(Chairman)*
Chen Shou Wu *(Deputy Chairman, Chief Executive Officer and Chief Investment Officer)*
Wang Hui
Yeung Kwok Kuen *(Chief Financial Officer)*

Non-executive Director:

Lam Ming Yung

Independent Non-executive Directors:

Chan Sze Hon
Chu Kang Nam
Goh Choo Hwee
Lin Xiang Min

COMPANY SECRETARY

Leung Lai Ming

REGISTERED OFFICE

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2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1306, 13th Floor
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12 Harcourt Road
Admiralty
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
UBS AG
China Construction Bank
Agricultural Bank of China
Bank of China

STOCK CODE

00340

COMPANY WEBSITE

www.chinaminingresources.com

I am pleased to present to our shareholders, the annual report of China Mining Resources Group Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 December 2010.

RESULTS

For the financial year ended 31 December 2010, the Group recorded a consolidated revenue of HK$337,732,000 (2009: HK$218,626,000) and gross profit of HK$120,345,000 (2009: HK$101,780,000) from continuing operations, representing an increase of 54% and of 18% respectively as compared with last year. The increase in revenue was mainly due to significant increase of revenue generated from Harbin Songjiang Copper (Group) Company Limited ("Harbin Songjiang") and its subsidiaries ("Harbin Songjiang Group").

The Group's loss attributable to owners of the Company amounted to HK$1,749,676,000 (2009: loss HK$321,876,000). In particular, the loss was mainly attributable to purchase costs recognised as expense of HK$1,299,511,000, the impairment losses of HK$423,086,000 on goodwill, impairment losses of HK$44,091,000 on brand name (attributable to owners of the Company of which HK$35,273,000), impairment losses of HK$46,678,000 on property, plant and equipment and prepaid lease payments (attributable to owners of the Company of which HK$35,046,000) and impairment losses of HK$46,729,000 on available-for-sale investments.

The staff costs of HK$12,699,000 (2009: HK$25,498,000) arising from granting of share options to directors, employees and consulting firm of the Group was recognised as expenses during the year.

REVIEW OF OPERATIONS

Harbin Songjiang Group

Harbin Songjiang is based in Harbin, Heilongjiang Province, the People's Republic of China (the "PRC") and specialises in the mining and processing of molybdenum, copper and zinc, of which molybdenum accounts for the majority of its production and earnings.

Harbin Songjiang Group contributed HK$201,395,000 (2009: HK$104,290,000) and HK$49,773,000 (2009: loss of HK$547,021,000) to the Group's revenue and profit respectively for the year ended 31 December 2010.

Revenue

Mining business revenue for the year ended 31 December 2010 increased by HK$97,105,000 or 93% to HK$201,395,000 in 2010 from HK$104,290,000 in 2009. The increase was mainly attributable to the moderate recovery of the ferro molybdenum market in PRC in 2010, the average selling price of ferro molybdenum for the year 2010 was HK$156,820 per tonne, up by 30% compared with last year. In view of the recovery of the ferro molybdenum market, the directors of the Company determined to sell out the molybdenum inventories to realise profit in the year.

Revenue generated from ferro molybdenum and others were HK$187,243,000 (2009: HK$63,582,000), and HK$9,957,000 (2009: HK$9,231,000) respectively. The sales volume of ferro molybdenum increased from 527 tonnes in 2009 to 1,194 tonnes in 2010 due to the recovering of the ferro molybdenum market.

Cost of Sales and Gross Profit

The cost of sales of Harbin Songjiang Group increased from HK$86,230,000 in 2009 to HK$157,444,000 in 2010. The average gross profit margin was 22% in 2010 (2009: 17%). The increase in gross profit margin is primary due to the increase of selling price of ferro molybdenum during the year.

REVIEW OF OPERATIONS *(CONTINUED)*

Harbin Songjiang Group *(CONTINUED)*

Discontinued operation

Harbin Songjiang Copper Enterprise Company Limited ("HSC") was engaged in the Harbin Songjiang Group's mining, processing and sales of Copper and Zinc operation. In view of the copper and zinc mine of HSC is an aged mine and its mineral resources are nearly exhausted, and the unsatisfactory performance of HSC for the last few years due to the high operating costs and the competitiveness in the mining market, the Group determined to enter into a sale agreement to dispose the equity interest of HSC. The transaction was completed on 29 November 2010.

Revenue generated from copper and zinc was HK$4,195,000 (2009: HK$31,477,000). The sales volume of zinc in 2010 was 475 tonnes (2009: Nil), while there are no copper sales during the year (2009: 670 tonnes).

King Gold Group

The Group commenced its tea business since 30 April 2009 after the acquisition of 80% interest in King Gold Investments Limited ("King Gold"). King Gold and its subsidiaries ("King Gold Group") is principally engaged in cultivation, research, production and sale of Chinese tea products, and its products selling under the brand names of "武夷" and "武夷星" are well-recognised in the PRC as premium tea products and widely distributed throughout the country.

King Gold Group contributed HK$140,532,000 and HK$432,363,000 to the Group's revenue and loss for the year ended 31 December 2010 respectively. The loss in the year 2010 was mainly due to impairment losses of approximately HK$423,086,000 and HK$44,091,000 were recognised in the consolidated statement of comprehensive income for the goodwill and brand name respectively during the year. On exclusive the above impairment losses, King Gold Group's profit for the year was HK$23,791,000. In addition, due to the unexpected natural disasters of frozen ice and flood which took place in the first half year in the Group's Wuyishan ("武夷山") production sites, there was a significant increase in the cost of raw materials (being the tea leaves) of the tea products, which had lead to significant decrease in gross profit margin and sales volume for the first half year 2010 when compared with the corresponding period in year 2009.

Revenue

For the financial year ended 31 December 2010, King Gold Group generated a revenue of HK$140,532,000 (2009: HK$145,813,000). This represented a decrease of HK$5,282,000 or 4% in revenue when compared with last year. The decrease was mainly due to the unexpected natural disasters of frozen ice and flood which took place in the first half year 2010 in the Group's Wuyishan ("武夷山") production sites mentioned above.

Cost of Sales and Gross Profit

The cost of sales of King Gold Group for the year was HK$63,001,000 (2009: HK$43,243,000). The average gross profit margin was 55%, representing a decrease of 15% as compared with 70% in the last year. The decrease in gross profit margin was mainly caused by the sharp increase in the purchase price of the raw materials being the tea leaves due to natural disasters as mentioned in above.

REVIEW OF OPERATIONS *(CONTINUED)*

King Gold Group *(CONTINUED)*

Impairment losses on goodwill and brand name

Goodwill and brand name are allocated to the Group's tea business cash-generating unit and they are arising from the acquisition of King Gold Group in 2009. In view of the deterioration of the Group's tea business for the first half year 2010 caused by the aforementioned unexpected natural disasters, the directors of the Company determine that there is impairment indication of the goodwill and brand name of King Gold Group as at the first half year period end. A valuation was performed on a cash flow projection basis. Accordingly, impairment losses in respect of the goodwill and brand name of HK$423,086,000 and HK$44,091,000, respectively, were recognised in the consolidated statement of comprehensive income during the first half year 2010.

Online Video ("iTV") Business

The Group was engaged in the iTV business since 10 December 2010 after the acquisition of 70% interest in Year Joy Investments Limited ("Year Joy") and its subsidiaries ("Year Joy Group"). Year Joy indirectly holds the entire interest in Beijing Nian Yue Technology Co., Ltd. ("Beijing Nian Yue"), a wholly foreign-owned company established in the PRC with limited liability. Beijing Nian Yue owns 100% of the economic benefit from the operation of the iTV business of China iTV Network Co., Ltd. ("China iTV"), a company established in the PRC on 7 September 1998 with limited liability, through an exclusive business operation agreement.

China iTV is principally engaged in iTV business which involves an online video platform that offers various video contents, including but not limited to TV programs, music videos, blockbusters and Japanese animations, and also provides online games and instant messengers on its website, and establish an extensive video library. Although the iTV Business is yet to be launched during the year 2010, China iTV has already entered into 戰略性框架協議 (the "Strategic Framework Agreement") in 2008 to secure the operational support from Unicom Broadband Online Ltd. ("Unicom Broadband") relating to system infrastructure, advertising and sales and the access to Unicom Broadband's customer base and to obtain a variety of video and TV contents from 匯視海南有限公司 (Combined Television Networks Ltd.*) ("Huishi (Hainan)"). The Strategic Framework Agreement dated 27 October 2008 and supplemented by a supplement agreement dated 10 December 2009 entered into between China iTV, Unicom Broadband and Huishi (Hainan) pursuant to which (i) China iTV agree to be responsible for online video services, media dissemination platform, management, establishment of fee management system, operation and construction; (ii) Unicom Broadband agrees to provide machine room, broadband services, fee collection system, advertising and promotion, call centre services, SMS alert, repair and maintenance services, after sales services; and (iii) Huishi (Hainan), a TV programme distribution and production company established with joint investment by 36 provincial TV stations in the PRC, including but not limited to broadcasting stations in Guangdong, Beijing, Tianjin and Chongqing, agrees to provide various video contents such as TV dramas. The Strategic Framework Agreement has an initial term of six years and can be extended for another five years. On 13 January 2009, China iTV also entered into an Media Strategic Framework Agreement with Huishi (Hainan), pursuant to which Huishi (Hainan) agrees to provide different TV contents to China iTV for an initial term of 10 years, which can be extended for another 10 years. By way of the Strategic Framework Agreement, the Media Strategic Framework Agreement and the cooperation contracts with other content providers, China iTV is equipped to become an online video provider which provides streaming broadcasting of a wide range of video contents. It is expected that China iTV will commence the iTV business by the end of first half of 2011.

REVIEW OF OPERATIONS *(CONTINUED)*

Online Video ("iTV") Business *(CONTINUED)*

Purchase cost recognised as expense

In relation to the acquisition of 70% equity interests in Year Joy Group (the "Acquisition", details of which are set out in circular of the Company dated 19 November 2010, (the "Circular")), the excess of the purchase consideration over the attributable assets and liabilities of Year Joy Group amounts to approximately HK$1,299,511,000 (the "Excess"). For the purpose of preparing the unaudited pro forma financial statements in connection with the Acquisition as set out in the Circular, such amount was regarded as intangible assets pursuant to Hong Kong Accounting Standard 38 – Intangible Assets ("HKAS 38"), as the Directors are of the view that future economic benefits can be derived from the contractual relationships with Unicom Broadband and several television program content providers (the "Contractual Relationships") in connection with the Acquisition.

For the purpose of preparing the financial statements of the Group for the financial year ended 31 December 2010, the auditors of the Company are of the view that the Contractual Relationships are not exclusive to China iTV and do not meet the definition of intangible assets under HKAS 38. Accordingly, the Excess was recognised as an expense in the consolidated statement of comprehensive income during the year.

The directors of the Company are of the views that the Contractual Relationships are not exclusive does not affect the future economic benefits expected to be derived from the Acquisition and have appointed Roma Appraisals Limited, an independent valuer, to perform valuation on the Contractual Relationships and its value attributable to the Group amounted to HK$1,321,962,000 at 31 December 2010.

Investments in Canada listed mining companies and other securities

The Group invested in several Canada listed mining companies which were held for the purpose of long-term investments and capital gain and dividend income during the year ended 31 December 2010. The investment portfolio of the Group, including available-for-sale investments and held-for-trading investments, has achieved a significant appreciation during the year ended 31 December 2010. The net increase in fair value of the investment portfolio during the year was HK$133,630,000 (2009: HK$112,703,000) including increase in fair value and net gain on disposal.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2010, the Group had total assets and net assets amounted to HK$1,416,057,000 (2009: HK$1,969,445,000) and HK$499,267,000 (2009: HK$949,332,000), respectively. The current ratio was 1.11, as compared to 1.60 as of last year end.

As at 31 December 2010, the Group had bank balances and cash, of HK$391,894,000 (2009: HK$531,223,000), and most of which were denominated in Renminbi and Hong Kong dollars. At the end of the reporting period, the Group had: (i) borrowings from non-controlling shareholders of HK$150,500,000 (2009: HK$150,500,000) which were all interest-free; (ii) bank borrowings of HK$82,645,000 (2009: HK$119,448,000) which were interest-bearing at floating rates with reference to the prevailing borrowing rate quoted by the People's Bank of China and (iii) other loans of HK$20,414,000 (2009: HK$6,017,000), of which HK$1,181,000 was interest-free and HK$14,169,000 and HK$5,064,000 were interest-bearing at 5% and 2.55% per annum respectively. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 60.3% (2009: 31.9%).

FOREIGN EXCHANGE RISK MANAGEMENT

As part of the Group's assets and liabilities are denominated in Hong Kong Dollar, Canadian Dollar and United States Dollar in order to minimise the foreign currency risk, the Group aims to utilise the fund for transactions that are denominated in the same currency.

SHARE CAPITAL

On 19 April 2010, the Company issued 660,377,358 new ordinary shares as part of the consideration paid for the acquisition of 80% equity interest in King Gold as stated in the annual report of the Company for the financial year ended 31 December 2009.

On 14 December 2010, the Company issued 2,347,620,000 new ordinary shares and 3,776,190,000 new non-redeemable convertible preference shares as part of the consideration paid for the acquisition of 70% equity interest in Year Joy (as stated in heading "Material acquisitions and disposals of subsidiaries and associated companies" as below).

As at 31 December 2010, the Company had 9,318,782,211 ordinary shares and 3,776,190,000 convertible preference shares in issue with total shareholders' fund of the Group amounting to approximately HK$1,291,497,000.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 10 December 2010, the Group acquired 70% of the issued share capital of Year Joy for a total consideration of HK$1,294,143,000, of which HK$100,000,000 was settled by cash and the remaining balance of HK$1,194,143,000 was satisfied by the issue and allotment of ordinary shares and convertible preference shares of the Company.

On 29 November 2010, the Group disposed of the entire equity interest in HSC and certain obligations and assets to independent third parties for cash considerations of HK$11,666,000.

Save as disclosed above, there were no other material acquisitions or disposals of subsidiaries during the year ended 31 December 2010.

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2010, the Group had approximately 11 and 1,054 employees in Hong Kong and Mainland China respectively.

Employees are remunerated at a competitive level and are rewarded according to their performance. Our Group's remuneration packages include medical scheme, group insurance, mandatory provident fund for Hong Kong employees, social insurance packages for Mainland China employees, performance bonus and share option scheme.

According to the share option scheme adopted by the Company on 26 June 2002, share options may be granted to directors, employees and other eligible participants of the Group to subscribe for shares in the Company in accordance with the terms and conditions stipulated therein.

PROSPECTS

After facing grim conditions of the production suspension of the molybdenum mine in the first eight months of 2009, the mining business has recovered in 2010. The Group has maintained a stable mining production scale and steady sales for the past twelve months. The Group strategically has continued to increase its natural resources assets and production capabilities to enhance our position in mining industry.

However, the tea business has encountered unprecedented enormity natural disasters in the first half of 2010. The unexpected frozen ice and flood which took place in the Company's Wuyishan production site, has seriously affected the tea business performance in the first half of 2010. Nevertheless, the management still tried to catch up the loss in the second half of 2010 and the results of the tea business rebound in profitability in second half 2010. Moreover, we anticipate the competition in China's tea market will still be fierce. We believe the only way to inspire confidence in consumers is by providing them with high-quality tea products that are reliable and safe. Through brand-building and further developing retail market in China, we will be able to enlarge our market share and enhance our competitive strengths. We will continue to expand our selling network in cities where we have strong presence, as well as in others cities with high growth potential. We targets to open more shops in the major cities of PRC, including Beijing, Tianjing and Guangzhou in 2011.

During the year, the Group still actively looks for attractive merger and acquisition opportunities and strives to extend our business reach and enhance the profitability to maximize our shareholders' value. In December 2010, the Group penetrated into the online video business in PRC market through the acquisition of Year Joy Group. It is expected that Year Joy Group will launch its iTV business in coming months.

The previous two years were difficult for the Group, we have taken stringent measures to control costs and streamline operations to meet bad times but more importantly, we used the opportunity to reinvest. Looking forward, the Group will continue to capture any opportunities to develop and expand its business in the mining, tea and iTV business sectors, by way of strategic layout optimizations and explore opportunities to generate the greatest return to its shareholders and reward their long term support.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to the continuous support of our shareholders and hard work and dedication of all our staff over the past year.

By Order of the Board
China Mining Resources Group Limited

You Xian Sheng
Chairman

Hong Kong, 31 March 2011

EXECUTIVE DIRECTORS

YOU Xian Sheng

Dr. You Xian Sheng ("Dr. You"), aged 56, was appointed as an executive director, chief executive officer and the deputy chairman of the Company on 31 January 2008. Dr. You was re-designated as the chairman of the Company on 5 June 2009 and resigned as the chief executive officer of the Company on the same date.

Dr. You graduated from Chengdu Geological College (成都地質學院) in 1977. Dr. You has also obtained a master's degree in Economics from Nankai University (南開大學) and a doctorate degree in Industrial Economics from Fudan University (復旦大學). Dr. You has been engaged in geological survey related work for almost 20 years. In 1972, Dr. You joined Geology and Petroleum Team (地質石油隊) of Fujian Province and has become brigade leader of 2nd Hydro-geology Brigade (第二水文地質大隊) of Fujian Province and the general manager of Fujian Geo-engineering Investigation Corporation. In 1992, Dr. You was appointed as deputy commissioner (副專員) and commissioner of the administrative office (行政公署) of Longyan District, Fujian Province, the mayor of the People's Government of Longyan City (龍岩市人民政府), Fujian Province and was later appointed as the chairman of Department of Electronic Industry (電子工業廳廳長) and the chairman of Department of Information Industry (信息產業廳廳長) of Fujian Province during the period from February 1998 to November 2000. Prior to joining the Company, Dr. You was the chairman of the board of directors and the managing director of Fujian Haihong Science & Technology Development Co., Ltd (福建海宏科技發展有限公司).

CHEN Shou Wu

Mr. Chen Shou Wu ("Mr. Chen"), aged 47, was appointed as an executive director of the Company on 21 December 2007 and was subsequently appointed as the deputy chairman and chief executive officer of the Company on 5 June 2009.

Mr. Chen was appointed as an executive vice president and chief investment officer of the Company on 17 September 2007 and resigned as the executive vice president of the Company on 5 June 2009.

Mr. Chen graduated from Jilin University (吉林大學), the PRC with a bachelor's degree in Mineral Resources Exploration in 1985 and a master's degree in Geological Science in 1988. He has also obtained a master's degree in Business Administration from Richard Ivey Business School of University of Western Ontario in Canada in 2003.

Prior to joining the Company, Mr. Chen worked for the Standard Bank as the senior vice president in the mining and metals division. For the period from 2003 to 2007, Mr. Chen has worked for Kingsway Group, an investment banking firm, as a senior mining analyst, Golden China Management Inc., a venture capital firm, as a business development manager, and Golden China Resources Corporation (GCX — Toronto Stock Exchange), a public company listed on the Toronto Stock Exchange which is engaged in the mining business, as a merchant banking manager. Mr. Chen has over 10 years of experience in the precious metals sector in the PRC. He was a council member of China Gold Society (中國黃金學會) and a research professor in the Shenyang Institute of Geology and Mineral Resources of the Ministry of Land and Resources (國土資源部) of the PRC. Mr. Chen is a director of Fortune Minerals Limited, a company whose shares are listed on the Toronto Stock Exchange.

Mr. Chen is also a director of several subsidiaries of the Company. He is the chairman of Best Tone Holdings Limited, a subsidiary of the Company.

EXECUTIVE DIRECTORS *(CONTINUED)*

WANG Hui

Mr. Wang Hui ("Mr. Wang"), aged 51, was appointed as an executive director of the Company on 5 July 2007. Mr. Wang is also a director of Harbin Songjiang Copper (Group) Company Limited ("Harbin Songjiang"), a subsidiary of the Company.

Mr. Wang graduated from Harbin Normal University in 1984 and is a senior economist. Mr. Wang has been the chief advisor of Harbin Songjiang since April 2002 and mainly assisted Harbin Songjiang in assessing and procuring exploration and mining projects, evaluating scale of mining operations and improving corporate governance of the then state-owned enterprise. In November 2005, Mr. Wang extended his responsibilities in Harbin Songjiang to formulation and execution of Harbin Songjiang's overall business strategies and policies and spearheading the growth of Harbin Songjiang's business.

Mr. Wang is also a director of a subsidiary of the Company.

YEUNG Kwok Kuen

Mr. Yeung Kwok Kuen ("Mr. Yeung"), aged 38, was appointed as an executive director of the Company on 17 January 2007. Mr. Yeung is also the qualified accountant and chief financial officer of the Company.

Mr. Yeung graduated from The Chinese University of Hong Kong with a bachelor degree in Professional Accountancy and obtained a master degree in Corporate Finance from The Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Yeung has over 15 years of experience in handling accounting and finance matters. From 2004 to 2006, Mr. Yeung was the chief financial officer of a trading and manufacturing group and prior to this, Mr. Yeung was the manager of an international accounting firm.

Mr. Yeung is also a director of several subsidiaries of the Company.

NON-EXECUTIVE DIRECTOR

LAM Ming Yung

Mr. Lam Ming Yung ("Mr. Lam"), aged 47, was appointed as an independent non-executive director of the Company on 8 January 2007 and was re-designated as a non-executive director of the Company effective from 8 February 2007.

Mr. Lam graduated from the School of Law of Shanghai Eastern Chinese College of Politics and Jurisprudence (now known as East China University of Political Science and Law) in 1986 and was awarded the degree of Bachelor of Law. Mr. Lam started practising law in 1987 in Fujian Province in the PRC, and moved to Hong Kong in mid-1993. He was registered as a foreign lawyer with the Law Society of Hong Kong in 1995, and is now practicing as a Chief PRC Consultant Corporate Finance in the Hong Kong office of Sidley Austin. Mr. Lam is an independent non-executive director of China Agrotech Holdings Limited and Welling Holding Limited, both being companies whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Sze Hon

Mr. Chan Sze Hon ("Mr. Chan"), aged 37, was appointed as an independent non-executive director of the Company on 5 December 2007.

Mr. Chan holds a Bachelor of Arts Degree in Accountancy from City University of Hong Kong and a master degree in Corporate Finance from The Hong Kong Polytechnic University. He is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Chan has 15 years of experience in accounting and financial management and had worked for an international accounting firm in Hong Kong for over 8 years. He is an executive director of Fantasia Holdings Group Co., Limited and a non-executive director of Greater China Holdings Limited ("Greater China"), both being companies whose shares are listed on the Main Board of the Stock Exchange. During the period from 18 July 2005 to 12 October 2008, Mr. Chan was an executive director of Greater China. Mr. Chan is also an independent non-executive director of China AU Group Holdings Limited and Era Holdings Global Limited, both being companies whose shares are listed on the Growth Enterprise Market of the Stock Exchange.

CHU Kang Nam

Mr. Chu Kang Nam ("Mr. Chu"), aged 54, was appointed as an independent non-executive director of the Company on 16 May 2007.

Mr. Chu graduated from Xiamen University with a Bachelor of Arts degree, and thereafter, has lectured at the Xiamen University. Mr. Chu has worked in government departments of the Fujian Province of the PRC for the period from June 1984 to November 1989, responsible for research and management positions in economics and foreign trade areas. Mr. Chu has also assumed senior management positions at various trading and retail companies since December 1989. In September 1995, he was employed as a research analyst at the Fujian Provincial Government Development Research Centre. Mr. Chu has over 20 years of management and operation experience in the areas of economics and trading. Mr. Chu is an independent director of Gushan Environmental Energy Limited, a company whose shares are listed on the New York Stock Exchange.

GOH Choo Hwee

Mr. Goh Choo Hwee ("Mr. Goh"), aged 39, was appointed as an independent non-executive director of the Company on 5 December 2007.

Mr. Goh graduated from the University of Hong Kong with Postgraduate Certificate in Laws in 1995. Mr. Goh has become a member of the Law Society of Hong Kong and has been a practicing solicitor in Hong Kong since 1997 and is currently a partner at Tsun & Partners, Solicitors, a corporate and commercial law firm in Hong Kong. Mr. Goh has 10 years of experience in PRC-related, corporate and securities practice. During the period from August 2005 to April 2007, Mr. Goh was the company secretary of Zhong Hua International Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(CONTINUED)*

LIN Xiang Min

Mr. Lin Xiang Min ("Mr. Lin"), aged 63, was appointed as an independent non-executive director of the Company on 31 January 2008.

Mr. Lin is a specialist in production safety of mining industry (礦業安全生產). He graduated from Shandong University of Science and Technology with a major in Mining Engineering (山東科技大學) in 1975. Mr. Lin was a professor of the College of Environment and Resources (環境與資源學院) of Fuzhou University (福州大學) for 32 years. During his time with Fuzhou University, Mr. Lin has conducted research and taught subjects mainly in the areas of mining, mine safety and ventilation, industrial fire and explosion prevention, etc. Mr. Lin is currently a specialist of the specialist team in coal mine safety (煤礦安全生產專家組) of Fujian Province. Mr. Lin was awarded the honor of "中華百名管理創新傑出人物" in 2006.

SENIOR MANAGEMENT

YIN Guangyuan

Mr. Yin Guangyuan ("Mr. Yin"), aged 47, is a managing director of Harbin Songjiang, a subsidiary of the Company. He graduated from Heilongjiang People's Police School (黑龍江省人民警察學校) in 1982 and graduated from Chinese People's Public Security University (中國公安大學) with a major in Law in 1986. Mr. Yin was appointed as the chairman (處長) of Songjiang Copper Group in 2001, the deputy general manager of Harbin Songjiang in 2005, the general manager in 2007 and has been working at the present position since 2008. Mr. Yin is currently responsible for the overall administration and operation management of Harbin Songjiang Group.

QIAO Hongbo

Qiao Hongbo ("Mr. Qiao"), aged 46, is a deputy general manager and director of Harbin Songjiang, a subsidiary of the Company. Mr. Qiao graduated from Inner Mongolia University of Science and Technology with a major in Mining in 1987 and is a senior mining engineer. Mr. Qiao joined Songjiang Copper Mine in 1987 and was appointed as the deputy mine manager of Acheng Xiaoling Iron & Zinc Mine in 1996, the principal of the production division and the deputy general manager assistant of Songjiang Copper Group and the deputy investigation manager of Songjiang Molybdenum Company (松江鉬業公司) in 1998, and has been working at the present position since 2000. Mr. Qiao has 20 years of working experience in mining sites and is an expert in project management and mining project techniques, possessing extensive experience in geology mining, mining sites' management and construction. He is proficient in project management procedures and skill innovation, and was awarded with Heilongjiang Technology Advancement Third Tier Award in Metallurgy System (黑龍江冶金系統科技進步三等獎). Mr. Qiao is currently responsible for the project management and technical supervision of Harbin Songjiang Group.

QU Yanchun

Qu Yanchun ("Mr. Qu"), aged 39, is a deputy general manager and director of Harbin Songjiang, a subsidiary of the Company. Mr. Qu graduated from the Department of Economics and Trading of Heilongjiang Institute of Science in 1994, and is a Chinese Certified Public Accountant and Certified Public Valuer. Mr. Qu was appointed as the officer of the financial division of Songjiang Copper Group in 1996, the director of financial division of Songjiang Copper Group in 1999, the assistant to general manager and director of financial division of Harbin Songjiang in 2004, has been working at the present position since 2007 and was appointed as the director of Harbin Songjiang in 2008. Mr. Qu has 15 years of experience in financial management and is currently responsible for the financial management of Harbin Songjiang Group.

SENIOR MANAGEMENT *(CONTINUED)*

LEUNG Lai Ming

Ms. Leung Lai Ming ("Ms. Leung"), aged 34, is the company secretary and the accounting manager of the Company.

Ms. Leung graduated from The Hong Kong Polytechnic University with a bachelor degree in Accountancy. Ms. Leung is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries. Ms. Leung has 12 years of experience in handling accounting matters. Ms. Leung joined the Company in July 2007.

CORPORATE GOVERNANCE PRACTICES

The Company has a policy of seeking to comply with established best practice in corporate governance. The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of its shareholders. For the year ended 31 December 2010, the Company has applied the principles of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Code") and complied with all the applicable code provisions of the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31 December 2010, and they all confirmed that they had fully complied with the required standards set out in the Model Code.

BOARD OF DIRECTORS

Composition

Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors:

You Xian Sheng,
Chairman
Chen Shou Wu,
Deputy Chairman, Chief Executive Officer and Chief Investment Officer
Wang Hui
Yeung Kwok Kuen,
Chief Financial Officer

Non-executive Director:

Lam Ming Yung

Independent Non-executive Directors:

Chan Sze Hon
Chu Kang Nam
Goh Choo Hwee
Lin Xiang Min

BOARD OF DIRECTORS *(CONTINUED)*

There is no relationship among the members of the Board.

During the year ended 31 December 2010, the Board had at all times at least three independent non-executive directors of the Company and at least one independent non-executive director of the Company who has appropriate professional qualifications or accounting or related financial management expertise.

The principal roles of the Board are to oversee the strategic development, to determine the objectives, strategies and policies of the Group, to monitor and control the financial performance and to ensure effective internal controls and risk management. Implementation of strategies and day-to-day operations are delegated to the management. In order to better understand the respective accountabilities and contributions of the Board and management, the Company has adopted written terms of reference specifying a schedule of matters which should be reserved to the Board and which should be delegated to management.

During the year, a total of eleven full Board meetings were held and the attendance records are as follows:

Name of Director	Number of Board Meetings Attended	Attendance Rate
You Xian Sheng	11/11	100%
Chen Shou Wu	11/11	100%
Wang Hui	11/11	100%
Yeung Kwok Kuen	11/11	100%
Lam Ming Yung	11/11	100%
Chan Sze Hon	11/11	100%
Chu Kang Nam	11/11	100%
Goh Choo Hwee	11/11	100%
Lin Xiang Min	11/11	100%

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dr. You Xian Sheng was appointed as the Chief Executive Officer of the Company on 31 January 2008 and re-designated as the Chairman of the Company on 5 June 2009. Mr. Chen Shou Wu was appointed as the Chief Executive Officer of the Company on 5 June 2009.

The roles of Chairman and Chief Executive Officer are clearly defined by written terms of reference adopted by the Company in order to ensure a balance of power and authority, so that power is not concentrated in any one individual. The Chairman and the Chief Executive Officer of the Company are independent and not connected with each other except for being officers of the same company.

NON-EXECUTIVE DIRECTORS

All the independent non-executive directors of the Company and non-executive directors of the Company were appointed for an initial term of one year. All directors of the Company appointed during the year are subject to re-election by shareholders at the next annual general meeting after their appointment and every Director (including those appointed for a specific term) is subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company.

REMUNERATION OF DIRECTORS

The Company established the Remuneration Committee in 2005. The current members of the Remuneration Committee are:

Chan Sze Hon, *Independent Non-executive Director, Chairman of the Remuneration Committee*
Chu Kang Nam, *Independent Non-executive Director*
Goh Choo Hwee, *Independent Non-executive Director*
Yeung Kwok Kuen, *Executive Director*

The Remuneration Committee has adopted terms of reference which are in line with the Code. A copy of the terms of reference is posted on the Company's website.

The Remuneration Committee is primarily responsible for the following duties:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

2. to consult the chairman of the Board and/or the chief executive officer about their proposals relating to the remuneration of other executive directors and senior management of the Company;

3. to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management of the Company, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors of the Company;

4. to review and approve performance-based remuneration with reference to corporate goals and objectives resolved by the Board from time to time;

5. to review and approve the compensation payable to executive directors and senior management of the Company in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

6. to review and approve compensation arrangements relating to dismissal or removal of directors of the Company for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

7. to ensure that no director of the Company or any of his associates is involved in deciding his own remuneration; and

8. to deal with any other matters delegated by the Board.

REMUNERATION OF DIRECTORS *(CONTINUED)*

The Remuneration Committee met three times during the year to review the remuneration policy and remuneration packages of the executive directors and members of the senior management of the Company and share options granted during the year.

Individual attendance of each member of the Committee is set out below:

Name of Member	Number of Remuneration Committee Meetings Attended	Attendance Rate
Chan Sze Hon	3/3	100%
Chu Kang Nam	3/3	100%
Goh Choo Hwee	3/3	100%
Yeung Kwok Kuen	3/3	100%

Details of the remuneration of the directors of the Company for the year ended 31 December 2010 are set out in note 14 to the consolidated financial statements.

NOMINATION OF DIRECTORS

Directors were nominated by members of the Board during the year to fill casual vacancies or as an addition to the existing Board. The nominations were submitted to the Board for decision with reference to criteria which include the candidates' experience, qualifications, professional knowledge, personal ethics and integrity. During the year, none of Board meetings was held for approving the nomination and appointment of directors of the Company. Each director of the Company appointed during the year is subject to re-election by shareholders of the Company at the next annual general meeting of the Company after his appointment and every director of the Company (including those appointed for a specific term) is subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company.

No director of the Company is involved in fixing his own terms of appointment and nominations and no independent non-executive director of the Company is involved in assessing his own independence.

AUDITORS' REMUNERATION

For the year ended 31 December 2010, the Group engaged Deloitte Touche Tohmatsu ("DTT"), auditors of the Company and Crowe Horwath (HK) CPA Limited ("Crowe Horwath") to perform audit service and non-audit services. The fees were as follows:

Nature of services	Name of auditors	Amount *HK$'000*
Audit services in relation to annual result	DTT	2,600
Review of interim results	DTT	855
Services in relation to major transactions	DTT	100
Services in relation to major transactions	Crowe Horwath	507
Others	DTT	230
		4,292

AUDIT COMMITTEE

The Company established the Audit Committee in 1998. The current members of the Audit Committee are:

Chan Sze Hon, *Independent Non-executive Director of the Company, Chairman of the Audit Committee*
Chu Kang Nam, *Independent Non-executive Director of the Company*
Goh Choo Hwee, *Independent Non-executive Director of the Company*

The Audit Committee has adopted terms of reference which are in line with the Code. A copy of the terms of reference is posted on the Company's website.

The Audit Committee is primarily responsible for the following duties:

1. to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

2. to review and monitor the external auditor's independence and objectively and the effectiveness of the audit process in accordance with applicable standard, to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination where more than one audit firm is involved;

3. to develop and implement policy on the engagement of an external auditor to supply non-audit services;

4. to review the interim and annual financial statements of the Company before submission to the Board;

5. to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management of the Company where necessary);

6. to review the Company's financial control, internal control and risk management systems;

7. to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;

8. to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

9. where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

10. to review the group's financial and accounting policies and practices;

11. to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

12. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

13. to report to the Board on the matters set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited "Code on Corporate Governance Practices";

AUDIT COMMITTEE *(CONTINUED)*

14. to consider major findings of internal investigations and management's response; and

15. to consider other topics, as defined by the Board or handle the job assigned by the Board.

The Audit Committee reviewed the external auditor's plan for the audit of the Group's accounts, the internal control procedures and the financial reporting systems of the Group during the year. The Audit Committee also made recommendations with respect to the appointment and reappointment of the auditors of the Company. The Audit Committee met two times during the year to review, discuss the Group's annual and interim financial statements of the Company before the same were presented to the Board for approval. Individual attendance of each member of the Committee is set out below:

Name of Member	Number of Audit Committee Meetings Attended	Attendance Rate
Chan Sze Hon	2/2	100%
Chu Kang Nam	2/2	100%
Goh Choo Hwee	2/2	100%

The financial statements for the year ended 31 December 2010 have been reviewed by the Audit Committee.

INTERNAL CONTROLS

The Board should maintain a sound and effective internal control system to safeguard the shareholders' investment and the Group's assets. The directors of the Company have reviewed the effectiveness of the internal control system of the Group for the year ended 31 December 2010, which covered financial, operational and compliance controls and risk management functions of the Group.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors of the Company acknowledge that it is their responsibility to prepare the accounts for each financial period which give a true and fair view of the state of affairs of the Group and to present a balanced, clear and understandable assessment of the financial results and disclosures of the Group under the Listing Rules and any other rules and statutory requirements.

On behalf of the Board
China Mining Resources Group Limited

You Xian Sheng
Chairman

Hong Kong, 31 March 2011

The directors of the Company submit herewith 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. The principal activities and other particulars of the subsidiaries are set out in note 50 to the consolidated financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (the "Group") during the financial year are set out in note 7 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2010 and the Group's affairs as at that date are set out in the consolidated financial statements on pages 33 to 119.

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

RESERVES

Movement in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 37 to 38 of this annual report.

DONATION

Donations made for charitable purposes by the Group during the year amounted to HK$1,276,000 (2009: HK$6,015,000).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 38 to the consolidated financial statements.

CONTRIBUTED SURPLUS

The Group's contributed surplus represents the special reserve arising upon the reorganisation of the Group in March 1997.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

Movement in the contributed surplus of the Group during the year is set out in the consolidated statement of changes in equity on pages 37 to 38 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group for the year ended 31 December 2010 are set out in note 16 to the consolidated financial statements.

DIRECTORS

The directors of the Company who were in office during the financial year and up to the date of this report were:

Executive Directors

You Xian Sheng
(Chairman)
Chen Shou Wu
(Deputy Chairman, Chief Executive Officer and Chief Investment Officer)
Wang Hui
Yeung Kwok Kuen
(Chief Financial Officer)

Non-executive Director

Lam Ming Yung

Independent Non-executive Directors

Chan Sze Hon
Chu Kang Nam
Goh Choo Hwee
Lin Xiang Min

Pursuant to Bye-law 87(1) of the Bye-laws of the Company, at each annual general meeting one-third of the directors of the Company for the time being (or, 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. Accordingly, Mr. Yeung Kwok Kuen, Mr. Lam Ming Yung and Mr. Chu Kang Nam will retire by rotation at the forthcoming annual general meeting of the Company. Each of Mr. Yeung Kwok Kuen, Mr. Lam Ming Yung and Mr. Chu Kang Nam being eligible, have offered themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the directors of the Company has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2010, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were recorded in the register required to be kept under Section 352 of the SFO, or which were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company were as follows:

Interests in underlying shares of the Company — share options

Name	Number of share options	% of total issued ordinary shares of the Company
Directors		
You Xian Sheng	60,000,000	0.66%
Chen Shou Wu	60,000,000	0.66%
Wang Hui	40,000,000	0.44%
Yeung Kwok Kuen	60,000,000	0.66%
Lam Ming Yung	5,000,000	0.05%
Chan Sze Hon	5,000,000	0.05%
Chu Kang Nam	5,000,000	0.05%
Goh Choo Hwee	5,000,000	0.05%
Lin Xiang Min	5,000,000	0.05%
Chief executives		
Yin Guangyuan	40,000,000	0.44%
Qiao Hongbo	12,000,000	0.13%
Qu Yanchun	12,000,000	0.13%

Save as disclosed above, as at 31 December 2010, none of the directors and chief executives of the Company or their respective associates 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) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 31 December 2010, persons (other than directors or chief executives of the Company as disclosed above) who had interests or short positions in the shares and underlying shares of equity derivatives of the Company which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in shares of the Company

Name of Shareholders	Capacity	Class of shares of the Company	Number of shares held	% of total issued share capital of the relevant class of shares *(Note 1)*
Wong Chiu Fung	Interest in controlled corporation	Ordinary	2,064,760,000 *(Note 2)*	22.59%
	Interest in controlled corporation	Preference	476,190,000 *(Note 2)*	12.61%
Ho Ping Tanya	Beneficial owner	Preference	3,300,000,000 *(Note 3)*	87.39%

Notes:

1. The percentages are calculated based on the total number of ordinary shares and convertible preference shares (as appropriate) of the Company in issue as at 31 December 2010, which were 9,138,782,211 and 3,776,190,000 respectively.

2. These ordinary and convertible preference shares are held by Double Joy Enterpise Limited which is 100% beneficially owned by Mr. Wong Chiu Fung. Both ordinary and convertible preference shares were alloted and issued to Double Joy Enterprise Limited on 14 December 2010 pursuant to a sale and purchase agreement dated 2 October 2010 entered into among Famous Class Limited, a wholly-owned subsidiary of the Company, Ms. Ho Ping Tanya, Double Joy Enterprise Limited, Skypro Holdings Limited and Mr. Wong Chiu Fung in relation to the acquisition of an aggregate of 70 shares of Year Joy Investments Limited, representing 70% of the total issued share capital of Year Joy Investments Limited, by Famous Class Limited (the "Agreement").

3. The convertible preference shares were alloted and issued to Ms. Ho Ping Tanya on 14 December 2010 pursuant to the Agreement.

SHARE OPTION SCHEMES

Pursuant to ordinary resolutions of the shareholders of the Company passed on 11 March 1997, the Company adopted a share option scheme (the "Old Share Option Scheme"). The Old Share Option Scheme was terminated on 26 June 2002 such that no further options shall be granted under the Old Share Option Scheme but the options granted shall continue to be valid and exercisable in accordance with their terms of issue and, in all other respects, its provisions shall remain in full force and effect. Pursuant to ordinary resolutions of the shareholders of the Company passed on 26 June 2002, the Company adopted a new share option scheme (the "New Share Option Scheme").

SHARE OPTION SCHEMES *(CONTINUED)*

Particulars of New Share Option Scheme are set out in note 46 to the consolidated financial statements.

Summary of main terms of New Share Option Scheme are as follows:

1. The purpose of the New Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contributions to the Group.

2. The participants of the New Share Option Scheme are: (i) any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or advisers of or contractor to the Group or an entity in which any member of the Group holds any interest from time to time ("Invested Entity"); (ii) any discretionary trust who discretionary objects include any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any Invested Entity; and (iii) the option may be granted to any corporation wholly-owned by any person mentioned in (i).

3. As at 31 March 2011, the total number of ordinary shares of HK$0.10 in the capital of the Company ("Shares") available for issue under the New Share Option Scheme was 679,116,221 (including 419,000,000 Shares that have been granted but not yet lapsed or exercised or cancelled) representing approximately 7.43% of the issued ordinary share capital of the Company.

4. Unless otherwise approved by shareholders of the Company in general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme to each participant in any 12-month period must not exceed 1% (except for substantial shareholders, as defined in the Listing Rules, or independent non-executive director of the Company, or any of their respective associates, as defined in the Listing Rules, must not exceed 0.1%) of the issued ordinary share capital of the Company from time to time.

5. An option shall be exercised in whole or in part in accordance with the terms of the New Share Option Scheme at any time during a period to be notified by the Board to each grantee, provided that no option shall be exercisable later than 10 years after its date of grant.

6. An option shall be accepted by a participant together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof within 30 days from the date of the offer of grant of the option.

7. The subscription price for Shares under the New Share Option Scheme, subject to any adjustment stipulated therein, shall be a price determined by the Board, but shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations on the date of grant which must be a business day, (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant and (iii) the nominal value of a Share.

8. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on 26 June 2002.

SHARE OPTION SCHEMES *(CONTINUED)*

Details of movements in the share options held by directors, chief executives, employees and other parties of the Company under the New Share Option Scheme for the year ended 31 December 2010 are as follows:

Name	Date granted	Period during which options are exercisable	No. of options outstanding at the beginning of the year	No. of options granted during the year	No. of options cancelled during the year	No. of shares acquired on exercise of options during the year	No. of options outstanding at the year end	Exercise price per share	* Market value per share at date of grant of options	* Market value per share on exercise of options
Share option granted in 2008										
Directors										
You Xian Sheng	14 October 2008	*(Note 1)*	40,000,000	–	–	–	40,000,000	HK$0.275	HK$0.275	–
Chen Shou Wu	14 October 2008	*(Note 1)*	35,000,000	–	–	–	35,000,000	HK$0.275	HK$0.275	–
Wang Hui	14 October 2008	*(Note 1)*	35,000,000	–	–	–	35,000,000	HK$0.275	HK$0.275	–
Yeung Kwok Kuen	14 October 2008	*(Note 1)*	35,000,000	–	–	–	35,000,000	HK$0.275	HK$0.275	–
Lam Ming Yung	14 October 2008	*(Note 1)*	3,000,000	–	–	–	3,000,000	HK$0.275	HK$0.275	–
Chan Sze Hon	14 October 2008	*(Note 1)*	3,000,000	–	–	–	3,000,000	HK$0.275	HK$0.275	–
Chu Kang Nam	14 October 2008	*(Note 1)*	3,000,000	–	–	–	3,000,000	HK$0.275	HK$0.275	–
Goh Choo Hwee	14 October 2008	*(Note 1)*	3,000,000	–	–	–	3,000,000	HK$0.275	HK$0.275	–
Lin Xiang Min	14 October 2008	*(Note 1)*	3,000,000	–	–	–	3,000,000	HK$0.275	HK$0.275	–
			160,000,000				160,000,000			
Chief executives										
Yin Guangyuan	14 October 2008	*(Note 1)*	35,000,000	–	–	–	35,000,000	HK$0.275	HK$0.275	–
Qiao Hongbo	14 October 2008	*(Note 1)*	10,000,000	–	–	–	10,000,000	HK$0.275	HK$0.275	–
Qu Yanchun	14 October 2008	*(Note 1)*	10,000,000	–	–	–	10,000,000	HK$0.275	HK$0.275	–
			55,000,000				55,000,000			
Employee	14 October 2008	*(Note 1)*	26,600,000	–	–	–	26,600,000	HK$0.275	HK$0.275	–
Others *(Note 5)*	14 October 2008	*(Note 1)*	50,000,000	–	–	–	50,000,000	HK$0.275	HK$0.275	–
			291,600,000	–	–	–	291,600,000			

SHARE OPTION SCHEMES *(CONTINUED)*

Name	Date granted	Period during which options are exercisable	No. of options outstanding at the beginning of the year	No. of options granted during the year	No. of options cancelled during the year *(Note 4)*	No. of shares acquired on exercise of options during the year	No. of options outstanding at the year end	Exercise price per share	* Market value per share at date of grant of options	* Market value per share on exercise of options
Share option granted in 2009										
Directors										
You Xian Sheng	18 September 2009	*(Note 2)*	20,000,000	–	(20,000,000)	–	–	HK$0.358	HK$0.358	–
Chen Shou Wu	18 September 2009	*(Note 2)*	25,000,000	–	(25,000,000)	–	–	HK$0.358	HK$0.358	–
Wang Hui	18 September 2009	*(Note 2)*	5,000,000	–	(5,000,000)	–	–	HK$0.358	HK$0.358	–
Yeung Kwok Kuen	18 September 2009	*(Note 2)*	25,000,000	–	(25,000,000)	–	–	HK$0.358	HK$0.358	–
Lam Ming Yung	18 September 2009	*(Note 2)*	2,000,000	–	(2,000,000)	–	–	HK$0.358	HK$0.358	–
Chan Sze Hon	18 September 2009	*(Note 2)*	2,000,000	–	(2,000,000)	–	–	HK$0.358	HK$0.358	–
Chu Kang Nam	18 September 2009	*(Note 2)*	2,000,000	–	(2,000,000)	–	–	HK$0.358	HK$0.358	–
Goh Choo Hwee	18 September 2009	*(Note 2)*	2,000,000	–	(2,000,000)	–	–	HK$0.358	HK$0.358	–
Lin Xiang Min	18 September 2009	*(Note 2)*	2,000,000	–	(2,000,000)	–	–	HK$0.358	HK$0.358	–
			85,000,000				–			
Chief executives										
Yin Guangyuan	18 September 2009	*(Note 2)*	5,000,000	–	(5,000,000)	–	–	HK$0.358	HK$0.358	–
Qiao Hongbo	18 September 2009	*(Note 2)*	2,000,000	–	(2,000,000)	–	–	HK$0.358	HK$0.358	–
Qu Yanchun	18 September 2009	*(Note 2)*	2,000,000	–	(2,000,000)	–	–	HK$0.358	HK$0.358	–
			9,000,000				–			
Employee	18 September 2009	*(Note 2)*	33,400,000	–	(33,400,000)	–	–	HK$0.358	HK$0.358	–
			127,400,000	–	(127,400,000)	–	–			

SHARE OPTION SCHEMES *(CONTINUED)*

Name	Date granted	Period during which options are exercisable	No. of options outstanding at the beginning of the year	No. of options granted during the year	No. of options cancelled during the year	No. of shares acquired on exercise of options during the year	No. of options outstanding at the year end	Exercise price per share	* Market value per share at date of grant of options	* Market value per share on exercise of options
Share option granted in 2010										
Directors										
You Xian Sheng	29 June 2010	*(Note 3)*	–	20,000,000	–	–	20,000,000	HK$0.208	HK$0.208	–
Chen Shou Wu	29 June 2010	*(Note 3)*	–	25,000,000	–	–	25,000,000	HK$0.208	HK$0.208	–
Wang Hui	29 June 2010	*(Note 3)*	–	5,000,000	–	–	5,000,000	HK$0.208	HK$0.208	–
Yeung Kwok Kuen	29 June 2010	*(Note 3)*	–	25,000,000	–	–	25,000,000	HK$0.208	HK$0.208	–
Lam Ming Yung	29 June 2010	*(Note 3)*	–	2,000,000	–	–	2,000,000	HK$0.208	HK$0.208	–
Chan Sze Hon	29 June 2010	*(Note 3)*	–	2,000,000	–	–	2,000,000	HK$0.208	HK$0.208	–
Chu Kang Nam	29 June 2010	*(Note 3)*	–	2,000,000	–	–	2,000,000	HK$0.208	HK$0.208	–
Goh Choo Hwee	29 June 2010	*(Note 3)*	–	2,000,000	–	–	2,000,000	HK$0.208	HK$0.208	–
Lin Xiang Min	29 June 2010	*(Note 3)*	–	2,000,000	–	–	2,000,000	HK$0.208	HK$0.208	–
			–				85,000,000			
Chief executives										
Yin Guangyuan	29 June 2010	*(Note 3)*	–	5,000,000	–	–	5,000,000	HK$0.208	HK$0.208	–
Qiao Hongbo	29 June 2010	*(Note 3)*	–	2,000,000	–	–	2,000,000	HK$0.208	HK$0.208	–
Qu Yanchun	29 June 2010	*(Note 3)*	–	2,000,000	–	–	2,000,000	HK$0.208	HK$0.208	–
			–				9,000,000			
Employee	29 June 2010	*(Note 3)*	–	33,400,000	–	–	33,400,000	HK$0.208	HK$0.208	–
			–	127,400,000	–	–	127,400,000			

The options granted to the directors and the chief executives of the Company are registered under the names of the directors and the chief executives of the Company who are also the beneficial owners.

* Being the weighted average closing price of the Company's ordinary shares immediately before the dates on which the options were granted or exercised, as applicable.

Notes:

1. Exercisable from 14 October 2008 to 13 October 2013.
2. Exercisable from 18 September 2009 to 17 September 2014.
3. Exercisable from 29 June 2010 to 28 June 2015.
4. The share options were cancelled on 29 June 2010.
5. 50,000,000 share options were granted to a chief adviser of the Company and a consulting company.

SHARE OPTION SCHEMES *(CONTINUED)*

Information on the accounting policy for share options granted and the weighted average value per option is provided in note 46 to the consolidated financial statements respectively.

Apart from the foregoing, at no time during the year was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest directly or indirectly, subsisted at the end of the year or at any time during the year.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities during the year ended 31 December 2010. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the year.

CONNECTED TRANSACTION

None of the "Related party transactions" as disclosed in note 49 to the financial statements for the year ended 31 December 2010 constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

To the extent of the above "Related party transactions" constituted connected transaction as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	33%	
Five largest customers in aggregate	69%	
The largest supplier		5%
Five largest suppliers in aggregate		17%

At no time during the year have the directors of the Company, their associates or any shareholders of the Company (which to the knowledge of the directors of the Company owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

COMPETING INTEREST

None of the directors of the Company or their respective associates had any interest in a business which competes with or may compete with the business of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda requiring the Company to offer new shares to the existing shareholders of the Company in proportion to their respective shareholdings in the Company if new shares of the Company are issued.

SUFFICIENCY OF PUBLIC FLOAT

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

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2010 are set out in notes 31 and 32 to the consolidated financial statements.

FIVE YEARS SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 120 of this annual report.

RETIREMENT SCHEMES

Details of the retirement benefit schemes operated by the Group are set out in note 45 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

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

POST BALANCE SHEET EVENTS

No significant events occuring after the balance sheet date.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2010 have been audited by Deloitte Touche Tohmatsu ("DTT").

DTT will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for the re-appointment of DTT as auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By order of the Board
China Mining Resources Group Limited

You Xian Sheng
Chairman

Hong Kong, 31 March 2011

TO THE SHAREHOLDERS OF
CHINA MINING RESOURCES GROUP LIMITED
中國礦業資源集團有限公司
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Mining Resources Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 119, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with 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 our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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.

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
Continuing operations			
Revenue	6	**337,732**	218,626
Cost of sales		**(217,387)**	(116,846)
Gross profit		**120,345**	101,780
Other income	8	**14,573**	25,375
Other gains and losses	9	**(1,255,054)**	273,319
Selling and distribution expenses		**(24,523)**	(14,536)
Administrative expenses		**(107,000)**	(185,505)
Finance costs	10	**(25,353)**	(18,849)
Impairment losses on available-for-sale investments	23	**(46,729)**	—
Impairment losses on goodwill	19	**(423,086)**	—
Impairment losses on property, plant and equipment and prepaid lease payments	16 & 17	**(46,678)**	(149,463)
Impairment losses on exploration and evaluation assets and other intangible assets	18 & 20	**(44,091)**	(452,766)
Loss before tax		**(1,837,596)**	(420,645)
Income tax (expense) credit	11	**(5,859)**	10,195
Loss for the year from continuing operations		**(1,843,455)**	(410,450)
Discontinued operation	12		
Profit for the year from discontinued operation		**90,916**	9,095
Loss for the year	13	**(1,752,539)**	(401,355)
Other comprehensive (expense) income			
Exchange difference arising on translation		**(3,541)**	1,139
Gain on change in fair value of available-for-sale investments		**133,289**	93,965
Reclassification adjustment upon disposal of available-for-sale investments		**—**	(71,500)
Actuarial gain on defined benefit pension plans		**621**	6,018
Other comprehensive income for the year (net of tax)		**130,369**	29,622
Total comprehensive expense for the year		**(1,622,170)**	(371,733)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
Loss for the year attributable to:			
Owners of the Company			
Loss for the year from continuing operations		**(1,840,592)**	(330,971)
Profit for the year from discontinued operations		**90,916**	9,095
Loss for the year attributable to owners of the Company		**(1,749,676)**	(321,876)
Non-controlling interests			
Loss for the year from continuing operation attributable to non-controlling interests		**(2,863)**	(79,479)
		(1,752,539)	(401,355)
Total comprehensive expense attributable to:			
Owners of the Company		**(1,618,250)**	(292,348)
Non-controlling interests		**(3,920)**	(79,385)
		(1,622,170)	(371,733)
Loss per share	15		
From continuing and discontinued operations			
Basic and diluted		**(26.10) cents**	(5.27) cents
From continuing operations			
Basic and diluted		**(27.46) cents**	(5.42) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2010

	Notes	31.12.2010 HK$'000	31.12.2009 HK$'000 (Restated)	1.1.2009 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	16	**111,685**	121,192	218,441
Prepaid lease payments	17	**33,800**	37,447	71,951
Exploration and evaluation assets	18	**—**	—	11,229
Goodwill	19	**88,295**	511,381	—
Other intangible assets	20	**143,542**	182,374	546,777
Interests in jointly controlled entities	22	**—**	—	—
Available-for-sale investments	23	**326,710**	214,199	72,121
Deposit for acquisition of subsidiaries	24	**—**	—	100,000
Deposit for acquisition of tea mountain	25	**20,705**	—	—
Other receivables		**—**	—	968
		724,737	1,066,593	1,021,487
Current assets				
Inventories	26	**164,754**	256,185	209,050
Trade and other receivables	27	**96,446**	105,531	126,644
Prepaid lease payments	17	**3,873**	3,167	2,120
Held-for-trading investments	23	**34,353**	6,746	590
Bank balances and cash	28	**391,894**	531,223	1,000,408
		691,320	902,852	1,338,812
Current liabilities				
Trade and other payables	29	**260,593**	221,880	358,895
Amounts due to jointly controlled entities	30	**—**	—	758
Amounts due to non-controlling shareholders	30	**150,500**	150,500	150,636
Tax payable		**62,454**	62,277	100,536
Bank borrowings	31	**82,645**	51,192	136,428
Other borrowings	32	**1,181**	1,137	1,137
Provisions	33	**64,540**	76,163	39,847
		621,913	563,149	788,237
Net current assets		**69,407**	339,703	550,575
Total assets less current liabilities		**794,144**	1,406,296	1,572,062

	Notes	31.12.2010 HK$'000	31.12.2009 HK$'000 (Restated)	1.1.2009 HK$'000 (Restated)
Non-current liabilities				
Deferred income	34	**35,782**	32,435	46,644
Bank borrowings	31	**—**	68,256	34,107
Other borrowings	32	**19,233**	4,880	4,877
Provisions	33	**76,311**	230,659	286,260
Deferred tax liabilities	35	**18,747**	25,070	42,077
Other long term payables	36	**92,768**	95,664	85,642
Non-redeemable convertible preference shares	37	**52,036**	—	—
		294,877	456,964	499,607
		499,267	949,332	1,072,455
Capital and reserves				
Share capital	38	**913,878**	613,078	602,665
Share premium and reserves		**(493,218)**	251,426	344,475
Equity attributable to owners of the Company		**420,660**	864,504	947,140
Non-controlling interests		**78,607**	84,828	125,315
		499,267	949,332	1,072,455

The consolidated financial statements on pages 33 to 119 were approved and authorised for issue by the Board of Directors on 31 March 2011 and are signed on its behalf by:

Chen Shou Wu
Director

Yeung Kwok Kuen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Attributable to owners of the Company													
	Share capital *HK$'000*	Share premium *HK$'000*	Non-redeemable convertible preference shares *HK$'000*	Statutory surplus reserve *HK$'000* *(Note a)*	Capital reserve *HK$'000* *(Note b)*	Share options reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Issuable shares *HK$'000*	Actuarial reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2009, as originally stated	602,665	2,861,480	–	95,481	18,121	34,860	594	427,090	–	–	(2,908,011)	1,132,280	125,315	1,257,595
Prior year adjustments *(Note 3)*	–	–	–	–	–	–	–	(7,556)	–	(12,684)	(164,900)	(185,140)	–	(185,140)
At 1 January 2009, as restated	602,665	2,861,480	–	95,481	18,121	34,860	594	419,534	–	(12,684)	(3,072,911)	947,140	125,315	1,072,455
Loss for the year	–	–	–	–	–	–	–	–	–	–	(321,876)	(321,876)	(79,479)	(401,355)
Exchange difference arising on translation	–	–	–	–	–	–	–	1,045	–	–	–	1,045	94	1,139
Gain on change in fair value of available-for-sale investments	–	–	–	–	–	–	93,965	–	–	–	–	93,965	–	93,965
Reclassification adjustment upon disposal of available-for-sale investments	–	–	–	–	–	–	(71,500)	–	–	–	–	(71,500)	–	(71,500)
Actuarial gain on defined benefit pension plans	–	–	–	–	–	–	–	–	–	6,018	–	6,018	–	6,018
Other comprehensive income for the year	–	–	–	–	–	–	22,465	1,045	–	6,018	–	29,528	94	29,622
Total comprehensive income (expense) for the year	–	–	–	–	–	–	22,465	1,045	–	6,018	(321,876)	(292,348)	(79,385)	(371,733)
Shares issued	10,413	16,631	–	–	–	–	–	–	–	–	–	27,044	–	27,044
Recognition of equity-settled share-based payments	–	–	–	–	–	25,498	–	–	–	–	–	25,498	–	25,498
Cancellation of share options	–	–	–	–	–	(1,488)	–	–	–	–	1,488	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	157,170	–	–	157,170	38,898	196,068
Transfer	–	–	–	6,004	1,786	–	–	–	–	–	(7,790)	–	–	–
At 31 December 2009 and 1 January 2010 as restated	613,078	2,878,111	–	101,485	19,907	58,870	23,059	420,579	157,170	(6,666)	(3,401,089)	864,504	84,828	949,332
Loss for the year	–	–	–	–	–	–	–	–	–	–	(1,749,676)	(1,749,676)	(2,863)	(1,752,539)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Attributable to owners of the Company													
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Non-redeemable convertible preference shares** *HK$'000*	**Statutory surplus reserve** *HK$'000* *(Note a)*	**Capital reserve** *HK$'000* *(Note b)*	**Share options reserve** *HK$'000*	**Investment revaluation reserve** *HK$'000*	**Translation reserve** *HK$'000*	**Issuable shares** *HK$'000*	**Actuarial reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
Exchange difference arising on translation	–	–	–	–	–	–	–	(2,484)	–	–	–	(2,484)	(1,057)	(3,541)
Gain on change in fair value of available-for-sale investments	–	–	–	–	–	–	133,289	–	–	–	–	133,289	–	133,289
Actuarial gain on defined benefit pension plans	–	–	–	–	–	–	–	–	–	621	–	621	–	621
Other comprehensive income (expense) for the year	–	–	–	–	–	–	133,289	(2,484)	–	621	–	131,426	(1,057)	130,369
Total comprehensive income (expense) for the year	–	–	–	–	–	–	133,289	(2,484)	–	621	(1,749,676)	(1,618,250)	(3,920)	(1,622,170)
Shares issued	66,038	91,132	–	–	–	–	–	–	(157,170)	–	–	–	–	–
Additional shares issued for acquisition of subsidiaries	234,762	223,024	–	–	–	–	–	–	–	–	–	457,786	–	457,786
Non-redeemable convertible preference shares *(Note 37)*	–	–	684,321	–	–	–	–	–	–	–	–	684,321	–	684,321
Recognition of equity-settled share-based payments	–	–	–	–	–	12,699	–	–	–	–	–	12,699	–	12,699
Cancellation of share options	–	–	–	–	–	(25,498)	–	–	–	–	25,498	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(2,301)	(2,301)
Transfer	–	–	–	2,911	2,375	–	–	–	–	–	(5,286)	–	–	–
Impairment losses on available-for-sale investments *(Note 23)*	–	–	–	–	–	–	19,600	–	–	–	–	19,600	–	19,600
Disposal of a subsidiary	–	–	–	–	–	–	–	(12,456)	–	–	12,456	–	–	–
At 31 December 2010	913,878	3,192,267	684,321	104,396	22,282	46,071	175,948	405,639	–	(6,045)	(5,118,097)	420,660	78,607	499,267

Notes:

(a) According to the relevant rules and regulations in the People's Republic of China ("PRC"), subsidiaries of the Group established in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these subsidiaries. Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.

(b) Pursuant to regulations <高危行業企業安全生產費用財務管理暫行辦法> in the PRC relating to the mining industry, the Group is required to transfer an amount to the capital reserve account. The amount is calculated based on the volume of ores excavated each year and at the applicable rate per tonne of ores ("Appropriation for Mining Company"). The utilisation of the amount in the capital reserve account will be used on modification and maintenance of safety equipment in accordance with the rules in the PRC Company Law and is not available for distribution to shareholders.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 *HK$'000*	2009 *HK$'000* (Restated)
Operating activities		
Loss before tax	**(1,746,680)**	(411,550)
Adjustments for:		
Interest income	**(1,895)**	(4,346)
Interest expenses	**25,353**	18,849
Depreciation of property, plant and equipment	**7,275**	20,031
Amortisation of prepaid lease payments	**3,263**	1,693
Amortisation of other intangible assets	**1,143**	2,978
Gain on disposal of property, plant and equipment	**(10,783)**	(2,208)
Gain on disposal of subsidiaries	**(100,649)**	(85,850)
Gain on disposal of business	**—**	(57,524)
Gain on disposal of prepaid lease payments	**—**	(28,378)
Gain on disposal of available-for-sale investments	**—**	(71,500)
Purchase costs recognised as expense	**1,299,511**	—
Government grants	**(235)**	(19,638)
Impairment losses on available-for-sale investments	**46,729**	—
Impairment losses on goodwill	**423,086**	—
Impairment losses on exploration and evaluation assets and other intangible assets	**44,091**	452,766
Impairment losses on property, plant and equipment and prepaid lease payments	**46,678**	149,463
Share-based payment expenses	**12,699**	25,498
Net reversal of impairment losses on trade and other receivables	**(2,045)**	(1,650)
Reversal of allowance for inventories	**(553)**	(34,764)
Operating cash flows before movements in working capital	**46,988**	(46,130)
Decrease in inventories	**86,397**	9,111
(Increase) decrease in trade and other receivables	**(94,226)**	105,668
Increase in trade and other payables	**54,844**	6,696
(Increase) decrease in held-for-trading investments	**(27,470)**	21,019
Decrease in provisions	**(18,164)**	(14,135)
Cash generated from operations	**48,369**	82,229
PRC Enterprise Income Tax paid	**(4,728)**	(55,282)
Net cash from operating activities	**43,641**	26,947

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
Investing activities			
Acquisition of subsidiaries	39	**(94,637)**	(380,898)
Purchases of property, plant and equipment		**(41,407)**	(18,439)
Deposit paid for acquisition of tea mountain		**(20,705)**	—
Purchases of other intangible assets		**(1,531)**	(30)
Purchases of available-for-sale investments		**(450)**	(172,625)
Proceeds from disposal of subsidiaries	40	**11,666**	28,842
Proceeds from disposal of property, plant and equipment		**11,592**	3,405
Interest received		**1,895**	4,346
Government grants received	34	**2,299**	40,370
Purchases of prepaid lease payments		**—**	(24,548)
Purchases of exploration and evaluation assets		**—**	(310)
Proceeds from disposal of available-for-sale investments		**—**	124,512
Proceeds from disposal of prepaid lease payments		**—**	43,187
Proceeds from disposal of business	41	**—**	6,998
Net cash used in investing activities		**(131,278)**	(345,190)
Financing activities			
Repayment of bank borrowings		**(53,132)**	(170,474)
Interest paid		**(10,191)**	(10,298)
Settlement of other long term payables		**(6,266)**	(75,841)
Repayment of other borrowings		**(860)**	(1,701)
New bank borrowings raised		**11,807**	108,109
Repayment of amounts due to jointly controlled entities		**—**	(758)
Repayment to non-controlling shareholders		**—**	(229)
Net cash used in financing activities		**(58,642)**	(151,192)
Net decrease in cash and cash equivalents		**(146,279)**	(469,435)
Cash and cash equivalents at 1 January		**531,223**	1,000,408
Effect of foreign exchange rate changes		**6,950**	250
Cash and cash equivalents at 31 December, represented by bank balances and cash		**391,894**	531,223

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" of the annual report.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars for the convenience of the investors as its shares are listed on the Stock Exchange.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are mining, processing and sales of molybdenum, sales of tea products, and online video broadcasting. The Group was also engaged in mining, processing and sales of copper and zinc which was discontinued in current year (see Note 12).

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

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HK — Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

The application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 24 (as revised in 2009)	Related Party Disclosures[5]
HKAS 32 (Amendments)	Classification of Rights Issues[6]
HK(IFRIC) — INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC) — INT 19	Extinguishing Financial Liabilities with Equity Instruments[7]

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

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.

- 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.

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

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of HKFRS 9 will have no material impact on the amount of the Group's financial assets and financial liability.

3. PRIOR YEAR ADJUSTMENTS

Certain errors in the financial statements were identified by the directors of the Company subsequent to the issue of the financial statements for the year ended 31 December 2009. The adjustments represent understatement of post-employment benefits and costs of residence for employees and their families.

During the year, the Group entered into a negotiation for the disposal of the entire equity interest in its subsidiary, Harbin Songjiang Copper Enterprise Co. Ltd. ("HSC"). During the negotiation process leading to the disposal, certain potential liabilities of HSC were identified by the Group and the potential purchaser in relation to post-employment benefits and costs of residence. After investigation by the management, the Group identified that provisions should be made for the post-employment benefits and costs of residence for employees and their families for the year ended 31 December 2009 and prior years. The liability on post-employment benefits relates to the Group's mining businesses as a whole, which include HSC's operation and mining of molybdenum. The liability on residence cost relates only to HSC's operation.

In the opinion of the directors, these errors represent deficiencies in internal review procedures in the financial reporting process which were, however, not detected by management through its system of controls in place. Following the discovery of these errors, the directors have taken actions to strengthen the internal controls in the financial reporting process to ensure such controls are implemented and operating effectively.

3. PRIOR YEAR ADJUSTMENTS *(CONTINUED)*

The effects of errors described above on the financial positions of the Group as at 1 January 2009 and 31 December 2009 are as follows:

	As at 1.1.2009 HK$'000 (As originally stated)	**Adjustments *HK$'000***	**As at 1.1.2009 HK$'000 (As restated)**
Provisions — current	**20,363**	**19,484**	**39,847**
Provisions — non-current	**120,604**	**165,656**	**286,260**
Total effect on liability	**140,967**	**185,140**	**326,107**
Accumulated losses	**2,908,011**	**164,900 *(Note)***	**3,072,911**
Translation reserve	**(427,090)**	**7,556**	**(419,534)**
Actuarial reserve	**—**	**12,684**	**12,684**
Total effect on equity	**2,480,921**	**185,140**	**2,666,061**

	As at 31.12.2009 *HK$'000* (As originally stated)	Adjustments *HK$'000*	As at 31.12.2009 *HK$'000* (As restated)
Provisions — current	56,302	19,861	76,163
Provisions — non-current	67,747	162,912	230,659
Total effect on liability	124,049	182,773	306,822
Accumulated losses	3,232,668	168,421 *(Note)*	3,401,089
Translation reserve	(428,265)	7,686	(420,579)
Actuarial reserve	—	6,666	6,666
Total effect on equity	2,804,403	182,773	2,987,176

Note: The amount was arising from the Group's mining business operated by Harbin Songjiang Copper (Group) Company Limited and its subsidiaries (which include HSC) which were acquired by the Group in 2007. Discount on acquisition resulted from the acquisition was recognised in profit or loss for the year ended 31 December 2007, and therefore, all the adjustments were made to accumulated losses.

3. PRIOR YEAR ADJUSTMENTS *(CONTINUED)*

The effects of errors described above on the loss for the year ended 31 December 2009 by line items presented in the statement of comprehensive income are as follows:

	Year ended 31.12.2009 *HK$'000* (As originally stated)	Adjustments *HK$'000*	Year ended 31.12.2009 *HK$'000* (As restated)
Administrative expenses, total effect on loss for the year from continuing operations	183,380	2,125	185,505
Administrative expenses, total effect on profit for the year from discontinued operation	7,932	1,396	9,328

The effects of errors described above on the Group's basic and diluted loss per share for the year ended 31 December 2009 are as follows:

	Impact on basic and diluted loss per share Year ended 31 December 2009	
	From continuing and discontinued operations *HK cents*	From continuing operations *HK cents*
Figures before adjustments	(5.21)	(5.39)
Adjustments arising from prior year adjustments	(0.06)	(0.03)
Figures after adjustments	(5.27)	(5.42)

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange 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 certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Basis of consolidation

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Changes in the Group's ownership interests 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 retained earnings). 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.

Business combinations

Business combinations that took place prior to 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Business combinations *(CONTINUED)*

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

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 re-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 interests' 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Business combinations *(CONTINUED)*

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

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.

The non-controlling interest in the acquiree was initially measured at the non-controlling 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.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, 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. Any impairment loss for goodwill is recognised directly in profit and loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition

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

Revenue from sale of goods is recognised when all the following conditions are satisfied.

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from sale of products is recognised when the goods are delivered and title has passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and deprecation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company’s net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies *(CONTINUED)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting date, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

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), 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.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and re-translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, contract or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. All actuarial gains and losses of defined benefit plans are recognised immediately in other comprehensive income in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Taxation

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

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

Deferred tax is recognised on 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 difference to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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 the 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 is realised, based on tax rate (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. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Intangible assets

Intangible assets acquired separately

Intangible assets are identifiable non-monetary assets without physical substance. For this purpose, an asset is a resource controlled by the Group as a result of past event; and from which future economic benefits are expected to flow to the Group. The Group controls an asset if it has the power to obtain the future economic benefits flowing from the underlying asset and to restrict the access of others to those benefits.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Intangible assets *(CONTINUED)*

Intangible assets acquired separately (CONTINUED)

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses as follows:

(i) Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment losses. The mining rights are amortised using the units of production method based on the proven and probable mineral reserves.

(ii) Exploration rights

Exploration rights are stated at cost less accumulated amortisation and impairment losses. The exploration rights are amortised on a straight-line basis over the respective periods of the rights. During the exploration and evaluation period, the amortisation charge is included as part of cost of exploration and evaluation assets.

Intangible assets with indefinite useful lives, comprise of brand name, are carried at cost less any subsequent accumulated impairment losses (see accounting policy in respect of impairment losses on tangible and intangible assets below).

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. Exploration and evaluation assets include the amortisation and exploration rights and the expenditure incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as either intangible assets or property, plant and equipment. These assets are assessed for impairment before reclassification.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Exploration and evaluation assets *(CONTINUED)*

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 ("HKAS 36") 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 entity 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; or
- Substantive expenditure incurred on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; or
- 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 entity 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the 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. Where 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 is material).

Provisions for land reclamation and cavity refill costs are based on estimates of required expenditure on the mines in accordance with rules and regulations in the PRC. The Group estimates its liabilities for land reclamation and cavity refill based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work, escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. Provisions for land reclamation and cavity refill costs are recognised in profit or loss in the period in which the obligation is identified.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Provisions *(CONTINUED)*

Provisions for cost of residence to employees and their families are based on estimates of required expenditures to maintain the basic utilities supply to residential areas of employees and their families. The Group estimates its liabilities based on future cash expenditure, escalated for inflation, then discounted at a discounted rate that reflects current market assessment of the time value of money and the risks specific to the liabilities such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. Provisions for such benefits are recognised in profit and loss in the period when the obligation is identified.

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 borrowings costs are recognised in profit or loss in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL")) 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 at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into three categories, including financial assets at FVTPL, loans and receivables and available-for-sales financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of asset 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 financial asset 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 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 asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(CONTINUED)*

Financial assets *(CONTINUED)*

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

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

Available-for-sale 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 in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where 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 financial assets have been affected.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(CONTINUED)*

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 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 and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period ranging from 90 to 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(CONTINUED)*

Financial liabilities and equity *(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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities (including trade and other payables, amounts due to jointly controlled entities and non-controlling shareholders, bank borrowings, other borrowings and other long-term payables) are subsequently measured at amortised cost, using the effective interest method.

Non-redeemable convertible preference shares contains liability and equity components

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

Non-redeemable convertible preference shares are classified as a liability if interest payments are not discretionary. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the non-redeemable preference shares and the fair value assigned to the liability component, representing the conversion option for the holder to convert the shares into equity, is included in equity.

In subsequent periods, the liability component of the non-redeemable preference shares are carried at amortised cost using the effective interest method. The equity component will remain in equity until the conversion options are exercised and will be transferred to share capital and share premium of the Company.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirely, 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 is recognised in the profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

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

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the 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. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

Estimated impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The movement of allowance for doubtful debts for trade and other receivables during the year is set out in Note 27.

Estimated impairment of goodwill

In impairment testing, the Group determines the recoverable amount of the CGU to which goodwill has been allocated. Determining whether impairment needs to be provided requires an estimation of the value in use of the CGUs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation for goodwill are disclosed in Note 21.

Impairment of other intangible assets, property, plant and equipment and prepaid lease payments

The carrying amounts of intangible assets, property, plant and equipment and prepaid lease payments are reviewed annually and adjusted for impairment in accordance with HKAS 36 whenever certain events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group determines the recoverable amount of the assets based on the estimations of future expected cash flows from the usage of these assets and a suitable discount rate. Where the future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation for intangible assets, property, plant and equipment and prepaid lease payments are disclosed in Note 21.

Provisions for land reclamation and cavity refill costs

The provisions for land reclamation and cavity refill costs have been determined by the directors based on their best estimates. The directors of the Company estimated this liability for land reclamation and cavity refill based upon detailed calculations of the amount and timing of future cash flows spending on the land reclamation and cavity refill, escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability, such that the provision reflects the present value of the costs expected to be required to settle the obligation. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change in the near term. The provision is reviewed regularly to verify that it properly reflects the present value of the obligation arising from the current and past mining activities. The movement of provisions for land reclamation and cavity refill costs during the year is set out in Note 33.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

Provisions for post-employment benefits

The provisions for post-employment benefits have been determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. Various actuarial assumptions are utilised in valuation including, without limitation, the selection of discount rate and employees' turnover rate. The discount rate is based on management's review of local high quality corporate bonds. The employees' turnover rate is based on historical trends of the Group. Where the actual rates are differing from assumed, a material difference on provision may arise. The movement of provisions for post-employment benefits during the year is set out in Note 33.

Provisions for cost of residence

The provisions for cost of residence have been determined by the directors based on their best estimates. The directors of the Company estimated this liability based on detailed calculations of the amount and timing of future cash flows spending for such benefits, escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability, such that the provision reflects the present value of the costs expected to be required to settle the obligations. The provisions are reviewed regularly to reflect the present value of the obligations. The movement of provisions for cost of residence during the year is set out in Note 33.

6. REVENUE

An analysis of the Group's revenue for the year, from continuing operations is as follows:

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Sales of goods		
— tea products	**140,532**	145,813
— molybdenum	**187,243**	63,582
— rutile and others	**9,957**	9,231
	337,732	218,626

7. SEGMENT INFORMATION

Information reported to the Company's chief executive officer (the chief operating decision maker ("CODM")) for the purposes of resource allocation and assessment of performance focuses on types of goods delivered. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions.

Specifically, the Group's operating and reportable segments under HKFRS 8 are as follows:

Online video business ("iTV")	—	online video broadcasting (a new division in 2010 and not yet commence business)
Tea products	—	production and sales of tea
Molybdenum	—	mining, processing and sales of molybdenum
Copper and zinc	—	mining, processing and sales of copper and zinc
Others	—	mining, processing and sales of other minerals such as rutile, silicon and iron

The operating segment of mining, processing and sales of copper and zinc was discontinued in the current year. The segment information reported on the next pages does not include any amounts for these discontinued operations, which are described in more detail in Note 12.

7. SEGMENT INFORMATION *(CONTINUED)*

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

For the year ended 31 December 2010

Continuing operations

	Tea products HK$'000	Molybdenum HK$'000	iTV HK$'000	Others HK$'000	Total HK$'000
REVENUE					
Segment revenue — external sales	140,532	187,243	—	9,957	337,732
RESULT					
Segment result	(435,687)	(2,328)	(1,300,238)	1,386	(1,736,867)
Unallocated income					
— Interest income on bank deposits					1,895
— Gain on changes in fair value of held-for-trading investments					27,470
— Others					21,209
Total unallocated income					50,574
Unallocated expenses					
— central administrative expenses					(125,950)
Finance costs					(25,353)
Loss before tax (continuing operations)					(1,837,596)

7. SEGMENT INFORMATION *(CONTINUED)*

Segment revenue and results *(CONTINUED)*

For the year ended 31 December 2009 (Restated)

Continuing operations

	Tea products *HK$'000*	Molybdenum *HK$'000*	Others *HK$'000*	Total *HK$'000*
REVENUE				
Segment revenue — external sales	145,813	63,582	9,231	218,626
RESULT				
Segment result	89,820	(592,020)	(79,463)	(581,663)
Unallocated income				
— Interest income on bank deposits				4,346
— Gain on disposal of available-for-sale investments				71,500
— Gain on disposal of business *(Note 41)*				57,524
— Gain on disposal of subsidiaries *(Note 40)*				85,850
— Gain on changes in fair value of held-for-trading investments				18,738
— Others				38,559
Total unallocated income				276,517
Unallocated expenses				
— central administrative expenses				(96,650)
Finance costs				(18,849)
Loss before tax (continuing operations)				(420,645)

7. SEGMENT INFORMATION *(CONTINUED)*

Segment revenue and results *(CONTINUED)*

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 4. Segment results represent the results from each segment without allocation of central administration costs, directors' salaries, other income (mainly includes interest income on bank deposits), gain on disposal of available-for-sale investments, gain on disposal of business, gain on disposal of subsidiaries, gain on disposal of property, plant and equipment, changes in fair value of held-for-trading investments, impairment losses on available-for-sale investments, foreign exchange gain (loss) and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment.

As at 31 December 2010

	Tea products *HK$'000*	Molybdenum *HK$'000*	iTV *HK$'000*	Others *HK$'000*	Total *HK$'000*
ASSETS AND LIABILITIES					
Segment assets	**417,955**	**291,395**	**11,934**	**17**	**721,301**
Unallocated assets					
— Available-for-sale investments					**326,710**
— Held-for-trading investments					**34,353**
— Bank balances and cash					**294,290**
— Others					**39,403**
Total unallocated assets					**694,756**
Consolidated total assets					**1,416,057**
Segment liabilities	**41,512**	**449,694**	**21,555**	**3,602**	**516,363**
Unallocated liabilities					
— Other payables					**116,420**
— Amounts due to non-controlling shareholders					**150,500**
— Tax payable					**62,454**
— Non-redeemable convertible preference shares					**52,306**
— Deferred tax liabilities					**18,747**
Total unallocated liabilities					**400,427**
Consolidated total liabilities					**916,790**

7. SEGMENT INFORMATION *(CONTINUED)*

Segment assets and liabilities *(CONTINUED)*

As at 31 December 2009 (Restated)

	Tea products HK$'000	Molybdenum HK$'000	Others HK$'000	Discontinued operation HK$'000	Total HK$'000
ASSETS AND LIABILITIES					
Segment assets	865,972	417,283	20,488	15,655	1,319,398
Unallocated assets					
— Available-for-sale investments					214,199
— Held-for-trading investments					6,746
— Bank balances and cash					335,171
— Others					93,931
Total unallocated assets					650,047
Consolidated total assets					1,969,445
Segment liabilities	59,583	413,620	12,977	195,261	681,441
Unallocated liabilities					
— Other payables					100,825
— Amounts due to non-controlling shareholders					150,500
— Tax payable					62,277
— Deferred tax liabilities					25,070
Total unallocated liabilities					338,672
Consolidated total liabilities					1,020,113

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

- all assets are allocated to reportable segments other than available-for-sale investments, held-for-trading investments, certain bank balances and cash and assets that are not attributable to segments; and

- all liabilities are allocated to reportable segments other than certain other payables, amounts due to non-controlling shareholders, tax payable, deferred tax liabilities and non-redeemable convertible preference shares.

7. SEGMENT INFORMATION *(CONTINUED)*

Other segment information

For the year ended 31 December 2010

Continuing operations

	Tea products *HK$'000*	Molybdenum *HK$'000*	Others *HK$'000*	iTV *HK$'000*	Sub-total *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets excluding financial instruments	25,955	35,838	—	4,802	66,595	87	66,682
Impairment losses on exploration and evaluation assets and other intangible assets	44,091	—	—	—	44,091	—	44,091
Impairment losses on goodwill	423,086	—	—	—	423,086	—	423,086
Depreciation and amortisation	6,827	1,825	—	31	8,683	2,998	11,681
Impairment losses on property, plant and equipment and prepaid lease payments	—	46,678	—	—	46,678	—	46,678
(Reversal of) impairment loss on trade and other receivables	6,624	(8,669)	—	—	(2,045)	—	(2,045)
Reversal of allowance for inventories	5	548	—	—	553	—	553

For the year ended 31 December 2009 (Restated)

Continuing operations

	Tea products *HK$'000*	Molybdenum *HK$'000*	Others *HK$'000*	Sub-total *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets excluding financial instruments	672,226	—	6,097	678,323	6,118	684,441
Impairment losses on exploration and evaluation assets and other intangible assets	—	441,186	11,580	452,766	—	452,766
Depreciation and amortisation	3,486	13,307	3,505	20,298	1,083	21,381
Impairment losses on property, plant and equipment and prepaid lease payments	—	97,222	52,241	149,463	—	149,463
(Reversal of) impairment losses on trade and other receivables	554	—	—	554	(2,204)	(1,650)
Reversal of allowance for inventories	—	(28,877)	(3,536)	(32,413)	—	(32,413)

7. SEGMENT INFORMATION *(CONTINUED)*

Geographical information

The Group's operations are mainly located in The PRC (country of domicile), Hong Kong, Europe and Macau.

In presenting geographical information of revenue from continuing operations is based on the geographical location of customers. Assets are based on the geographical location of the assets.

For the year ended 31 December 2010

	The PRC (Country of domicile) *HK$'000*	**Hong Kong** *HK$'000*	**Europe** *HK$'000*	**Macau** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	**159,964**	**2,230**	**147,649**	**24,565**	**3,324**	**337,732**
Non-current assets excluding financial instruments	**384,143**	**13,884**	**—**	**—**	**—**	**398,027**

For the year ended 31 December 2009 (Restated)

	The PRC (Country of domicile) *HK$'000*	Hong Kong *HK$'000*	Europe *HK$'000*	Macau *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from external customers	127,856	—	34,845	55,742	183	218,626
Non-current assets	837,898	14,496	—	—	—	852,394

Note: Non-current assets excluded those relating to discontinued operations and financial instruments.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2010 *HK$'000*	2009 *HK$'000*
Customer A[2]	**110,889**	N/A[3]
Customer B[1]	**38,815**	N/A[3]
Customer C[2]	**36,271**	30,054
Customer D[1]	**N/A[3]**	40,488
Customer E[1]	**N/A[3]**	25,255

[1] Revenue from tea products
[2] Revenue from molybdenum products
[3] The corresponding revenue did not contribute over 10% of the total sales of the Group

8. OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Interest income on bank deposits	**1,895**	4,346
Net income from sale of scrap materials	**23**	170
Government grants *(Note)*	**12,257**	19,638
Others	**398**	1,221
	14,573	25,375

Note: In 2010, government grants received of approximately HK$12,022,000 (2009: Nil) were received by the Group from the government as a financial subsidy to the Group. The government grants are recognised directly in other income upon receipt.

9. OTHER GAINS AND LOSSES

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Gain on disposal of property, plant and equipment	**10,783**	2,092
Foreign exchange gain	**2,391**	8,160
Gain from changes in fair value of held-for-trading investments	**27,470**	18,738
Gain on disposal of available-for-sale investments	**—**	71,500
Gain on disposal of business *(Note 41)*	**—**	57,524
Gain on disposal of prepaid lease payments	**—**	28,378
Gain on disposal of subsidiaries *(Note 40)*	**—**	85,850
Purchase costs recognised as expense *(Note 39)*	**(1,299,511)**	—
Others	**3,813**	1,077
	(1,255,054)	273,319

10. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Imputed interest on long term payables and provisions	**15,162**	8,551
Interest on bank borrowings wholly repayable within five years	**10,134**	10,256
Interest on other borrowings	**57**	42
	25,353	18,849

11. INCOME TAX EXPENSE (CREDIT)

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Current tax:		
Hong Kong	—	1,918
PRC Enterprise Income Tax	**9,554**	24,623
	9,554	26,541
Overprovision in prior years:		
PRC Enterprise Income Tax	**(653)**	—
Deferred tax: *(Note 35)*		
Current year	**(3,042)**	(36,736)
	5,859	(10,195)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, Wuyi Star Tea Industrial Co., Ltd, a subsidiary of the Company acquired in 2009, is exempted from PRC income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years. This subsidiary of the Group was in its fourth profit-making year in 2010 and hence PRC income tax was calculated at 12.5% which is 50% of the standard tax rate, on the estimated assessable profit of the subsidiary for both years.

11. INCOME TAX EXPENSE (CREDIT) *(CONTINUED)*

The tax charge (credit) for the year can be reconciled to the loss per the consolidated statement of comprehensive income as follows:

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Loss before tax:		
(from continuing operations)	**(1,837,596)**	(420,645)
Tax at the domestic income tax rate of 25%	**(459,399)**	(105,161)
Tax effect of expenses not deductible for tax purposes	**467,487**	133,107
Tax effect of income not taxable for tax purposes	**(31,424)**	(56,077)
Tax effect of tax loss not recognised	**21,636**	810
Tax effect of deductible temporary differences not recognised	**12,627**	25,202
Income tax on concessionary rate	**(5,032)**	(6,966)
Effect of different tax rate of subsidiaries	**—**	(988)
Others	**(36)**	(122)
Income tax expense (credit) for the year	**5,859**	(10,195)

The domestic income tax rate represents the tax rate in the jurisdiction where the operation of the Group is substantially based.

12. DISCONTINUED OPERATION

On 22 November 2010, the Group entered into a sale agreement to dispose of a subsidiary, HSC, which was engaged in the Group's mining, processing and sales of copper and zinc operation. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The disposal was completed on 29 November 2010, on which date control of HSC was passed to the acquirer.

The profit for the year from discontinued operation for HSC is analysed as follows:

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
(Loss) profit of mining, processing and sales of copper and zinc operations for the year	**(9,733)**	9,095
Gain on disposal of mining, processing and sales of copper and zinc operations *(Note 40(i))*	**100,649**	—
	90,916	9,095

12. DISCONTINUED OPERATION *(CONTINUED)*

The results of the mining, processing and sales of copper and zinc operations for the period from 1 January 2010 to 29 November 2010, which have been included in the consolidated statement of comprehensive income, were as follows:

	1.1.2010 to 29.11.2010	1.1.2009 to 31.12.2009
	HK$'000	*HK$'000*
		(Restated)
Revenue	**4,195**	31,477
Cost of sales	**(3,058)**	(12,626)
Gross profit	**1,137**	18,851
Other income	**230**	448
Other gains and losses	**654**	689
Selling and distribution expenses	**(30)**	(1,565)
Administrative expenses	**(11,724)**	(9,328)
(Loss) profit for the period/year	**(9,733)**	9,095
(Loss) profit for the year from discontinued operating include the following:		
Depreciation and amortisation	**—**	3,321
Gain on disposal of property, plant and equipment	**—**	(116)
Reversal of allowance for inventories	**—**	(2,351)

During the year, HSC contributed approximately HK$7,365,000 to the Group's net operating cash outflows (2009: net operating cash inflows of HK$2,719,000). The carrying amounts of the assets and liabilities of HSC at the date of disposal are disclosed in Note 40(i).

13. LOSS FOR THE YEAR

Continuing operations

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Loss for the year has been arrived at after charging:		
Directors' remuneration *(Note 14)*	**31,150**	36,781
Other staff's salary, bonus and allowance	**42,689**	45,990
Other staff's contribution to retirement benefit scheme	**4,709**	6,947
Total staff costs	**78,548**	89,718
Reversal of allowance for inventories (included in cost of sales)	**(553)**	(32,413)
Reversal of impairment losses on trade and other receivables	**(2,045)**	(1,650)
(Reversal) written off of tax recoverable	**(8,655)**	20,875
Amortisation of other intangible assets	**1,143**	2,978
Amortisation of prepaid lease payments	**3,263**	1,693
Auditors' remuneration	**2,600**	2,100
Costs of inventories recognised as an expense	**217,387**	116,846
Depreciation of property, plant and equipment	**7,275**	16,710

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

	2010 HK$'000	2009 HK$'000
Fees	**600**	600
Other emoluments		
Salaries and other benefits	**5,539**	5,357
Performance related incentive payments *(Note a)*	**15,640**	12,406
Share-based payments	**8,472**	17,570
Retirement benefits contributions	**899**	848
	31,150	36,781

The emoluments paid or payable to each of the 10 directors were as follows:

2010

	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000	Share-based payments HK$'000	Retirement benefits contributions HK$'000	Total HK$'000
Chairman						
You Xian Sheng	—	1,500	—	1,994	75	3,569
Executive directors						
Wang Hui	—	1,039	2,299	498	18	3,854
Yeung Kwok Kuen	—	1,500	6,670	2,493	409	11,072
Chen Shou Wu	—	1,500	6,671	2,492	397	11,060
Non-executive director						
Lam Ming Yung	120	—	—	199	—	319
Independent non-executive directors						
Chan Sze Hon	120	—	—	199	—	319
Goh Choo Hwee	120	—	—	199	—	319
Chu Kang Nam	120	—	—	199	—	319
Lin Xiang Min	120	—	—	199	—	319
	600	5,539	15,640	8,472	899	31,150

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

2009

	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000	Share-based payments HK$'000	Retirement benefits contributions HK$'000	Total HK$'000
Chairman						
Cai Yuan *(Note b)*	—	207	—	—	10	217
You Xian Sheng	—	1,500	250	4,135	88	5,973
Executive directors						
Wang Hui	—	1,025	348	1,034	3	2,410
Yeung Kwok Kuen	—	1,260	5,895	5,168	368	12,691
Chen Shou Wu	—	1,365	5,913	5,168	379	12,825
Non-executive director						
Lam Ming Yung	120	—	—	413	—	533
Independent non-executive directors						
Chan Sze Hon	120	—	—	413	—	533
Goh Choo Hwee	120	—	—	413	—	533
Chu Kang Nam	120	—	—	413	—	533
Lin Xiang Min	120	—	—	413	—	533
	600	5,357	12,406	17,570	848	36,781

Note:

(a) The performance related incentive payment is determined by reference to the financial performance of certain subsidiaries of the Group during the year.

(b) Cai Yuan resigned as a director on 5 June 2009 and his position as Chairman was replaced by You Xian Sheng.

No directors waived any emoluments for both years.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four were directors of the Company whose emoluments are included in the disclosures above for both years. The emoluments of the remaining one individual were as follows:

	2010 ***HK$'000***	2009 *HK$'000*
Salaries and other benefits	**3,685**	1,030
Share-based payments	**498**	1,034
Retirement benefits contributions	**18**	3
	4,201	2,067

15. LOSS PER SHARE

From continuing and discontinued operations

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

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Loss for the year attributable to owners of the Company and loss for the purposes of basic and diluted loss per share	**(1,749,676)**	(321,876)
	'000	*'000*
Weighted average number of shares for the purposes of basic and diluted loss per share	**6,703,295**	6,102,826

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Loss for the year attributable to owners of the Company	**(1,749,676)**	(321,876)
Less: Profit for the year from discontinued operation	**(90,916)**	(9,095)
Loss for the purpose of basic and diluted loss per share from continuing operations	**(1,840,592)**	(330,971)

The denominators used are the same as those detailed above for basic and diluted loss per share.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding share options and non-redeemable convertible preference shares as their exercise would result in a decrease in loss per share for both years.

From discontinued operation

Basic and diluted earnings per share for the discontinued operation in 2010 is HK$1.36 cents per share (2009: HK$0.15 cents per share), based on the profit for the period from the discontinued operation of approximately HK$90,916,000 (2009: HK$9,095,000) and the denominators detailed above for both basic and diluted loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Mining structures HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2009	67,050	363,038	121,306	8,936	16,151	113,210	689,691
Exchange adjustments	41	185	53	7	8	95	389
Additions	707	13,430	1,198	396	2,264	444	18,439
Acquisition of subsidiaries	—	36,658	3,531	3,838	1,333	—	45,360
Disposal of subsidiaries	—	(2,812)	(9,085)	(79)	(609)	(75,806)	(88,391)
Disposal of business	—	—	(754)	—	—	—	(754)
Disposals	—	(33,378)	(8,115)	(223)	(2,284)	—	(44,000)
Transfers	—	4,466	—	—	—	(4,466)	—
At 31 December 2009 and 1 January 2010	67,798	381,587	108,134	12,875	16,863	33,477	620,734
Exchange adjustments	2,365	10,851	3,677	45	190	32	17,160
Additions	1,246	17,626	444	715	3,531	17,845	41,407
Acquisition of subsidiaries	—	—	—	1,479	608	—	2,087
Transfers	—	16,621	—	—	—	(16,621)	—
Disposal of a subsidiaries	—	—	—	—	(37)	—	(37)
Disposals	—	(150)	(6,026)	(360)	(7,418)	—	(13,954)
At 31 December 2010	71,409	426,535	106,229	14,754	13,737	34,733	667,397
DEPRECIATION AND IMPAIRMENT							
At 1 January 2009	44,511	230,465	73,938	4,876	8,276	109,184	471,250
Exchange adjustments	3	69	38	4	1	93	208
Charge for the year	1,630	10,653	4,392	705	2,651	—	20,031
Eliminated on disposal of subsidiaries	—	(2,773)	(8,992)	(50)	(157)	(75,800)	(87,772)
Eliminated on disposal of business	—	—	(59)	—	—	—	(59)
Eliminated on disposals	—	(33,129)	(7,903)	(1)	(1,770)	—	(42,803)
Impairment loss recognised in profit or loss	14,081	85,416	37,409	—	1,781	—	138,687
At 31 December 2009 and 1 January 2010	60,225	290,701	98,823	5,534	10,782	33,477	499,542
Exchange adjustments	2,279	10,849	3,646	39	125	—	16,938
Charge for the year	1,130	2,934	1,037	1,201	973	—	7,275
Eliminated on disposal of subsidiary	—	—	—	—	(4)	—	(4)
Eliminated on disposal	—	(139)	(5,262)	(360)	(7,384)	—	(13,145)
Impairment loss recognised in profit or loss	2,169	39,221	3,716	—	—	—	45,106
At 31 December 2010	65,803	343,566	101,960	6,414	4,492	33,477	555,712
CARRYING VALUES							
At 31 December 2010	**5,606**	**82,969**	**4,269**	**8,340**	**9,245**	**1,256**	**111,685**
At 31 December 2009	7,573	90,886	9,311	7,341	6,081	—	121,192
At 1 January 2009	22,539	132,573	47,368	4,060	7,875	4,026	218,441

16. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

The carrying value of buildings comprise:

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
Long lease in Hong Kong	**13,700**	14,326	14,950
Medium-term lease in the PRC	**69,269**	76,560	117,623
	82,969	90,886	132,573

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis as follows:

Mining structures	6 — 28 years
Buildings	Shorter of lease term of land or 8 — 40 years
Plant and machinery	12 — 14 years
Furniture, fixtures and equipment	5 — 10 years
Motor vehicles	5 — 10 years

Applications for property ownership certificates of certain buildings located in Wuyishan with aggregate carrying value of approximately HK$29,740,000 as of 31 December 2010 (2009: HK$33,475,000) were still in progress and these property ownership certificates had not been issued to the Group by the relevant government authorities as at 31 December 2010.

The directors of the Company are of the opinion that the Group has acquired the beneficial title to these buildings at the end of the reporting period, and the property ownership certificates can be obtained in the near future.

Due to the decrease in market price of various minerals and the increase in cost of production for molybdenum products, impairment loss was recognised for both years to write down the carrying amounts of the related property, plant and equipment to their recoverable amounts. The impairment loss was related to the following segments:

	2010	2009
	HK$'000	*HK$'000*
Molybdenum products	**45,106**	86,643
Other products	**—**	52,044
	45,106	138,687

Details of the impairment testing are set out in Note 21.

17. PREPAID LEASE PAYMENTS

Analysed for reporting purposes as:

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
Current asset	**3,873**	3,167	2,120
Non-current asset	**33,800**	37,447	71,951
	37,673	40,614	74,071

The prepaid lease payments are under medium-term leases and are situated in the PRC. The prepaid lease payments are amortised over their lease periods.

Due to the decrease in market price of various minerals and the increase in cost of production for molybdenum products, impairment loss was recognised during the year to write down the carrying amounts of the related prepaid lease payments to their recoverable amounts. The impairment loss was related to the following segments:

	2010	2009
	HK$'000	*HK$'000*
Molybdenum products	**1,572**	10,579
Tea products	**—**	—
Other products	**—**	197
	1,572	10,776

Details of the impairment testing are set out in Note 21.

18. EXPLORATION AND EVALUATION ASSETS

	HK$'000
COST	
At 1 January 2009	44,213
Exchange adjustments	4
Additions	347
At 31 December 2009 and 1 January 2010	44,564
Exchange adjustments	1,686
At 31 December 2010	46,250
IMPAIRMENT	
At 1 January 2009	32,984
Impairment loss recognised in profit or loss	11,580
At 31 December 2009 and 1 January 2010	44,564
Exchange adjustments	1,686
At 31 December 2010	46,250
CARRYING VALUES	
At 31 December 2010	—
At 31 December 2009	—
At 1 January 2009	11,229

In 2009, the management considers that it is not commercially viable to further continue the exploration given the unfavourable economic environment. As the carrying amount of the exploration and evaluation assets is unlikely to be recovered, the management decided to fully impair the related evaluation and exploration assets in 2009. Accordingly, impairment loss of approximately HK$11,580,000 (2010: Nil) was recognised in profit or loss for the year ended 31 December 2009.

19. GOODWILL

	HK$'000
COST	
At 1 January 2009	—
Arising on acquisition of a subsidiary	511,381
At 31 December 2009, 1 January 2010 and 31 December 2010	511,381
IMPAIRMENT	
At 1 January 2009, 31 December 2009 and 1 January 2010	—
Impairment loss recognised in the year	423,086
At 31 December 2010	423,086
CARRYING VALUES	
At 31 December 2010	88,295
At 31 December 2009	511,381
At 1 January 2009	—

Particulars regarding impairment testing on goodwill are disclosed in Note 21.

20. OTHER INTANGIBLE ASSETS

	Mining rights HK$'000	Exploration rights HK$'000	Brand name HK$'000	Network video platform HK$'000	Total HK$'000
COST					
At 1 January 2009	5,135,999	14,882	—	—	5,150,881
Exchange adjustments	400	19	—	—	419
Acquired on acquisition of subsidiaries *(Note 39)*	—	—	79,374	—	79,374
Additions	30	—	—	—	30
At 31 December 2009 and 1 January 2010	5,136,429	14,901	79,374	—	5,230,704
Exchange adjustments	122,028	564	—	111	122,703
Acquired on acquisition of subsidiaries *(Note 39)*	—	—	—	952	952
Additions	—	—	—	1,531	1,531
At 31 December 2010	5,258,457	15,465	79,374	2,594	5,355,890
AMORTISATION AND IMPAIRMENT					
At 1 January 2009	4,589,257	14,847	—	—	4,604,104
Exchange adjustments	8	17	—	—	25
Amortised to profit or loss	2,978	—	—	—	2,978
Amortised to exploration and evaluation assets	—	37	—	—	37
Impairment loss recognised in profit or loss	441,186	—	—	—	441,186
At 31 December 2009 and 1 January 2010	5,033,429	14,901	—	—	5,048,330
Exchange adjustments	118,220	564	—	—	118,784
Amortised to profit or loss	1,143	—	—	—	1,143
Impairment loss recognised in profit or loss	—	—	44,091	—	44,091
At 31 December 2010	5,152,792	15,465	44,091	—	5,212,348
CARRYING VALUES					
At 31 December 2010	105,665	—	35,283	2,594	143,542
At 31 December 2009	103,000	—	79,374	—	182,374
At 1 January 2009	546,742	35	—	—	546,777

The above intangible assets other than brand name have finite useful lives. Mining rights are amortised using the units of production method based on the proven and probable mineral reserves and the amortisation rate used in 2010 is 0.02% (2009: 0.06%). Exploration rights are amontised on a straight-line basis over the contractual rights of 2 years. Network video platform is amortised on a straight-line basis over its expected useful life of 9 years.

20. OTHER INTANGIBLE ASSETS *(CONTINUED)*

Mining rights

Due to the decrease in market price of various minerals and also the increase in cost of production for molybdenum products, impairment loss was recognised during the year ended 31 December 2009 to write down the carrying amounts of the related mining rights to their recoverable amounts. The impairment loss was related to the following segment:

	31.12.2010	31.12.2009
	HK$'000	*HK$'000*
Molybdenum products	**—**	441,186

Brand name (included in the CGU of tea business)

Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the brand name has no foreseeable limit to the period over which the products with the brand name are expected to generate net cash flows for the Group.

As a result, the brand name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The brand name will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in Note 21.

Network video platform (included in the CGU of iTV business)

The network video platform represents the design and application of the network video platform for providing online video services. As at 31 December 2010, the construction of platform has not been completed and the platform will not be amortised until it is completed and ready to use. Instead it will be tested for impairment annually whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in Note 21.

21. IMPAIRMENT TESTING ON GOODWILL, OTHER INTANGIBLE ASSETS PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

Impairment testing on tea business

The goodwill and other intangible assets with indefinite useful life (brand name) arose from the acquisition of King Gold Investments Limited and its subsidiaries ("King Gold Group") (Note 39) in 2009. The tea business operated by King Gold Group is the CGU for the purpose of impairment testing of goodwill and other intangible assets with indefinite useful life.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. In the preparation of the condensed consolidated financial statements for the interim period ended 30 June 2010, the directors of the Company determined that the recoverable amount of King Gold Group (being the Cash Generating Unit to which the goodwill and other intangible assets have been allocated) was less than the aggregate carrying amounts of the goodwill, other intangible assets and the net assets value of King Gold Group due to deteriorating results during the current period.

During that interim period, there were unexpected natural disasters took place in the area where King Gold Group operates. With shortage of raw materials supplied, the material price kept increasing, thus adversely affecting the gross margins of the King Gold Group. In addition, there was a loss of two major customers which has contributed significant portion of revenue in the prior years. The projected cash flow were then revised to reflect such factors.

The recoverable amounts of King Gold Group as at 30 June 2010 and 31 December 2010 were determined on the basis of value in use calculation and based on certain key assumptions. The cash flow projections were prepared from financial budgets approved by the management of the Group covering a five-year period and a discount rate of 12.6%. Cash flows beyond the five-year period were extrapolated using a 3% steady growth rate. This growth rate was based on the relevant growth forecasts and does not exceed the average long-term growth rate for the relevant industry. In addition, the cash flow projections were prepared based on the expected gross margins determined based on past performance and management's expectations for the market development.

As at 30 June 2010, impairment loss in respect of goodwill of approximately HK$423,086,000 was recognised in the interim period. As at 31 December 2010, based on the recoverable amount determined on the basis described above, no further impairment loss for goodwill in respect of the year ended 31 December 2010 is required. As at 31 December 2010, a reasonably possible change in any of these assumptions would not cause the carrying amount of King Gold Group to exceed the recoverable amount of King Gold Group.

During the year ended 31 December 2010, management appointed an independent valuer, BMI Appraisals Limited, to perform a business valuation on King Gold Group. The directors of the Company determine that the recoverable amount of the brand name is less than its carrying value due to the loss of two major customers in current period. The recoverable amount of brand name has been determined on the basis of its fair value. Relief-from-royalty Method was applied in the valuation of the brand name. In applying the method, an estimate of a reasonable royalty rate was made assuming that the brand name was licensed at a fair rate as a result of arm's length negotiations. Royalty rate of 3% was adopted in the valuation of brand name.

As a result of the above, impairment losses in respect of the goodwill and brand name of approximately HK$423,086,000 and HK$44,091,000, respectively, were recognised in the consolidated statement of comprehensive income during the year ended 31 December 2010.

21. IMPAIRMENT TESTING ON GOODWILL, OTHER INTANGIBLE ASSETS PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

(CONTINUED)

Impairment testing on mining business of molybdenum

The impairment losses of other intangible assets, property, plant and equipment and prepaid lease payments relating to the mining business of molybdenum ("Mining Unit") is attributable to the decrease in market price of molybdenum products during 2009 and increase in production cost in 2010 due to the unfavorable economic environment. The operation of mining, processing and sales of molybdenum products is the CGU for the purpose of impairment testing of the Mining Unit.

During the year ended 31 December 2010, management appointed an independent valuer, Greater China Appraisal Limited, to perform a business valuation on the Mining Unit and impairment loss of approximately HK$46,677,000 (2009: HK$538,408,000) has been made according to the excess of the aggregate carrying amounts of the Mining Unit over the recoverable amount (being the CGU to which the Mining Unit has been allocated) based on the valuation report. The value in use calculation is based on a discount rate of 21% (2009: 21.6%) and cash flow projections prepared from financial forecasts approved by the management of the Group covering a 5-year period, taking into account of the cavity refill requirement by the PRC government which lowered the maximum annual production of minerals and a longer forecast period for compliance with the tightened government safety requirements. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the Mining Unit's past performance and management's expectations for the market development.

The impairment loss is allocated to reduce the carrying amounts of the assets of Mining Unit pro rata on the basis of the carrying amount of each class of asset in the Mining Unit, as follows:

	2010	2009
	HK$'000	*HK$'000*
Property, plant and equipment	**45,106**	86,643
Prepaid lease payments	**1,572**	10,579
Other intangible assets — mining rights	**—**	441,186
	46,678	538,408

21. IMPAIRMENT TESTING ON GOODWILL, OTHER INTANGIBLE ASSETS PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

(CONTINUED)

Impairment testing on mining business of minerals other than molybdenum

The impairment losses of other intangible assets, property, plant and equipment and prepaid lease payments related to the mining business other than molybdenum is attributable to the continuous decrease in market price of minerals including iron, silicon and rutile during 2009 due to the unfavorable economic environment. The property, plant and equipment and prepaid lease payments related to the mining business of these minerals are fully impaired as at 31 December 2009, as the management is of the view that the market of these minerals would take a long time to recover. The impairment loss made on property, plant and equipment, prepaid lease payment and exploration and evaluation assets amounted to approximately HK$63,821,000.

	2010	2009
	HK$'000	*HK$'000*
Exploration and evaluation assets	—	11,580
Property, plant and equipment	—	52,044
Prepaid lease payments	—	197
	—	63,821

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
Cost of unlisted investments in jointly controlled entities	—	—	39
Share of post-acquisition losses	—	—	(39)
	—	—	—

All the jointly controlled entities were deregistered in 2009. Details of the Company's jointly controlled entities as at 1 January 2009 are set out as follows:

Name of company	**Form of business structure**	**Place of incorporation/ operation**	**Issued and fully paid capital**	**Proportion of equity held by the Company**		**Principal activity**
				Directly	**Indirectly**	
GCMR Fujian Holdings Limited	Incorporated	British Virgin Islands/ Hong Kong	1,000 shares of US$10 each	50%	—	Investment holding
GCMR Fujian (Hong Kong) Limited	Incorporated	Hong Kong	1,000 shares of US$10 each	—	50%	Inactive

No summarised financial information in respect of the Group's jointly controlled entities is presented as these amounts involved are insignificant.

23. AVAILABLE-FOR-SALE INVESTMENTS/HELD-FOR-TRADING INVESTMENTS

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
Available-for-sale investments listed in overseas stock exchange equity securities	**326,710**	214,199	72,121
Held-for-trading investments			
Listed warrants at fair value	**34,353**	5,381	—
Unlisted warrants at fair value	**—**	1,365	590
	34,353	6,746	590

The listed available-for-sale investments represent investments in equity securities listed in Toronto Stock Exchange ("TSE") and New York Stock Exchange ("NYSE") for both years. They are measured at fair values determined with reference to quoted market bid prices at the end of the reporting period.

There are impairment losses of available-of-sale investments amounting to HK$46,729,000 which is due to significant and prolonged decline in fair value of an investment below its cost. During the year ended 31 December 2009, the decline in fair value of this investment amounting to HK$19,600,000 is recognised in investment revaluation reserve under other comprehensive income because such decline is expected for short period. The fair value of this investment further declines by HK$27,129,000 in 2010. Total decline in fair value is recognised as impairment losses for the year ended 31 December 2010.

At 31 December 2010 and 2009, the fair value measurement of the listed warrants is derived from quoted prices in an active market. The warrants are listed in TSE. The fair value measurement of the unlisted warrants was derived from valuation techniques at 31 December 2009.

In assessing the fair value of the unlisted warrants, key valuation parameters including stock price, exercise price, risk-free rate, nature of the warrants, expected life, historical volatility and expected dividend yield are used. The risk-free rate was determined with reference to the yield of the Canada Government Bond with duration similar to the expected life of the warrants. The expected life was determined with reference to the remaining life of the warrants as at the valuation date.

The unlisted warrants were expired during the year without execution. The loss was recognised in profit or loss in the year ended 31 December 2010.

24. DEPOSIT FOR ACQUISITION OF SUBSIDIARIES

On 22 December 2008, the Company entered into an agreement with Joy Success Limited and Master Long Limited, pursuant to which the Company agreed to acquire a 80% of the issued share capital of King Gold Investments Limited for an aggregate consideration of HK$640,000,000 which was satisfied by HK$500,000,000 in cash and new shares to be issued by the Company. As at 1 January 2009, the Company paid a deposit of HK$100,000,000 for acquisition of King Gold Group.

As the acquisition was completed on 30 April 2009, the balance was included in consideration paid for the acquisition of King Gold Group in that year.

25. DEPOSIT FOR ACQUISITION OF TEA MOUNTAIN

On 15 December 2010, a subsidiary of the Group, Wuyi Star Tea Industrial Co., Ltd ("Wuyi") entered into agreement with third parties, pursuant to which Wuyi has agreed to acquire the tea mountain which located in Fujian Province, Wuyishan City, Wuyi Town, Chishi Village, Du Kou Dan Ban, (福建省武夷山市武夷鎮赤石村渡口道班) for an aggregate consideration of HK$20,705,000 (equivalent to RMB17,536,000). This transaction will be completed upon forest ownership certificate（林權證）of the tea mountain is transferred to Wuyi. As at 31 December 2010, Wuyi has paid a deposit of HK$20,750,000 (equivalent to RMB17,536,000) for acquisition of the tea mountain and the transfer of the ownership of the tea mountain is still in progress.

26. INVENTORIES

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	**18,831**	16,989	11,328
Work in progress	**72,211**	108,084	72,031
Finished goods	**73,712**	131,112	125,691
	164,754	256,185	209,050

During the year, the net realisable value of some finished goods which provision has been made in prior years has increased. As a result, a reversal of provision of finished goods amounting to HK$553,000 (2009: HK$34,764,000) has been recognised and included in cost of sales in the current year.

27. TRADE AND OTHER RECEIVABLES

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	**71,789**	42,176	68,686
Less: Allowance for doubtful debts	**(6,323)**	(4,612)	(4,055)
	65,466	37,564	64,631
Other receivables	**77,195**	111,308	98,641
Less: Allowance for doubtful debts	**(59,022)**	(61,801)	(63,682)
	18,173	49,507	34,959
Deposits and prepayments	**12,807**	18,460	27,054
Total trade and other receivables	**96,446**	105,531	126,644

27. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

The Group normally allows credit period of 90 days to its trade customers. The aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

	31,12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
0 — 30 days	**24,194**	17,228	2,954
31 — 60 days	**267**	10,162	14,893
61 — 90 days	**36,586**	160	26,179
Over 90 days	**4,419**	10,014	20,605
	65,466	37,564	64,631

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed once a year. As at 31 December 2010, approximately 85% (2009: 92%) of the trade receivables that are neither past due nor impaired have the best credit quality assessed by the Group.

Included in the Group's trade receivable balance as at 31 December 2010 are debtors with aggregate carrying amount of approximately HK$4,419,000 (2009: HK$10,014,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered to be recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 90 days (2009: 60 days).

Trade receivables which are past due based on the invoice date but not impaired:

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
91 — 120 days	**—**	6,949	9,685
121 — 180 days	**—**	2,434	9,725
Over 180 days	**4,419**	631	1,195
	4,419	10,014	20,605

Movement in the allowance for doubtful debts for trade receivables:

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
Balance at beginning of the year	**4,612**	4,055	4,455
Exchange adjustments	**225**	3	192
Disposal of subsidiaries	**—**	—	(6,308)
Impairment losses reversal	**(130)**	—	(225)
Amount written off as uncollectable	**—**	—	(1)
Impairment losses recognised	**1,616**	554	5,942
Balance at end of the year	**6,323**	4,612	4,055

27. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Movement in the allowance for doubtful debts for other receivables:

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
Balance at beginning of the year	**61,801**	63,682	11,375
Exchange adjustments	**752**	379	925
Disposal of subsidiaries	**—**	(56)	—
Impairment losses reversal	**(3,531)**	(2,204)	(3,807)
Impairment losses recognised	**—**	—	55,189
Balance at end of the year	**59,022**	61,801	63,682

Included in the Group's allowance for doubtful debts are individually impaired trade receivables and other receivables with an aggregate balance of HK$6,323,000 (2009: HK$4,612,000) and HK$59,022,000 (2009: HK$61,801,000) respectively in which the directors of the Company consider that the Group is unlikely to recover these debts as they are long outstanding over one year. The Group does not hold any collateral over these balances.

28. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates ranging from 0.36% to 0.72% per annum as at 31 December 2010 (31 December 2009 and 1 January 2009: 0.01% to 0.72% per annum).

29. TRADE AND OTHER PAYABLES

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	**17,610**	12,935	21,491
Other payables and accruals *(Note)*	**242,983**	208,945	337,404
	260,593	221,880	358,895

Note: The amount includes approximately HK$27,710,000 (2009: HK$30,379,000) mining right payables to be settled in the next twelve months from the end of the reporting period. For details, please refer to Note 36.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
0 — 90 days	**13,261**	6,814	13,823
91 — 180 days	**44**	972	952
181 — 365 days	**504**	381	1,145
Over 1 year	**3,801**	4,768	5,571
	17,610	12,935	21,491

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timetable.

30. AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES AND NON-CONTROLLING SHAREHOLDERS

The amounts due to jointly controlled entities were unsecured, interest-free and fully repaid in 2009.

The amounts due to non-controlling shareholders are unsecured, interest-free and repayable on demand.

31. BANK BORROWINGS

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
Bank loans — unsecured	**82,645**	85,320	79,583
Bank loans — guaranteed by a third party	**—**	34,128	90,952
	82,645	119,448	170,535
Carrying amount payable:			
On demand or within one year	**82,645**	51,192	136,428
More than one year but not exceeding two years	**—**	68,256	34,107
	82,645	119,448	170,535
Less: Amounts due within one year shown under current liabilities	**(82,645)**	(51,192)	(136,428)
	—	68,256	34,107

The ranges of effective interest rates on the Group's bank borrowings are as follows:

	2010	2009
Variable-rate borrowings (with reference to the lending rate of The People's Bank of China ("PBOC"))	**5.40%-5.94%**	5.31%-6.37%

32. OTHER BORROWINGS

	Notes	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
Analysed for reporting purposes as:				
Current liabilities	(a)	**1,181**	1,137	1,137
Non-current liabilities	(b)	**19,233**	4,880	4,877
		20,414	6,017	6,014

Notes:

(a) A loan with a principal amount of approximately HK$1,181,000 (equivalent to RMB1,000,000) (2009: HK$1,137,000) was provided by the Industry Development Fund（工業發展基金）of the Harbin Finance Bureau in 1998. The amount is unsecured, interest-free and repayable on demand.

(b) (i) A loan with a principal amount of approximately HK$5,064,000 (equivalent to RMB4,290,000) was provided by the Harbin Finance Bureau in 2007. The amount is unsecured, interest bearing with a fixed rate of 2.55% per annum and the repayment terms are as follows.

	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
Within one year	**—**	—	—
More than one year, but not more than two years	**—**	—	—
More than two years, but not more than five years	**1,612**	1,553	1,108
More than five years (up to 2022)	**3,452**	3,327	3,769
	5,064	4,880	4,877

(ii) An unsecured loan with principal amount of approximately HK$14,169,000 (equivalent to RMB 12,000,000 was acquired through the acquisition of a subsidiary (Note 39(i)). The loan was granted in June 2010 and it bears interest at 5% per annum and the repayment terms are as follows:

	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
Within one year	**—**	—	—
More than one year, but not more than two years	**14,169**	—	—
	14,169	—	—

33. PROVISIONS

In accordance with relevant PRC rules and regulations, the Group is obliged to accrue the costs for land reclamation and cavity refill for the Group's existing mines. The provision for land reclamation and cavity refill costs has been determined by the directors of the Company based on their best estimation and such costs are expected to be incurred during the period from 2011 to 2012 (2009: 2010 to 2012). Anticipated expenditure for 2011 is HK$64,505,000, and for 2012 is HK$67,078,000.

In addition to the provision of land reclamation and cavity refill costs, the Group also provides post-employment benefits to employees. The expected cost of providing these post-employment benefits is actuarially determined and recognised by using projected unit credit method, which involves a number of assumptions and estimates, including inflation rate, discount rate and employees' turnover ratio (see Note 45). In addition, the Group also provides cost of residence benefit to its employees and their families. The cost has been determined by the directors of the Company based on their best estimation and HSC's financial ability. Anticipated expenditure in respect of post-employment benefit to be paid in 2011 is HK$35,000 and the remaining expenditure of HK$9,233,000 is expected to be incurred after 2011.

	Provision for land reclamation and cavity refill cost	**Provision for post-employment benefits**	**Provision for cost of residence**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009, as restated	140,967	72,635	112,505	326,107
Exchange difference	87	52	78	217
Addition for the year	868	4,762	918	6,548
Utilisation of provision	(17,873)	(2,159)	—	(20,032)
Actuarial gain	—	(6,018)	—	(6,018)
At 31 December 2009 and 1 January 2010, as restated	124,049	69,272	113,501	306,822
Exchange difference	4,693	1,894	2,866	9,453
Addition (reversal) for the year	9,094	4,690	(14,547)	(763)
Utilisation of provision	(6,253)	(2,034)	(21)	(8,308)
Actuarial gain	—	(621)	—	(621)
Disposal of a subsidiary *(Note 40(i))*	—	(63,933)	(101,799)	(165,732)
At 31 December 2010	131,583	9,268	—	140,851

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	*(Restated)*
Analysed for reporting purposes as:			
Current liabilities	**64,540**	76,163	39,847
Non-current liabilities	**76,311**	230,659	286,260
	140,851	306,822	326,107

34. DEFERRED INCOME

Deferred income represents government grants received by the Group at the end of the reporting period in respect of acquisition of property, plant and equipment and prepaid lease payments. Such government grants are recognised as deferred income initially and recognised in profit or loss as other income over the useful lives of the assets.

Movements of government grants during the year are as follows:

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
At beginning of the year	**32,435**	46,644	133,790
Exchange difference	**1,283**	356	4,970
Disposal of subsidiaries *(Note 40)*	**—**	(35,297)	(62,864)
Received during the year	**2,299**	40,370	12,930
Recognised in profit or loss for the year	**(235)**	(19,638)	(42,182)
At end of the year	**35,782**	32,435	46,644

The Group received several one-off government grants in respect of acquisition of property, plant and equipment and prepaid lease payments which can only be recognised when the relevant mines subsidised by the government commence operations, which is a condition set out by the government.

35. DEFERRED TAX LIABILITIES

The followings are the deferred tax liabilities (assets) recognised and movements thereon during both years:

	Accelerated tax depreciation	**Intangible assets**	**Provisions**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009	11,609	93,734	(56,651)	(6,615)	42,077
(Credit) charge to profit or loss for the year	(4,406)	(93,791)	55,463	5,998	(36,736)
Acquisition of subsidiaries *(Note 39)*	246	19,844	—	—	20,090
Exchange difference	3	57	(175)	(246)	(361)
At 31 December 2009 and 1 January 2010	7,452	19,844	(1,363)	(863)	25,070
(Credit) charge to profit or loss for the year	(3,385)	(895)	1,416	(178)	(3,042)
Disposal of a subsidiary *(Note 40)*	(3,001)	—	—	—	(3,001)
Exchange difference	168	—	(53)	(395)	(280)
At 31 December 2010	**1,234**	**18,949**	**—**	**(1,436)**	**18,747**

35. DEFERRED TAX LIABILITY *(CONTINUED)*

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$740,672,000 (2009: HK$690,164,000) mainly arising from impairment of assets, including exploration and evaluation assets, other intangible assets, property, plant and equipment and prepaid lease payments. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the end of the reporting period, the Group has unused tax losses of approximately HK$102,588,000 (2009: HK$16,044,000). No deferred tax asset has been recognised in relation to such tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$30,641,000 (2009: 41,958,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

36. OTHER LONG TERM PAYABLES

Other long term payables comprised of:

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	*HK$'000*	*HK$'000*
Mining right payables	**120,478**	126,043	194,082
Less: Amounts included under "Trade and other payables" *(Note 29)*	**(27,710)**	(30,379)	(108,440)
	92,768	95,664	85,642

Other long term payables comprised of mining right payables, pursuant to mining rights premium agreements in 2006 and 2007 entered into between the Group and the relevant government authorities of the PRC in respect of the mining rights of Shanxi Dai County Rutile mine and Wudaoling Molybdenum mine amounting to approximately HK$76,711,000 and HK$179,386,000 respectively.

The mining rights payable in respect of Shanxi Dai County Rutile mine and Wudaoling Molybdenum mine are interest free. According to repayment terms in 2008, they shall be settled in four instalments payable on or before 30 June 2012 and 22 May 2011 respectively.

In 2009, the mining rights of Shanxi Dai County Rutile mine were disposed of while the repayment term of the mining right payable for Wudaoling Molybdenum has been extended to 22 May 2016.

The carrying amounts of the mining rights payables in respect of Wudaoling Molybdenum mine have been determined using a discount rate of 5.76% for both years.

37. NON-REDEEMABLE CONVERTIBLE PREFERENCE SHARES

As part of the consideration for the acquisition of a subsidiary as mentioned in Note 39, the Company allotted and issued 3,776,190,000 non-redeemable convertible preference shares ("CPS") at HK$0.195 (market price of ordinary share) per CPS on 14 December 2010. The CPS recognised in the statement of financial position is calculated as follows:

	Number of CPS	Equity component *HK$'000*	Liability component *HK$'000*	Total *HK$'000*
Issue of CPS during the year	3,776,190,000	684,321	52,036	736,357

Trinomial Lattice Model is used to value the fair value of the CPS. The inputs into the model were as follows:

Valuation date	14 December 2010
Share price	HK$0.195
Exercise price	HK$0.21
Risk-free rate	3.556%
Expected volatility	75.4633%
Expected dividend yield	—

The liability component represents the Group's contractual obligation of interest payment to the holders of CPS. For the fair value of the liability component of the CPS at initial recognition, effective interest rate method is adopted in the valuation. The effective interest rate used in the valuation is 15.82%.

The principal terms of the CPS are set out below:

(a) Holders of the CPS shall not be entitled to any dividend payment or any distribution (including the bonus issue) of the Company other than interest at the rate of 1% per annum on the Issue Price of HK$0.21 per share (at date of entering into this agreement), amounting to approximately HK$7,930,000 per annum, payable on the last day of every six months of the date of issue of the CPS. The CPS does not carry any voting right.

(b) The CPS is not redeemable.

(c) The holders of the CPS shall have the right to convert the CPS into ordinary shares at the conversion ratio of one CPS into one ordinary share.

(d) The CPS shall rank equally among themselves. On a return of capital in liquidation or otherwise the assets of the Company available for distribution among the members of the Company, holders of the CPS and the ordinary shares shall rank pari passu with each other.

(e) The CPS is freely transferable.

(f) The CPS has no maturity date.

38. SHARE CAPITAL

	Number of shares		Share Capital	
	2010	2009	**2010**	2009
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.1 each				
Authorised				
At beginning of year	**10,000,000**	10,000,000	**1,000,000**	1,000,000
Increased on 30 September 2010	**40,000,000**	—	**4,000,000**	—
At end of year	**50,000,000**	10,000,000	**5,000,000**	1,000,000
Issued and fully paid				
At beginning of year	**6,130,785**	6,026,653	**613,078**	602,665
Issued in consideration for the acquisition of King Gold Group *(Note)*	**660,377**	—	**66,038**	—
Issued in consideration for the acquisition of Year Joy Group *(Note 39)*	**2,347,620**	—	**234,762**	—
Issued in consideration for the acquisition of held-for-trading investments	**—**	104,132	**—**	10,413
At end of year	**9,138,782**	6,130,785	**913,878**	613,078

Note: As part of the consideration for the acquisition of King Gold Group on 30 April 2009, 660,377,358 ordinary shares of the Company with a par value of HK$0.1 each were issued on 19 April 2010 when the pre-determined profit target were met.

39. ACQUISITION OF SUBSIDIARIES

(i) Acquisition of assets and liabilities through acquisition of subsidiaries

On 10 December 2010, the Group acquired the assets and liabilities of online video project through the acquisition of 70% of the issued share capital of Year Joy Investment Limited ("Year Joy") for consideration of approximately of HK$1,294,143,000. Year Joy is an investment holding company and its principal asset is its investment in Top Delight Investment Limited ("Top Delight"), which in turn holds the entire interest in Beijing Nian Yue Technology Co. Ltd. ("Beijing Nian Yue"). The principal activity of Top Delight is investment holding. Pursuant to the business agreement ("Business Agreement") dated 29 September 2010, China iTV Network Co., Limited ("China iTV") has granted a 20-year exclusive right to Beijing Nian Yue to provide technical support and consulting service to China iTV for managing its online video business. In accordance with the terms and conditions of Business Agreement, Beijing Nian Yue shall manage all aspect of China iTV's business, including but not limited to, procure or engage management staff and developing all business plans and sales projection. Also stated in the Business Agreement, China iTV shall not accept the same or similar consultation and services provided by any third party without the consent of Beijing Nian Yue. The terms of the Business Agreement may be extended by Beijing Nian Yue and the extended term shall be determined by Beijing Nian Yue. China iTV shall accept such extended term unconditionally.

39. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

(i) Acquisition of assets and liabilities through acquisition of subsidiaries *(CONTINUED)*

On the same date, all the equity owners of China iTV have authorized, through a power of attorney, Beijing Nian Yue to act as their exclusive agent and attorney with respect to the matters including but not limited to (i) attending shareholders' meeting of China iTV; (ii) exercising all the shareholder's rights and shareholder's voting rights of China iTV; (iii) designating and appointing the directors and other key management members of China iTV. By way of the Business Agreement and the power of attorneys, Beijing Nian Yue will enjoy substantial economic benefit from managing and controlling the iTV business. In consideration of services provided by Beijing Nian Yue, China iTV shall pay Beijing Nian Yue service fee of not less than 90% of China iTV's after-tax profits for last financial year and the percentage can be further adjusted at the discretion of Beijing Nian Yue. Accordingly, China iTV is accounted for as a subsidiary of Year Joy. China iTV is engaged in providing online video services. Year Joy was acquired so as to continue the expansion of the Group's operations.

As at the date of acquisition by the Group, Year Joy and its subsidiaries have not commenced any business operation. Accordingly, this acquisition is accounted as assets acquisition.

Purchase consideration transferred

	HK$'000
Cash	100,000
Ordinary shares	457,786
Non-redeemable convertible preference shares *(Note 37)*	736,357
Total	1,294,143

As part of the purchase consideration for the acquisition of Year Joy Group, 2,347,620,000 ordinary shares of the Company with par value of HK$0.1 each were issued. The fair value of the ordinary shares of the Company, determined using the published price available at the date of consideration transferred, amounted to approximately HK$457,786,000. As part of the consideration for the acquisition, 3,776,190,000 convertible preference shares of the Company were issued as set out in Note 37.

Acquisition-related costs amounting to HK$3,098,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expense line item in the consolidated statement of comprehensive income.

39. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

(i) Acquisition of assets and liabilities through acquisition of subsidiaries *(CONTINUED)*

	HK$'000
Net liabilities acquired:	
Property, plant and equipment	2,087
Intangible assets	952
Amount due from related parties of Year Joy	3,157
Trade and other receivables	1,494
Bank balances and cash	5,363
Trade and other payable	(2,350)
Other borrowing	(14,030)
Amount due to related parties of Year Joy	(4,342)
	(7,669)
Non-controlling interests	2,301
	(5,368)
Purchase consideration transferred	(1,294,143)
Excess	(1,299,511)

There is excess between purchase consideration paid and assets and liabilities acquired from Year Joy amounting to HK$1,299,511,000. This excess amount is charged to profit or loss during the year as in the opinion of directors, this excess amount is purchase cost paid by the Group for the contractual relationships between China iTV, Unicom Broadband Online Ltd. and several television program content providers. However, such relationships are not exclusive to China iTV and do not meet the definition of intangible assets under HKAS 38 "Intangible assets". According, the full amount is recognised as an expense in the consolidated statement of comprehensive income during the year.

Net cash outflow on acquisition of Year Joy

	HK$'000
Cash consideration paid	100,000
Less: cash and cash equivalent balances acquired	(5,363)
	(94,637)

Included in the loss for the year is HK$26,000 loss attributable to the additional business generated by Year Joy. No revenue was generated from Year Joy as it has not commenced its business as at 31 December 2010.

39. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

(ii) Acquisition of the business

On 30 April 2009, the Group acquired a 80% interest in issued share capital of King Gold Group for a cash consideration of HK$500,000,000 and 660,377,358 ordinary shares of the Company with a par value of HK$0.1 each to be issued upon the issue of the audited financial statements of King Gold Group for the year ended 31 December 2009 (the "Acquisition") from a third party. The Acquisition has been accounted for using the purchase method. The amount of goodwill and other intangible assets (brand name) arising from the acquisition were approximately HK$511,381,000 and HK$79,374,000 respectively. The goodwill arising on the acquisition of King Gold Group is attributable to the anticipated profitability of the revenue from cultivation, production, sales and research of tea.

King Gold Group is principally engaged in the production, sales and research of oolong tea, green tea, jasmine tea, black tea and in particular, WuYi rock-essence tea in the PRC.

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

	Acquiree's carrying amount before combination *HK$'000*	Fair value adjustments *HK$'000*	Fair value *HK$'000*
Net assets acquired:			
Property, plant and equipment	46,810	(1,450)	45,360
Prepaid lease payments	8,366	2,437	10,803
Other intangible assets (brand name)	—	79,374	79,374
Inventories	21,353	—	21,353
Trade and other receivables	62,624	—	62,624
Bank balances and cash	28,902	—	28,902
Trade and other payables	(18,751)	—	(18,751)
Tax payable	(2,048)	—	(2,048)
Bank borrowings	(11,339)	—	(11,339)
Other borrowings	(1,701)	—	(1,701)
Deferred tax liabilities	—	(20,090)	(20,090)
	134,216	60,271	194,487
Total consideration satisfied by:			
Cash *(Note)*			500,000
Shares issued			157,170
			657,170
Goodwill arising on acquisition:			
Consideration transferred			657,170
Plus: non-controlling interests			38,898
directly attributed costs			9,800
Less: net assets acquired			(194,487)
			511,381
Net cash outflow arising on acquisition:			
Cash consideration and transaction costs paid during the year *(Note)*			(409,800)
Bank balances and cash acquired			28,902
			(380,898)

Note: The total amount of consideration includes a deposit for acquisition of subsidiaries of HK$100,000,000 paid in 2008.

39. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

(ii) Acquisition of the business *(CONTINUED)*

Pursuant to the sale and purchase agreement, the consideration of HK$657,170,000 is subject to adjustment. If the actual audited consolidated net profit after tax of the King Gold Group ("Actual Profit") for the year ended 31 December 2009 is equal to or more than HK$80,000,000 ("Guarantee Profit"), there shall be no adjustment to the consideration and 660,377,358 ordinary shares of the Company shall be issued by the Company to the vendor. The consideration shall be adjusted downward if the Actual Profit is less than Guarantee Profit. Details of the Acquisition are set out in the announcement and circular of the Company dated 7 January 2009 and 27 March 2009 respectively.

As part of the consideration for the acquisition of King Gold Group, 660,377,358 ordinary shares of the Company with a par value of HK$0.1 each are to be issued only upon the Actual Profit for the year ended 31 December 2009 is equal to or more than HK$80,000,000. The fair value of the ordinary shares of the Company, determined using the published price available at the date of the acquisition of HK$0.238, amounted to HK$157,170,000 is recorded in equity. Shares were issued during the year ended 31 December 2010 and no adjustment was made on the number of shares issued for the acquisition of King Gold Group since the Actual Profit for the year ended 31 December 2009 was more than HK$80,000,000.

King Gold Group contributed profit of approximately HK$69,754,000 to the Group's results for the period between the dates of acquisition to 31 December 2009.

Had the acquisition had been completed on 1 January 2009, total group revenue for the year would have been HK$256,857,000 and loss for the period would have been HK$399,112,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is it intended to be a projection of future results.

40. DISPOSAL OF SUBSIDIARY

(i) Disposal of HSC

On 29 November 2010, the Group discontinued its mining, processing and sale of copper and zinc operations by disposing its subsidiary, HSC. The net liabilities of HSC at the date of disposal were as follows:

	29.11.2010
	HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	33
Inventories	5,588
Trade and other receivables	1,411
Amounts due from group companies	109,109
Trade and other payable	(20,155)
Mining rights payable	(9,968)
Deferred tax	(3,001)
Tax liabilities	(6,268)
Provision	(165,732)
Net liabilities disposed of	(88,983)
Gain on disposal of a subsidiary:	
Cash consideration received	11,666
Net liabilities disposed of	88,983
Gain on disposal	100,649
Net cash inflow arising on disposal:	
Cash consideration	11,666

The assets being disposed of also included property, plant and equipment of which impairment loss had been made in prior years. The impact of HSC on the Group's results and cash flows in the current and prior periods is disclosed in Note 12.

40. DISPOSAL OF SUBSIDIARY *(CONTINUED)*

(ii) On 24 May 2009 and 27 August 2009, the Group disposed of 100% equity interest in Wuhai Derun Ferroalloy Limited Liability Company and Inner Mongolia Zhongrun Magnesium Co., Ltd. respectively to third parties. The net assets of the disposed subsidiaries at the dates of disposal were as follows:

	Wuhai Derun Ferroalloy Limited Liability Company 24 May 2009 *HK$'000*	**Inner Mongolia Zhongrun Magnesium Co., Ltd. 27 August 2009** *HK$'000*	**Total** *HK$'000*
Consideration received:			
Cash received	6,132	22,712	28,844
Analysis of assets and liabilities over which control was lost:			
Property, plant and equipment	—	619	619
Prepaid lease payments	—	22,241	22,241
Other receivables	85	—	85
Bank balances and cash	—	2	2
Trade and other payables	(205)	(32,823)	(33,028)
Tax payable	—	(11,628)	(11,628)
Deferred income	—	(35,297)	(35,297)
Net liabilities disposed of	(120)	(56,886)	(57,006)
Gain on disposal of a subsidiary:			
Consideration received	6,132	22,712	28,844
Net liabilities disposed of	(120)	(56,886)	(57,006)
Gain on disposal	6,252	79,598	85,850
Net cash inflow arising on disposal:			
Cash consideration	6,132	22,712	28,844
Bank balances and cash disposed of	—	(2)	(2)
Total consideration	6,132	22,710	28,842

The assets being disposed of also included property, plant and equipment and prepaid lease payments of which impairment loss had been made in prior years. The impact of Wuhai Derun Ferroalloy Limited and Inner Mongolia Zhongrun Magnesium Co., Ltd. on the Group's results and cash flows in 2009 were insignificant.

41. DISPOSAL OF BUSINESS

On 9 December 2009, the Group disposed of certain asset and liabilities of Shanxi Shenli Aerospace Titanium Company Limited. The net liabilities of Shanxi Shenli Aerospace Titanium Company Limited disposed of were as follows:

	9 December 2009 *HK$'000*
Consideration received:	
Cash received	**6,998**
Property, plant and equipment	**695**
Other payables	**(51,221)**
Net liabilities disposed of	**(50,526)**
Gain on disposal:	
Consideration received	**6,998**
Net liabilities disposed of	**50,526**
Gain on disposal	**57,524**
Net cash inflow arising on disposal:	
Cash consideration	**6,998**

The assets being disposed of also included property, plant and equipment, prepaid lease payments and mining rights of which impairment loss had been fully made in prior years.

The impact of Shanxi Shenli Aerospace Titanium Company Limited on the Group's results and cash flows in 2009 was insignificant.

42. MAJOR NON-CASH TRANSACTIONS

The Group's major non-cash transaction is set out in Note 39.

43. OPERATING LEASES

	2010	2009
	HK$'000	*HK$'000*
Minimum lease payments in respect of premises and tea plantation paid under operating leases during the year	**3,496**	3,332

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

	2010	2009
	HK$'000	*HK$'000*
Within one year	**3,870**	889
In the second to fifth years inclusive	**15,080**	5,347
After five years	**—**	199
	18,950	6,435

Operating lease payments represent rentals payable by the Group for certain of its office premises and tea plantation. Leases are negotiated and rentals are fixed for terms ranging from one to five years, and there is option to renew the lease contract of a tea plantation on expiry of lease term at rental rates based on the last rental payments.

44. CAPITAL COMMITMENTS

	2010	2009
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**7,866**	15,046
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	**1,258**	—

45. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying Hong Kong employees. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees.

The PRC employees of the Group are members of state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits.

The contributions paid/payable to the scheme by the Group at rates specified in the rules of the schemes are included in staff costs and disclosed in Notes 13 and 14 for employees and directors respectively.

45. RETIREMENT BENEFITS PLANS *(CONTINUED)*

The Group also provides post-employment benefits. The benefits include compensation on work injuries and other welfares. The expected cost of providing these post-retirement benefits is actuarially determined and recognised by using projected unit credit method, which involves a number of assumptions and estimates, including inflation rate, work injury rate, discount rate and employees' turnover ratio.

The actuarial valuations of the retirement benefit plan were carried out as at 1 January 2009, 31 December 2009, 29 November 2010 (date of disposal of HSC) and 31 December 2010 by Towers Watson, Fellow of the Institute of Actuaries.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at			
	31.12.2010	29.11.2010	31.12.2019	01.01.2009
Discount rate	**4.50%**	4.25%	4.25%	3.75%
Post-employment allowance and social insurance contribution annual increase rate for injured workers	**5.00%**	5.00%	5.00%	5.00%
Heating allowance annual increase rate	**6.00%**	6.00%	6.00%	6.00%
Post-retirement medical contribution annual increase rate	**6.00%**	6.00%	6.00%	6.00%
Medical reimbursement annual increase rate for injured workers	**8.00%**	8.00%	8.00%	8.00%
Allowance annual increase rate for beneficiaries	**4.50%**	4.50%	4.50%	4.50%
Annual turnover rate for active employees	**1.50%**	1.50%	1.50%	1.50%

46. SHARE OPTION SCHEME

(a) 2002 Option Scheme

The Company has a share option scheme which was adopted on 26 June 2002 ("2002 Option Scheme") whereby the directors of the Company may, at their discretion, invite directors and employees of the Company or its subsidiaries to subscribe for shares in the Company subject to terms and conditions stipulated therein. The options granted were vested immediately at the date of grant and were exercisable within a period of five years. Each option gives the holder the right to subscribe for one ordinary share in the Company.

Details of the terms and movements of the share options granted pursuant to the 2002 Option Scheme are as follows:

				Number of options				
Category of grantee	**Date of grant**	**Exercise price per share**	**Expiry date**	**Balance as at 01.01.2010**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year** *(Note b)*	**Balance as at 31.12.2010**
Directors	29.06.2010	HK$0.208	28.06.2015	—	85,000,000	—	—	85,000,000
	18.09.2009	HK$0.358	17.09.2014	85,000,000	—	—	(85,000,000)	—
	14.10.2008	HK$0.275	13.10.2013	160,000,000	—	—	—	160,000,000
Employees	29.06.2010	HK$0.208	28.06.2015	—	42,400,000	—	—	42,400,000
	18.09.2009	HK$0.358	17.09.2014	42,400,000	—	—	(42,400,000)	—
	14.10.2008	HK$0.275	13.10.2013	81,600,000	—	—	—	81,600,000
Other *(Note a)*	14.10.2008	HK$0.275	13.10.2013	50,000,000	—	—	—	50,000,000
				419,000,000	127,400,000	—	(127,400,000)	419,000,000
Exercisable at the end of the year								419,000,000
Weighted average exercise price				0.300	0.208	—	0.358	0.255

46. SHARE OPTION SCHEME *(CONTINUED)*

(a) 2002 Option Scheme *(CONTINUED)*

				Number of options				
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.01.2009	Granted during the year	Exercised during the year	Cancelled during the year *(Note c)*	Balance as at 31.12.2009
Directors	18.09.2009	HK$0.358	17.09.2014	—	85,000,000	—	—	85,000,000
	14.10.2008	HK$0.275	13.10.2013	163,000,000	—	—	(3,000,000)	160,000,000
Employees	18.09.2009	HK$0.358	17.09.2014	—	42,400,000	—	—	42,400,000
	14.10.2008	HK$0.275	13.10.2013	91,600,000	—	—	(10,000,000)	81,600,000
Other *(Note a)*	14.10.2008	HK$0.275	13.10.2013	50,000,000	—	—	—	50,000,000
				304,600,000	127,400,000	—	(13,000,000)	419,000,000
Exercisable at the end of the year								419,000,000
Weighted average exercise price				0.275	0.358	—	0.275	0.300

Notes:

(a) Other represented a former director or employee of the Group. The share options remain exercisable until the expiry date.

(b) On 29 June 2010, the share options granted on 18 September 2009 were cancelled and the same number of share options were granted to the same directors and employees with lower exercise price. The exercise price was reduced from HK$0.358 to HK$0.208.

The share options were fully vested immediately. The fair value of the options granted in 2010, determined at the date of grant using the Binomial Option Pricing Model was approximately HK$12,699,000.

(c) On 6 April 2009 and 5 June 2009, the Company cancelled the share options granted to the directors and employees under the 2002 Share Option Scheme after they resigned from all position of the Group.

During the year ended 31 December 2010, options were granted on 29 June 2010. The estimated fair values of the options granted on those dates are approximately HK$12,699,000. During the year ended 31 December 2009, options were granted on 18 September 2009. The estimated fair values of the options granted 18 September 2009 are approximately HK$25,498,000.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on Binomial Option Pricing Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Binomial Option Pricing Model.

46. SHARE OPTION SCHEME *(CONTINUED)*

(a) 2002 Option Scheme *(CONTINUED)*

The options granted under the 2002 Option Scheme are vested immediately.

These fair values were calculated by using the Binomial Option Pricing Model based on the 2002 Option Scheme with reference to the vesting period respectively. The inputs into the model as of grant date were as follows:

Grant date	14 October 2008	18 September 2009	29 June 2010
Valuation date	14 October 2008	18 September 2009	29 June 2010
Share price	HK$0.275	HK$0.355	HK$0.200
Exercise price	HK$0.275	HK$0.358	HK$0.208
Expected volatility	67.12%	89.89%	86.88%
Risk-free rate	1.54%	1.731%	1.613%
Expected dividend yield	—	—	—
Exercisable period	5 years	5 years	5 years
Fair value per option	HK$0.1144	HK$0.2001	HK$0.0997

The details of the fair value per option for options granted during the year were set out below:

Exercise multiple	Number of options	Option value *HK$*	Total option value *HK$'000*
2.2	127,400,000	0.0997	12,699

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expenses of approximately HK$12,699,000(2009: HK$25,498,000) for the year ended 31 December 2010 in relation to share options granted under the 2002 Option Scheme.

(b) Discounted Shares Subscription

The Company entered into the subscription agreement with the directors and senior management of the Group ("the subscribers") on 13 July 2007. The Company has agreed to issue, and the subscribers have agreed to subscribe a total of 157,070,000 shares before the completion date of such agreement (the date being the first anniversary date of the subscription agreement or, if such date is not a business day, the immediately preceding day which is a business day), at a subscription price of HK$1.10 per subscription share in cash ("Discounted Share Subscription"). The subscription price represented a discount of approximately 34.13% to the closing price of HK$1.67 per share as quoted in the stock market on 12 July 2007 (being the last day of trading in stock market before the date of the subscription agreement), with a lock-up period ranged from one to three years. If any terms and conditions of the subscription agreement are not fulfilled before the completion date, the arrangement should terminate. In the event that the subscribers ceases to be employed by a member of the Group for whatever reason during the lock-up period, the Company has the right to repurchase the relevant portion of subscription shares at a share repurchase price of HK$1.10 per subscription share.

46. SHARE OPTION SCHEME *(CONTINUED)*

(b) Discounted Shares Subscription *(CONTINUED)*

The Discounted Share Subscription was approved in the special general meeting held on 21 August 2007.

The share invitations issued under the Discounted Shares Subscription vest as follows:

On 1st anniversary of the date of grant	$33^1/_3$% vest
On 2nd anniversary of the date of grant	Further $33^1/_3$% vest
On 3rd anniversary of the date of grant	Remaining $33^1/_3$% vest

A deed of termination of the subscription agreement date 26 May 2009 was entered into between the Company and the subscribers, pursuant to which the subscription agreement was terminated with immediate effect.

No discounted shares were subscribed by the subscribers in 2009.

47. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes amounts due to non-controlling shareholders, bank borrowings and other borrowings disclosed in Notes 30, 31 and 32 respectively and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and risks associates with each class of capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of the existing debt.

48. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2010 ***HK$'000***	2009 *HK$'000*
Financial assets		
Held-for-trading investments	**34,353**	6,746
Available-for-sale investments	**326,710**	214,199
Loans and receivables (including cash and cash equivalents)	**475,534**	618,294
Financial liabilities		
Financial liabilities at amortised cost	**513,538**	514,961

48. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and polices

The Group's major financial instruments include available-for-sale investments, trade and other receivables, held-for-trading investments, bank balances and cash, amounts due to jointly controlled entities and non-controlling shareholders, trade and other payables, other borrowings, bank borrowings, other long term payables and non-redeemable convertible preference shares. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, and certain trade and other receivables, bank balances, available-for-sale investments, held-for-trading investments, amounts due to non-controlling shareholders, bank borrowings and non-redeemable convertible preference shares are denominated in foreign currencies, which expose the Company to foreign currency risk.

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

	Liabilities		**Assets**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States dollars ("USD")	**—**	—	**98,809**	58,210
Hong Kong dollars ("HK$")	**214,348**	150,757	**129,952**	447,823
Canadian dollars ("CAD")	**—**	—	**321,735**	156,587
Pound Sterling ("GBP")	**12**	—	**—**	—

Sensitivity analysis

The Group is mainly exposed to the USD, HK$, CAD and GBP.

The following table details the Group's sensitivity to a 5% (2009: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2009: 5%) is the sensitivity rate 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 end of the reporting period for a 5% (2009: 5%) change in foreign currency rates.

48. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and polices *(CONTINUED)*

Market risk *(CONTINUED)*

(i) ***Currency risk*** *(CONTINUED)*

A negative number (i.e. in bracket)/positive number below indicate an increase/decrease in pre-tax loss where RMB strengthen 5% (2009: 5%) against the relevant currency. For a 5% (2009: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss.

	USD Impact		**HK$ Impact**		**CAD Impact**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Increase in pre-tax (loss) profit	**(4,941)**	(2,910)	**4,220**	(14,853)	**(16,087)**	(7,829)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. USD, HK$, CAD and GBP denominated transactions are with lower transaction volumes in the last quarter of the financial year, which results in a reduction in USD, HK$, CAD and GBP denominated assets at year end. In view of the amount of GBP denominated liabilities are insignificant, thus no sensitivity analysis is presented for the impact of GBP.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate other borrowings (see Note 32 for details of these borrowings) and non-redeemable convertible preference shares (see Note 37 for details of these shares). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see Note 31 for details of these borrowings). It is the Group's policy to maintain an appropriate level between its fixed-rate and variable-rate borrowings so as to balance the fair value and cash flow interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of lending rate of PBOC arising from the Group's RMB denominated bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate borrowings at the end of each reporting period. The analysis is prepared assuming these borrowings outstanding at the end of reporting period were outstanding for the whole year. A 50 basis point (2009: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For bank balances, management is of the opinion that the impact of interest rates risk is insignificant. Accordingly, no sensitivity analysis is presented.

If interest rates had been 50 basis points (2009: 50 basis points) higher/lower and all other variables were held constant, the Group's pre-tax loss for the year ended 31 December 2010 would increase/decrease by approximately HK$1,546,000 (2009: HK$2,059,000).

48. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and polices *(CONTINUED)*

Market risk *(CONTINUED)*

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities, listed and unlisted warrants. The Group's equity price risk is mainly concentrated on equity instruments issued by three entities listed in TSE and NYSE for both year ended 2010 and 2009. In addition, the Group will monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 5% (2009: 5%) higher/lower:

- pre-tax loss for the year ended 31 December 2010 would decrease/increase by approximately HK$1,718,000 (2009: HK$337,000) as a result of the changes in fair value of held-for-trading investments; and
- investment valuation reserve would increase/decrease by approximately HK$16,336,000 (2009: HK$10,710,000) for the Group as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has reviewed the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made to irrecoverable amounts.

In respect of mining operations, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 90 days from the date of billing. Billings to customers are normally made immediately after the date of delivery except for billings to copper and zinc customers which are made after 1 to 2 months from the date of delivery when metal contents are tested and confirmed by the customers. Overseas customers are required to settle in cash on delivery. Normally, the Group does not obtain collateral from customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

48. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and polices *(CONTINUED)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate as at the end of the reporting period. The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average interest rate %	Repayable on demand or within 1 year *HK$'000*	1-2 years *HK$'000*	2-5 years *HK$'000*	More than 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
2010							
Trade and other payables	—	167,211	—	—	—	167,211	167,211
Other long term payables	5.76	—	21,322	63,766	21,283	106,371	92,768
Bank borrowings	5.85	82,645	—	—	—	82,645	82,645
Other borrowings	2.55	1,181	15,770	1,612	3,452	22,015	20,414
Amount due to non-controlling shareholders	—	150,500	—	—	—	150,500	150,500
		401,537	37,092	65,378	24,735	528,742	513,538

The table above does not include non-redeemable convertible preference shares which have no maturing date. However, interest payment of HK$7,930,000 is required to pay in each of the coming years until the non-redeemable convertible preference shares are converted.

	Weighted average interest rate %	Repayable on demand or within 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2009							
Trade and other payables	—	143,331	—	—	—	143,331	143,331
Other long term payables	5.76	—	21,152	63,482	30,049	114,683	95,664
Bank borrowings	5.49	59,652	74,545	—	—	134,197	119,448
Other borrowings	2.55	1,633	135	401	5,126	7,295	6,018
Amount due to non-controlling shareholders	—	150,500	—	—	—	150,500	150,500
		355,116	95,832	63,883	35,175	550,006	514,961

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change of changes in variable interest rate different to those estimates of interest rates determined at the end of the reporting period.

48. FINANCIAL INSTRUMENTS *(CONTINUED)*

(c) Fair value

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

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices.

- the fair value of other financial assets and financial liabilities determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	At 31 December 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at FVTPL				
Listed warrants	34,353	—	—	34,353
Available-for-sale investments				
Listed equity securities	326,710	—	—	326,710
Total	361,063	—	—	361,063

48. FINANCIAL INSTRUMENTS *(CONTINUED)*

(c) Fair value *(CONTINUED)*

Fair value measurements recognised in the consolidated statement of financial position *(CONTINUED)*

	At 31 December 2009			
	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Financial assets at FVTPL				
Listed warrants	5,381	—	—	5,381
Unlisted warrants	—	—	1,365	1,365
Available-for-sale investments				
Listed equity securities	214,199	—	—	214,199
Total	219,580	—	1,365	220,945

There were no transfers between Level 1 and 2 for both years.

Reconciliation of Level 3 fair value measurements of financial liabilities

	Unlisted warrants *HK$'000*
At 1 January 2010	1,365
Total loss included in "other gains or losses"	(1,365)
At 31 December 2010	—

	Unlisted warrants *HK$'000*
At 1 January 2009	590
Total gains included in "other gains or losses"	775
At 31 December 2009	1,365

49. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	2010 HK$'000	2009 HK$'000
Short-term benefits	**26,372**	20,930
Post-employment benefits	**953**	859
Share-based payments	**9,370**	19,432
	36,695	41,221

The remuneration of directors and key executives is determined by the remuneration committee having regard to the financial performance of the Group, performance of individuals and market trends.

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE GROUP

Details of the Group's principal subsidiaries as at 31 December 2010 and 2009 are set as follows:

			Proportion of ownership interest			
Name of company	Place of incorporation/ operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Biogrowth Assets Limited*	British Virgin Islands/ Hong Kong	1 share of US$1	100%	100%	—	Inactive
Lead Sun Investments Limited	British Virgin Islands/ Hong Kong	1,000 shares of US$1 each	57%	57%	—	Investment holding
New Legend International Group Limited	Hong Kong/ Hong Kong	1 share of HK$1	100%	100%	—	Provision of administrative support to group companies
Shanxi Shenli Aerospace Titanium Company Limited# (山西神利航天鈦業有限公司)	The PRC/ The PRC	Registered capital RMB184,800,000	51.3%	—	90%	Inactive
Titanspeed Investments Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	100%	—	Inactive
Top Rank International Group Limited	British Virgin Islands/ Hong Kong	50,000 shares of US$1 each	57%	—	100%	Investment holding
Saxony Goal Limited*	Hong Kong/ Hong Kong	10,000 shares of HK$1 each	100%	100%	—	Inactive
Best Tone Holdings Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	100%	—	Investment holding
Will Win Group Limited	Hong Kong/ Hong Kong	1 share of HK$1	100%	100%	—	Investment holding

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE GROUP *(CONTINUED)*

			Proportion of ownership interest			
Name of company	Place of incorporation/ operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Harbin Songjiang Copper (Group) Company Limited# (哈爾濱松江銅業（集團）有限公司)	The PRC/ The PRC	RMB240,788,100	75.08%	75.08%	—	Sales of copper, zinc, molybdenum and other nonferrous metals
Harbin Xiaoling Iron & Zinc Co. Ltd.# (哈爾濱市小嶺鐵鋅有限公司)	The PRC/ The PRC	RMB3,866,000	75.08%	—	100%	Processing of molybdenum and iron
Harbin Songjiang Copper Enterprise Co. Ltd.#* (哈爾濱松江銅業實業有限公司)	The PRC/ The PRC	RMB50,962,500	75.08%	—	100%	Mining, processing and sales of copper and zinc
Harbin Songjiang Molybdenum Ltd.# (哈爾濱松江鉬業有限公司)	The PRC/ The PRC	RMB128,782,900	75.08%	—	100%	Mining, processing and sales of molybdenum
Xinganmeng Songjiang Mining Co. Ltd# (興安盟松江礦業有限責任公司)	The PRC	RMB10,000,000	75.08%	—	100%	Under construction of smelting and mining plant
Shangzhi Zhuhe Mining Co. Ltd.# (尚志市珠河礦業有限公司)	The PRC/ The PRC	RMB50,000,000	75.08%	—	100%	Processing of molybdenum
Ejinaqi Qiaolun Engeci Quartz Production Co. Ltd# (額濟納旗喬倫恩格茨石英有限公司)	The PRC	RMB500,000	75.08%	—	100%	Not yet commenced business
New Victor Investment Limited	Hong Kong/ Hong Kong	10,000 shares of HK$1 each	100%	—	100%	Inactive
King Gold Investments Limited	British Virgin Islands/ Hong Kong	100 shares of US$1 each	80%	80%	—	Investment holding
Desire Star Hong Kong Limited	Hong Kong/ Hong Kong	100 shares of HK$1 each	80%	—	100%	Investment holding

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE GROUP *(CONTINUED)*

Name of company	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Wuyi Star Tea Industrial Co., Ltd.# (武夷星茶業有限公司)	The PRC/ The PRC	RMB109,000,000	80%	—	100%	Production and sales of tea products
China Dahongpao Tea Industrial Company Limited	Hong Kong/ Hong Kong	10,000 shares of HK$1 each	80%	—	100%	Inactive
Fortune Sharp Limited	British Virgin Islands/ Hong Kong	1 share of US$1	80%	—	100%	Trading of tea products
Famous Class Limited^	British Virgin Islands/ Hong Kong	50,000 shares of US$1 each	100%	100%	—	Investment holding
Year Joy Investments Limited^	British Virgin Islands/ Hong Kong	100 shares of US$1 each	70%	—	70%	Investment holding
Top Delight Investments Limited^	Hong Kong/ Hong Kong	1 share of HK$1	70%	—	100%	Investment holding
Beijing Nian Yue Technology Co., Ltd.#^ (北京年悦科技有限公司)	The PRC/ The PRC	RMB1,000,000	70%	—	100%	Provision of technical support and consulting services and yet start business
China iTV Network Co., Ltd.#^ (九州時代數碼科技有限公司)	The PRC/ The PRC	RMB50,000,000	Note	—	—	Provision of online video services and yet start business
Power Crown Limited^	Hong Kong/ Hong Kong	10,000 shares of HK$1 each	80%	—	100%	Inactive

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group.

None of the subsidiaries had issued any debt securities during the year and at the end of the year.

Note: The Group hold 70% of controlling interest in this subsidiary through special arrangements as set out in note 39.

A limited liability company established in the PRC
* Disposed of during 2010
^ Acquired during 2010

51. FINANCIAL SUMMARY OF THE COMPANY

ASSETS AND LIABILITIES

	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**329,390**	666,970
Amount due from a subsidiary	**696,956**	—
Property, plant and equipment	**184**	171
	1,026,530	667,141
CURRENT ASSETS		
Amounts due from subsidiaries	**200,433**	271,062
Other receivables	**2,222**	2,298
Bank balances and cash	**38,099**	122,844
	240,754	396,204
CURRENT LIABILITIES		
Other payables	**4,289**	3,391
Amount due to a related party	**—**	257
Amount due to a subsidiary	**317**	234
	4,606	3,882
Net current assets	**236,148**	392,322
Total assets less current liabilities	**1,262,678**	1,059,463
Non-current liability		
Non-redeemable convertible preference shares	**52,036**	—
	1,210,642	1,059,463
EQUITY		
Share capital	**913,878**	613,078
Reserves	**296,764**	446,385
	1,210,642	1,059,463

	For the year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	(Restated)	(Restated)	
RESULTS					
Revenue					
Continuing operations	**337,732**	218,626	493,767	674,955	17,366
Discontinued operations	**4,195**	31,477	25,037	21,461	138,207
	341,927	250,103	518,804	696,416	155,573
(Loss) profit for the year attributable to:					
Owners of the Company	**(1,749,676)**	(321,876)	(3,243,986)	174,917	(8,244)
Non-controlling interests	**(2,863)**	(79,479)	(1,571,489)	12,095	(998)
	(1,752,539)	(401,355)	(4,815,475)	187,012	(9,242)

	As at 31 December				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	(Restated)	(Restated)	
ASSETS AND LIABILITIES					
Total assets	**1,416,057**	1,969,445	2,360,299	7,439,339	2,172,179
Total liabilities	**(916,790)**	(1,020,113)	(1,287,844)	(1,845,140)	(239,759)
	499,267	949,332	1,072,455	5,594,199	1,932,420
Represented by:					
Equity attributable to owners of the Company	**420,660**	864,504	947,140	3,934,057	1,121,572
Non-controlling interests	**78,607**	84,828	125,315	1,660,142	810,848
	499,267	949,332	1,072,455	5,594,199	1,932,420