CHINA YUNNAN TIN MINERALS GROUP COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 263)

ANNUAL REPORT *2010*

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Zhang Guoqing *(Chairman)*
Chen Shuda
Ng Shin Kwan, Christine
Lee Jalen
Chan Ah Fei
Lee Yuk Fat

Independent Non-executive Directors

Sun Ka Ziang, Henry
Kwok Ming Fai
Wong Yun Kuen

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Jimmy Siu

TRADING OF SHARES

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

REGISTERED OFFICE

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

PRINCIPAL BANKERS

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

PRINCIPAL LEGAL ADVISERS

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

AUDITORS

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

SHARE REGISTRARS AND TRANSFER OFFICE

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

WEBSITE

www.cytmg.com

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board"), I am pleased to present the annual report of China Yunnan Tin Minerals Group Company Limited (the "Company"), and its subsidiaries, (collectively referred to as the "Group") for the year ended 31st December, 2010.

BUSINESS REVIEW

In retrospect of 2010, the adverse impact brought by the financial crisis, has led many countries to launch a series of stimulus packages one after the other which yielded significant effects. In 2010, the world economies such as United States, Europe and Japan registered positive growth for four consecutive quarters and marked the beginning of a recovery. However, due to the slow recovery of real economies in most developed countries and the poor weather in the Southern China Region, our minerals operation was affected heavily. With our focus on the minerals operation, the Board believes the minerals related business will contribute considerable profit to the Group in the coming years.

Minerals operation is one of our principal activities of the Group, recorded a turnover of approximately HK$11,255,000 compared to approximately HK$2,377,000 in 2009. Due to the persistent rainstorm in the Southern China region and government repair roadworks, the commercial production of the mixed metals mine (the "Mine") was severely hindered and remained at a minimal level. Our Mine locates approximately 39 km south east of the Liannan County Town, which is also approximately 1.6 km south-west of the Baidaitou Village Shanlian Township of Guangdong Province in the People's Republic of China (the "PRC") covering an area of approximately 0.4197 km^2. Based on a geological study prepared by 湖南省地質礦產勘查開發局四零八隊 (literally translated as the Hunan Province Geological Mineral Exploration In Development Bureau Team No. 408) as stated in the technical report, the estimated iron resources within the Mine is approximately 1,627,400 tons with an average grade of around 44.71% to 61.86%. Also, there are small amounts of copper, lead and tin resources.

In 2010, the Company conducted several fund raising exercises through the placements of a total of approximately 10 million new shares (equivalent to approximately 100 million shares of the Company before the Capital Reorganisation) to investors to broaden the capital base of the Company and to provide extra financial flexibility for the Group's future business development. Total proceeds of approximately HK$97 million were raised as a result of these fund raising exercises in 2010.

Chairman's Statement

PROSPECTS

For 2011, the world's economy is still in recovery. According to the forecasts by certain major international economic organisations, the global economic environment in 2011 will improve steadily and the PRC's economy will show strong growth momentum. Despite of the tortuous road ahead to recovery, the overall global economic outlook is positive. Hence, the overall global business environment for our minerals business is believed to become more positive in 2011.

In the future, the Group will focus on business development of the minerals operations in order to enhance portfolio of minerals operation in the industry. Furthermore, in light of the existing strong capital structure and ample financial resources, management of the Group will continue to actively seek for attractive investment opportunities which will create substantial long-term value to shareholders of the Company.

APPRECIATION

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

Zhang Guoqing
Chairman
Hong Kong, 31st March, 2011

Management Discussion and Analysis

BUSINESS REVIEW

During the year under review, the turnover of the Group was down by approximately 46% to approximately HK$36,618,000 (2009: HK$67,988,000) and the gross profit also decreased by approximately 47% to approximately HK$23,810,000 (2009: HK$44,753,000). Such declines were mainly attributable to the lower activity level of the Group's trading and provision of finance operations during the year.

For the year ended 31st December, 2010, the Group recorded a loss attributable to equity holders of the Company of approximately HK$186,794,000 (2009: HK$70,177,000), representing an increase of approximately 166% when compared to last year.

OPERATIONS REVIEW

Minerals operation

Contribution of the minerals operation to the Group's turnover accounted for approximately HK$11,255,000 (2009: HK$2,377,000) an increase of approximately 373% when compared to last year. The increase of turnover was primarily due to the commencement of our minerals operation during the year. The minerals operation recorded a loss of approximately HK$63,478,000 (2009: HK$2,174,000) from sales of iron ore extracted from the Mine located in Guangdong Province in the PRC. Due to the persistent rainstorm during the year and the repair roadwork on the road from the Mine to the factory, our minerals operation in 2010 was severely hindered. As at 31st December, 2010, an impairment loss of approximately HK$60,000,000 has been recognised (2009: Nil).

During the year, our minerals operation was affected by the rainstorm and roadwork repair which hindered severely our mine operation with an aim to utilise our manufacturing facilities, as well as explore another revenue stream, our management decided to purchase iron ores and low grade iron powder from other mine fields for processing in our factories, then sell the higher grade iron ore powder in the market.

Trading operation

During the year under review, the trading operation was inactive and therefore no turnover derived (2009: HK$18,261,000). These significant declines were primarily due to the volatility of the iron ore market and the Group has encountered difficulties in finalising trade deals. The operating profit was approximately HK$3,546,000 (2009: HK$208,000). The profit was due to the compensation received for unqualified goods purchased in previous year.

Finance operation

The interest income and operating profit generated by the financing operation were both down by approximately 53% to approximately HK$16,171,000 (2009: HK$34,334,000) and approximately HK$16,162,000 (2009: HK$34,206,000) respectively. Such decreases were mainly attributable to the lower average balance of loans advanced to customers compared to last year. It is the Group's policy to regularly review the composition of the loan portfolio and lending rates charged in order to maximise the return of the operation.

Management Discussion and Analysis

Brokerage and securities investment operation

The turnover of the brokerage and securities investment operation, being mainly the brokerage and commission income of the Group's securities brokerage division, decreased by approximately 29% to approximately HK$9,192,000 (2009: HK$13,016,000). Such sharp decrease was primarily attributed to the lower transaction volume of the securities brokerage activities and commission income received for participation in fund raising activities of our clients. Despite the growth in the commission income and operating profit from the securities brokerage division, the overall performance of the operation deteriorated in 2010 and posted a loss of approximately HK$117,487,000 (2009: 71,821,000). The loss incurred for the operation was primarily attributable to the net loss on investment in securities during the year amounting to approximately HK$119,099,000 (2009: HK$78,656,000), resulting mainly from the decline in the market prices of listed securities held by the group for investment purpose. As of the end of the reporting period, the market value of the Group's listed securities portfolio was approximately HK$296,348,000 (2009: HK$199,359,000).

Jointly Controlled Entity

Shanghai Hong Qiao Friendship Shopping Center Co., Ltd. ("Hong Qiao"), the Group's 30% owned jointly controlled entity, continued to deliver profitable results in 2010. Hong Qiao operates an upmarket department store in Shanghai, the PRC. Due to the recovery of consumer spending in Shanghai, the turnover of Hong Qiao increased by approximately 13% to approximately HK$695,191,000 (2009: HK$615,201,000) for the year and the Group's share of profit of Hong Qiao also slightly increased to approximately HK$11,553,000 (2009: HK$11,781,000). Nonetheless, in light of the high income level and strong consumer spending of the Shanghai population, the Group remains optimistic about the results of Hong Qiao in the coming years.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 31st December, 2010, the Group had current assets of approximately HK$765,775,000 (2009: HK$793,469,000) and liquid assets comprising bank balances and marketable Hong Kong listed securities totaling approximately HK$443,762,000 (excluding bank balances held under segregated trust accounts) (2009: HK$442,719,000). The Group's current ratio, calculated on the basis of current assets of approximately HK$765,775,000 over current liabilities of approximately HK$41,006,000 was at strong level of approximately 18.7 (2009: 22.9). The Group had no bank and other borrowings (2009: Nil) and a finance lease obligation of approximately HK$383,000 (2009: HK$958,000) at the end of the reporting period.

The Group issued a total of approximately 10 million new shares (equivalent to approximately 100 million shares of the Company before the Capital Reorganisation) during the year as a result of placements of shares to investors issued as part of the consideration for the general working capital. At the end of the reporting period, the equity attributable to Company's equity owners amounting to approximately HK$1,369,500,000 (2009: HK$1,433,183,000), representing a slight decrease of approximately 4% compared to 2009, which was equivalent to a consolidated net asset value of about approximately HK$2.29 per share of the Company (2009: HK$0.29 per share). As at 31st December, 2010, the Group's gearing ratio calculated on the basis of finance lease obligation of approximately HK$383,000 over total assets of approximately HK$1,567,000,000 was at low level of approximately 0.02% (2009: 0.05%).

With the amount of liquid assets and marketable securities on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

Management Discussion and Analysis

Foreign Currency Management

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

Pledge of Asset

At 31st December, 2010, a fixed asset of carrying amount of approximately HK$1,272,000 (2009: HK$1,908,000) was pledged as security for the Group's finance lease obligation.

Capital Commitment

In October 2010, the Group committed to subscribe for approximately 5.95% of the total number of shares to be issued under the share placement of YTC Resources Limited ("YTC") whose shares are listed in Australian Securities Exchange, with the subscription amount of approximately A$595,000 (equivalent to approximately HK$4,704,000). The shareholding in YTC will remain unchanged at approximately 5.95% of YTC's ordinary shares on issue. The placement was completed subsequent to the end of the reporting period.

Contingent Liability

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

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

On 29th November 2010, the Board had announced that the Company proposed to rights issue on the basis of eight rights shares for every one existing share held and it was completed on 31st January, 2011.

EMPLOYEES AND REMUNERATION POLICY

At 31st December, 2010, the Group had approximately 84 (2009: 74) employees including executive directors. Total staff costs incurred during the year (including directors' remuneration) was approximately HK$15,812,000 and increased by approximately 12% when compared to approximately HK$14,144,000 in 2009. The increase in staff costs was in line with the increase in number of staff headcounts. The Group generally remunerates its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Benefits offered by the Group to its employees included discretionary bonus, mandatory provident fund scheme, share options, training subsidies as well as medical insurance.

Biographical Details of Directors and Senior Management

DIRECTORS

Dr. Zhang Guoqing, aged 50, has been Executive Director and Chairman of the Company since November 2010. Dr. Zhang is a material scientist graduated from Northeastern University in the People's Republic of China (the "PRC") and obtained a Ph.D. degree in Material Science from South Central University in the PRC. He is also a recipient of a number of Chinese national awards. Dr. Zhang possesses extensive experience in corporate management, business development, corporate finance and research and development of metal alloys in the PRC and Australia, and was previously the Deputy General Manager of Sino-Platinum Metals Company Limited, a company whose shares are listed on the Shanghai Stock Exchange. Dr. Zhang currently holds various executive positions in Australia and is a director of YTC Resources Limited ("YTC", a company whose shares are listed on the Australian Securities Exchange).

Mr. Chen Shuda, aged 40, has been Executive Director of the Company since May 2008. Mr. Chen has extensive corporate management experience in property, hotel and industrial businesses in the PRC. Mr. Chen graduated from 軍事經濟學院 (literally translated as Military Economics Academy) in the PRC and specialised in financial management.

Ms. Ng Shin Kwan, Christine, aged 42, has been Executive Director of the Company since August 2007. Ms. Ng holds a Bachelor of Economics degree from University of Sydney in Australia and has over 10 years of experience in business development, corporate management and investment fields and held executive positions in various investment and securities companies. Ms. Ng is also a director of YTC.

Mr. Lee Jalen, aged 47, has been Executive Director of the Company since January 2010. He has extensive experience in mineral trading and corporate management and development in the PRC and had worked as a consultant of a subsidiary of the Company for providing consultancy services for its mining business in the PRC.

Mr. Chan Ah Fei, aged 48, has been Executive Director of the Company since November 2010, Mr. Chan has more than 20 years of experience as key management in electric power supply, telecommunications, geological surveying and mining businesses. He received a geological surveying qualification from 甘肅蘭州礦業學院 (literally translated as Gansu Lanzhou Mining Academy). Mr. Chan has founded 青海創綠投資管理有限公司 (literally translated as Qinghai Chuanglu Investment Management Limited) since 2000, which is principally engaged in provision of consultancy service in relation to mining rights, including the mineral exploitation, extraction, processing and production at mines primarily located in the northwestern and southwestern regions of the PRC. Mr. Chan is currently a director of Great Wall Hong Kong Investment Co. Limited, which provides advisory services in relation to geological surveying and mining.

Biographical Details of Directors and Senior Management

Mr. Lee Yuk Fat, aged 38, has been Executive Director of the Company since November 2010. Mr. Lee is a manager of the China division and a member of the investment committee for a subsidiary of the Company. He also holds directorships in various subsidiaries of the Company. Mr. Lee has more than 10 years of experience in the finance and securities industry and is chairman of board of director of Pico Zeman Securities (HK) Limited. He is also a director of Hong Kong Energy and Minerals United Associations, a non-profit making entity aiming to gather congruent power and to increase business opportunities in the energy and minerals sector. Furthermore, Mr. Lee is a member of Jinggang Shan, CPPCC Jiangxi Committee (江西省井岡山政治協商委員會) and Bazhong, CPPCC Sichuan Committee (四川省巴中市政治協商委員會), a director of Pok Oi Hospital 2010/2011 and a director of Hong Kong and Industries Association Limited.

Mr. Sun Ka Ziang, Henry, aged 53, has been Independent Non-executive Director of the Company since July 2002. He possesses over 20 years of experience in international finance, corporate finance, corporate planning, financial management and accounting and held executive positions at several international banks, accounting firm, the Hong Kong Airport Authority and an information technology company. Mr. Sun obtained a Bachelor Degree in Economics from Monash University in Australia. He is a member of CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Sun is also an independent non-executive director of Zhongda International Holdings Limited, a listed company in Hong Kong.

Mr. Kwok Ming Fai, aged 46, has been Independent Non-executive Director of the Company since July 2002. He has over 15 years of experience in banking, finance and accounting and held executive positions at several international financial institutions, accounting firm and listed companies. Mr. Kwok obtained his Bachelor Degree in Accounting & Economics from the University of Sheffield in the United Kingdom and a Master Degree in Business Administration from the University of Adelaide in Australia. He is a member of CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwok is also an executive director of Zhongda International Holdings Limited, and independent non-executive directors of Incutech Investments Limited and Sewco International Holdings Limited, all these companies are listed companies in Hong Kong.

Biographical Details of Directors and Senior Management

Dr. Wong Yun Kuen, aged 53, has been Independent Non-executive Director of the Company since September 2004. Dr. Wong received a Ph.D. Degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for more than 10 years, and has considerable experience in corporate finance, investment and derivative products. He is a member of Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited, and the independent non-executive director of Bauhaus International (Holdings) Limited, China Grand Forestry Green Resources Group Limited, Climax International Company Limited, Golden Resorts Group Limited, Harmony Asset Limited, Hua Yi Copper Holdings Limited, Kaisun Energy Group Limited, Kong Sun Holdings Limited, New Island Printing Holdings Limited and ZMAY Holdings Limited. Dr. Wong was also an independent non-executive director of Grand Field Group Holdings Limited from September 2004 to September 2009, China E-Learning Group Limited from August 2007 to June 2010 and Superb Summit International Timber Company Limited till June 2010 and, chairman and executive director of Green Energy Group Limited from December 2009 to May 2010. All these companies mentioned in this paragraph are listed companies in Hong Kong and Harmony Asset Limited is also a company listed on Toronto Stock Exchange.

SENIOR MANAGEMENT

Mr. Jimmy Siu, aged 32, has been appointed as financial manager and the Company Secretary of the Company in December 2010. Mr. Siu is a member of both the Institute of Chartered Accountants in Australia and Hong Kong Institute of Certified Public Accountants.

Directors' Report

The directors of the Company present their annual report and the audited consolidated financial statements for the year ended 31st December, 2010.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDEND

The results of the Group for the year ended 31st December, 2010 are set out in the consolidated income statement on page 26 of this annual report.

The Company had no distributable reserve at 31st December, 2010 and the directors of the Company do not recommend the payment of a final dividend for the year ended 31st December, 2010 (2009: Nil).

SHARE CAPITAL

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

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 31 to 32 of this annual report and in note 32 to the consolidated financial statements, respectively.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment approximately HK$657,000 for the purpose of expanding the Group's operation.

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

Directors' Report

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated and reclassified as appropriate, is set out on page 114 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers and the largest customer accounted for approximately 50% and 20% of the Group's total turnover for the year, respectively.

The five largest suppliers and the largest supplier accounted for approximately 65% and 46% of the Group's total purchases for the year, respectively.

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

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Zhang Guoqing (appointed as Executive Director and Chairman on 26th November, 2010)
Chen Shuda
Ng Shin Kwan, Christine
Lee Jalen (appointed as Executive Director on 18th January, 2010)
Chan Ah Fei (appointed as Executive Director on 26th November, 2010)
Lee Yuk Fat (appointed as Executive Director on 26th November, 2010)
Sue Ka Lok (resigned as Executive Director and Chief Executive Officer on 18th January, 2010)
Cao Jian An (resigned as Executive Director on 13th August, 2010)
Gao Wenxiang (resigned as Executive Director and Chairman on 26th November, 2010)

Independent Non-executive Directors:

Sun Ka Ziang, Henry
Kwok Ming Fai
Wong Yun Kuen

Directors' Report

In accordance with Articles 96 and 105(A) of the Company's Articles of Association, Dr. Zhang Guoqing, Mr. Chan Ah Fei, Mr. Lee Yuk Fat and Mr. Kwok Ming Fai will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

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

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

Directors' Report

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December, 2010, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of director	Capacity	Number of shares	Number of underlying shares	Total interests	Approximate percentage of the issued share capital of the Company
Chen Shuda	Interest held by controlled corporation	16,517,600 *(Note 1)*	–	16,979,200	2.83%
	Beneficial owner	461,600	–		
Ng Shin Kwan, Christine	Beneficial owner	–	1,678,000 *(Note 2)*	1,678,000	0.28%
Sun Ka Ziang, Henry	Beneficial owner	20,000	5,200 *(Note 3)*	25,200	0.00%
Kwok Ming Fai	Beneficial owner	–	25,200 *(Note 4)*	25,200	0.00%
Wong Yun Kuen	Beneficial owner	20,000	5,200 *(Note 5)*	25,200	0.00%

Directors' Report

Notes:

1. These shares are beneficially owned by Super Union Group Limited. Super Union Group Limited is wholly-owned by Mr. Chen Shuda. Accordingly, Mr. Chen Shuda is deemed to be interested in 16,517,600 shares under the SFO.

2. This represents the interest of Ms. Ng Shin Kwan, Christine in 1,678,000 underlying shares issuable under the share options granted by the Company to her on 3rd December, 2007 under the share option scheme of the Company adopted by the shareholders of the Company on 8th November, 2006 ("Share Option Scheme"). The consideration paid by Ms. Ng Shin Kwan, Christine on acceptance of the share options granted was HK$1.00. The exercise price is HK$12.20 per share and the exercisable period is between 3rd December, 2007 and 2nd December, 2017.

3. This represents the interest of Mr. Sun Ka Ziang, Henry in 5,200 underlying shares issuable under the share options granted by the Company to him on 3rd December, 2007 under the Share Option Scheme. The consideration paid by Mr. Sun Ka Ziang, Henry on acceptance of the share options granted was HK$1.00. The exercise price is HK$12.20 per share and the exercisable period is between 3rd December, 2007 and 2nd December, 2017.

4. This represents the interest of Mr. Kwok Ming Fai in 25,200 underlying shares, of which, 20,000 underlying shares issuable under the share options granted by the Company to him on 23rd March, 2007 and 5,200 underlying shares issuable under the share options granted by the Company to him on 3rd December, 2007 under the Share Option Scheme. The consideration paid by Mr. Kwok Ming Fai on acceptance of the share options granted was HK$1.00 for each grant of share options. For the 20,000 share options, the exercise price is HK$3.80 per share and the exercisable period is between 23rd March, 2007 and 22nd March, 2017. For the remaining 5,200 share options, the exercise price is HK$12.20 per share and the exercisable period is between 3rd December, 2007 and 2nd December, 2017.

5. This represents the interest of Dr. Wong Yun Kuen in 5,200 underlying shares issuable under the share options granted by the Company to him on 3rd December, 2007 under the Share Option Scheme. The consideration paid by Dr. Wong Yun Kuen on acceptance of the share options granted was HK$1.00. The exercise price is HK$12.20 per share and the exercisable period is between 3rd December, 2007 and 2nd December, 2017.

Save as disclosed above, as at 31st December, 2010, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31st December, 2010, the register of interest kept by the Company under section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	Capacity	Number of shares	Total interests	Approximate percentage of the issued share capital of the Company
Suen Cho Hung, Paul	Interest held by controlled corporation	74,326,309 *(Note 1)*	74,906,309	12.46%
	Beneficial owner	580,000		
All Sino Resources Limited	Interest held by controlled corporation	74,326,309 *(Note 1)*	74,326,309	12.37%
Oriental Genesis Limited	Beneficial owner	60,000,000	60,000,000	9.98%

Notes:

1. These shares are beneficially owned by Top Media Resources Limited as to 14,326,309 shares and Oriental Genesis Limited as to 60,000,000 shares. Top Media Resources Limited and Oriental Genesis Limited are wholly-owned by All Sino Resources Limited which in turn is wholly-owned by Mr. Suen Cho Hung, Paul. Accordingly, Mr. Suen Cho Hung, Paul and All Sino Resources Limited are deemed to be interested in 74,326,309 shares under the SFO.

Directors' Report

Save as disclosed above, the Company had not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 31st December, 2010 as required pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

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

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

CORPORATE GOVERNANCE

The audited financial statements of the Company for the year ended 31st December, 2010 had been reviewed by the Audit Committee of the Company before they were duly approved by the Board of Directors under the recommendation of the Audit Committee.

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

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

EMOLUMENT POLICY

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$5,500 (2009: HK$39,000).

EVENTS AFTER THE REPORTING PERIOD

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

AUDITORS

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

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

On behalf of the Board

Zhang Guoqing
Chairman

Hong Kong, 31st March, 2011

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors of the Company. All directors of the Company have confirmed, following specific enquiry by the Company, that they have fully complied with the required standard set out in the Model Code for the year ended 31st December, 2010.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises six executive directors, namely Dr. Zhang Guoqing (appointed as Executive Director and Chairman on 26th November, 2010), Mr. Chen Shuda, Ms. Ng Shin Kwan, Christine, Mr. Lee Jalen (appointed on 18th January, 2010), Mr. Chan Ah Fei (appointed on 26th November, 2010) and Mr. Lee Yuk Fat (appointed on 26th November, 2010); and three independent non-executive directors, namely Mr. Sun Ka Ziang, Henry, Mr. Kwok Ming Fai and Dr. Wong Yun Kuen. The directors' biographical information is set out in Biographical Details of Directors and Senior Management on pages 8 to 10 of this annual report.

Corporate Governance Report

A total of five regular board meetings were held during the year ended 31st December, 2010 with individual attendance of directors as follows:

Directors	Attendance
Zhang Guoqing (appointed on 26th November, 2010)	0/5
Chen Shuda	0/5
Ng Shin Kwan, Christine	5/5
Lee Jalen (appointed on 18th January, 2010)	5/5
Chan Ah Fei (appointed on 26th November, 2010)	1/5
Lee Yuk Fat (appointed on 26th November, 2010)	1/5
Gao Wenxiang (resigned on 26th November, 2010)	2/5
Cao Jian An (resigned on 13th August, 2010)	1/5
Sun Ka Ziang, Henry	5/5
Kwok Ming Fai	4/5
Wong Yun Kuen	5/5

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

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

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

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

NON-EXECUTIVE DIRECTORS

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

APPOINTMENT AND RE-ELECTION

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

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

REMUNERATION COMMITTEE

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

The Remuneration Committee held three meetings during the year ended 31st December, 2010 to discuss the remuneration of directors of the Company with individual attendance of members as follows:

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

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

AUDITORS' REMUNERATION

For the year ended 31st December, 2010, remuneration paid to the auditors of the Company for providing audit and non-audit services are approximately HK$1,000,000 and approximately HK$560,000, respectively.

AUDIT COMMITTEE

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

The Audit Committee held two meetings during the year ended 31st December, 2010 with individual attendance of members as follows:

Members	**Attendance**
Sun Ka Ziang, Henry	2/2
Kwok Ming Fai	1/2
Wong Yun Kuen	2/2

During the year ended 31st December, 2010, the Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including review of unaudited interim results and audited annual results of the Group.

Corporate Governance Report

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 24 to 25.

INTERNAL CONTROL

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

Independent Auditors' Report

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

TO THE SHAREHOLDERS OF CHINA YUNNAN TIN MINERALS GROUP COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Yunnan Tin Minerals Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 113, which comprise the consolidated and company statements of financial position as at 31st December, 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body 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.

Independent Auditors' Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the 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 Company and of the Group as at 31st 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 Hong Kong Companies Ordinance.

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

Fung Pui Cheung
Practising Certificate Number: P00755

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

Hong Kong, 31st March, 2011

Consolidated Income Statement

For the year ended 31st December, 2010

	Notes	2010 HK$'000	2009 HK$'000
Turnover	7	**36,618**	67,988
Cost of sales		**(12,808)**	(23,235)
Gross profit		**23,810**	44,753
Net loss on financial assets at fair value through profit or loss	8	**(119,099)**	(78,656)
Change in fair value of convertible bonds designated at financial assets at fair value through profit or loss	24	**411**	–
Loss on acquisition of convertible bonds	24	**(1,629)**	–
Impairment loss on mining right	19	**(60,000)**	–
Other income	8	**9,002**	9,893
Administrative expenses		**(50,260)**	(57,940)
Finance costs	9	**(84)**	(222)
Share of profit of a jointly controlled entity	15	**11,553**	11,781
Loss before taxation		**(186,296)**	(70,391)
Income tax (expense)/credit	10	**(498)**	214
Loss for the year	8	**(186,794)**	(70,177)
Attributable to:			
Owners of the Company		**(186,794)**	(70,177)
Non-controlling interests		**–**	–
		(186,794)	(70,177)

	Notes	2010 HK$'000	2009 HK$'000 (restated)
Loss per share	12		
– Basic and diluted (HK cent(s) per share)		**(33.81)**	(12.02)

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

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2010

	2010 *HK$'000*	2009 *HK$'000*
Loss for the year	**(186,794)**	(70,177)
Other comprehensive income		
Exchange differences arising on translation of overseas operations	**2,181**	1,452
Share of translation reserve of a jointly controlled entity	**2,716**	71
Fair value change in available-for-sale financial assets	**18,214**	2,735
Other comprehensive income for the year (net of tax)	**23,111**	4,258
Total comprehensive expenses for the year	**(163,683)**	(65,919)
Total comprehensive expenses attributable to:		
Owners of the Company	**(163,683)**	(65,919)
Non-controlling interests	**–**	–
	(163,683)	(65,919)

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

Consolidated Statement of Financial Position

As at 31st December, 2010

	Notes	**2010** ***HK$'000***	2009 *HK$'000*
Non-current assets			
Property, plant and equipment	*13*	**8,477**	11,616
Interest in a jointly controlled entity	*15*	**58,899**	45,170
Available-for-sale financial assets	*16*	**36,425**	15,921
Other assets	*17*	**2,230**	2,230
Trading right	*18*	**–**	–
Mining right	*19*	**566,695**	628,254
Goodwill	*20*	**128,679**	128,679
		801,405	831,870
Current assets			
Inventories	*21*	**876**	603
Trade and other receivables	*22*	**45,360**	188,392
Bills receivable	*22*	**–**	365
Financial assets at fair value through profit or loss	*23*	**296,348**	199,359
Convertible bonds designated at financial assets at fair value through profit or loss	*24*	**33,782**	–
Short-term loans receivable	*25*	**221,305**	138,445
Tax recoverable		**1,819**	1,946
Bank balances held under segregated trust accounts	*26*	**18,871**	20,999
Bank balances and cash	*26*	**147,414**	243,360
		765,775	793,469
Current liabilities			
Trade and other payables	*27*	**30,450**	24,475
Bills payable	*27*	**–**	347
Tax payable		**923**	62
Finance lease obligation – due within one year	*28*	**383**	575
Provision	*29*	**9,250**	9,250
		41,006	34,709
Net current assets		**724,769**	758,760
Total assets less current liabilities		**1,526,174**	1,590,630

Consolidated Statement of Financial Position

As at 31st December, 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current liabilities			
Deferred tax liabilities	*30*	**156,674**	157,064
Finance lease obligation – due after one year	*28*	**–**	383
		156,674	157,447
Net assets		**1,369,500**	1,433,183
Capital and reserves			
Share capital	*31*	**30,048**	500,965
Reserves		**1,339,452**	932,218
Total equity		**1,369,500**	1,433,183

The consolidated financial statements on pages 26 to 113 were approved and authorised for issue by the Board of Directors on 31st March, 2011 and are signed on its behalf by:

Zhang Guoqing	**Ng Shin Kwan, Christine**
Director	*Director*

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

Statement of Financial Position

As at 31st December, 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Interests in subsidiaries	*14*	**310**	310
Current assets			
Other receivables		**81**	159
Amounts due from subsidiaries	*14*	**1,543,193**	1,793,075
Tax recoverable		**1,730**	1,767
Bank balances and cash	*26*	**39,100**	92,194
		1,584,104	1,887,195
Current liabilities			
Accruals and other payables		**688**	282
Amounts due to subsidiaries	*14*	**119,098**	508,853
		119,786	509,135
Net current assets		**1,464,318**	1,378,060
Net assets		**1,464,628**	1,378,370
Capital and reserves			
Share capital	*31*	**30,048**	500,965
Reserves	*32*	**1,434,580**	877,405
Total equity		**1,464,628**	1,378,370

Zhang Guoqing
Director

Ng Shin Kwan, Christine
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2010

	Equity attributable to owners of the Company							
	Share capital	Share premium	Translation reserve	Convertible notes equity reserve	Available-for-sale financial assets reserve	Share option reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2009	316,008	921,872	(2,526)	–	(33,367)	53,280	(132,145)	1,123,122
Loss for the year	–	–	–	–	–	–	(70,177)	(70,177)
Exchange differences arising on translation of overseas operations	–	–	1,452	–	–	–	–	1,452
Share of translation reserve of a jointly controlled entity	–	–	71	–	–	–	–	71
Fair value change in available-for-sale financial assets	–	–	–	–	2,735	–	–	2,735
Total comprehensive expenses for the year	–	–	1,523	–	2,735	–	(70,177)	(65,919)
Issue of shares	142,100	182,910	–	–	–	–	–	325,010
Transaction costs attributable to issue of shares	–	(9,148)	–	–	–	–	–	(9,148)
Issue of convertible notes	–	–	–	20,143	–	–	–	20,143
Conversion of convertible notes	42,857	17,261	–	(20,143)	–	–	–	39,975
Lapse of share options	–	–	–	–	–	(104)	104	–
	184,957	191,023	–	–	–	(104)	104	375,980
At 31st December, 2009	500,965	1,112,895	(1,003)	–	(30,632)	53,176	(202,218)	1,433,183

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2010

	Equity attributable to owners of the Company							
	Share capital	Share premium	Translation reserve	Convertible notes equity reserve	Available-for-sale financial assets reserve	Share option reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2010	500,965	1,112,895	(1,003)	–	(30,632)	53,176	(202,218)	1,433,183
Loss for the year	–	–	–	–	–	–	(186,794)	(186,794)
Exchange differences arising on translation of overseas operations	–	–	2,181	–	–	–	–	2,181
Share of translation reserve of a jointly controlled entity	–	–	2,716	–	–	–	–	2,716
Fair value change in available-for-sale financial assets	–	–	–	–	18,214	–	–	18,214
Total comprehensive expenses for the year	–	–	4,897	–	18,214	–	(186,794)	(163,683)
Issue of shares	100,000	–	–	–	–	–	–	100,000
Lapse of share options	–	–	–	–	–	(71)	71	–
Capital reduction of 1 ordinary share of HK$0.10 each to 1 ordinary share of HK$0.005 each	(570,917)	570,917	–	–	–	–	–	–
	(470,917)	570,917	–	–	–	(71)	71	100,000
At 31st December, 2010	**30,048**	**1,683,812**	**3,894**	**–**	**(12,418)**	**53,105**	**(388,941)**	**1,369,500**

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

Consolidated Statement of Cash Flows

For the year ended 31st December, 2010

	2010	2009
	HK$'000	*HK$'000*
Cash flow from operating activities		
Loss for the year	**(186,794)**	(70,177)
Adjustments for:		
Income tax expense/(credit)	**498**	(214)
Finance costs	**84**	222
Share of profit of a jointly controlled entity	**(11,553)**	(11,781)
Reversal of impairment losses during the year	**(2)**	–
Amortisation of trading right	**–**	50
Amortisation of mining right	**1,559**	1,746
Bank interest income	**(48)**	(56)
Depreciation of property, plant and equipment	**3,817**	4,753
Loss on acquisition of convertible bonds	**1,629**	–
Impairment loss on mining right	**60,000**	–
Unrealised loss on financial assets at fair value through profit or loss	**88,786**	110,007
Gain on disposal of property, plant and equipment	**–**	(90)
Change in fair value of convertible bonds designated at financial assets at fair value through profit or loss	**(411)**	–
Operating cash flows before movements in working capital	**(42,435)**	34,460
Increase in inventories	**(273)**	(321)
Decrease in trade and other receivables	**143,034**	16,432
(Increase)/decrease in short-term loans receivable	**(82,860)**	222,079
Decrease in bills receivable	**365**	27,228
Decrease/(increase) in bank balances held under segregated trust accounts	**2,128**	(18,340)
Increase in financial assets at fair value through profit or loss	**(185,775)**	(257,795)
Increase in trade and other payables	**5,975**	13,062
Decrease in bills payable	**(347)**	(26,797)
Cash generated (used in)/from operations	**(160,188)**	10,008
Interest paid	**(84)**	(104)
Hong Kong profits tax refund	**139**	–
Hong Kong and PRC tax paid	**(38)**	(6,620)
Net cash generated (used in)/from operating activities	**(160,171)**	3,284

Consolidated Statement of Cash Flows

For the year ended 31st December, 2010

	2010 *HK$'000*	2009 *HK$'000*
Cash flow from investing activities		
Purchase of available-for-sale financial assets	–	(6,463)
Dividend received from a jointly controlled entity	–	14,124
Interest received, other than from investments	**48**	56
Net cash outflow in respect of acquisition of subsidiaries	–	(542,055)
Net cash inflow from rescission of agreement for acquisition of subsidiaries	–	200,000
Proceeds from disposal of property, plant and equipment	–	90
Acquisition of property, plant and equipment	**(657)**	(7,319)
Acquisition of convertible bonds	**(35,000)**	–
Decrease in pledged bank deposit	–	19,500
Cash inflow for disposal of subsidiaries (net of cash and cash equivalents disposed of) in prior years	–	50,000
Proceeds from disposal of interest in an associate held for sale in prior years	–	100,000
Net cash used in investing activities	**(35,609)**	(172,067)
Cash flow from financing activities		
Repayment of finance lease obligation	**(575)**	(623)
Proceeds from issue of shares	**100,000**	315,862
Net cash generated from financing activities	**99,425**	315,239
Net (decrease)/increase in cash and cash equivalents	**(96,355)**	146,456
Effect of foreign exchange rate changes	**409**	(6)
Cash and cash equivalents brought forward	**243,360**	96,910
Cash and cash equivalents carried forward, represented by bank balances and cash	**147,414**	243,360

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

1. GENERAL INFORMATION

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

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

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

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by the HKICPA:

HKRFSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adoption
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKFRS 5 (Amendments)	Non-current Assets Held for Sale and Discontinued Operations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners
HK (Int) 4 (Amendments)	Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK (Int) 5	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of these new and revised HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods.

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

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

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

[1] Effective for annual periods beginning on or after 1st July, 2010 or 1st January, 2011, as appropriate.

[2] Effective for annual periods beginning on or after 1st July, 2010.

[3] Effective for annual periods beginning on or after 1st July, 2011.

[4] Effective for annual periods beginning on or after 1st January, 2013.

[5] Effective for annual periods beginning on or after 1st January, 2012.

[6] Effective for annual periods beginning on or after 1st January, 2011.

[7] Effective for annual periods beginning on or after 1st February, 2010.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

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

Business combinations

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

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

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

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

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

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

Mining right

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interest in a jointly controlled entity

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

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

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

Property, plant and equipment

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Trading right

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

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

Financial instruments

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

Financial assets

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

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

Convertible bonds acquired by the Group (including related embedded derivatives) are designated at financial assets at fair value through profit or loss on initial recognition. Subsequent to initial recognition, the entire convertible bonds are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

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

Available-for-sale financial assets

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

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

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

Impairment of financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

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

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

Financial guarantee contracts

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

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

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

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Share options granted to other participants

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

Impairment

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

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

Provisions

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contingent liabilities acquired in a business combination

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

Revenue recognition

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

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

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

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

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

Leasing

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

The Group as lessee

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

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

Retirement benefits costs

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

(a) Income taxes

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

(b) Impairment of assets

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

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

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

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

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

Critical accounting estimates and assumptions *(Continued)*

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

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

(d) Estimate of fair value of financial instruments

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

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

– the fair value of the convertible bonds designated at financial assets at fair value through profit or loss involves assumptions on the issuer's credit spread, discount rate, expected credit rating and future cash flows. Should these assumptions change, there would be material changes to the valuation; and

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

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	2010	2009
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale financial assets	**36,425**	15,921
Financial assets at fair value through profit or loss		
– held for trading	**296,348**	199,359
– convertible bonds designated at financial assets at fair value through profit or loss	**33,782**	–
Loans and receivables (including cash and cash equivalents)		
– trade and other receivables	**45,360**	188,392
– bills receivable	**–**	365
– short-term loans receivable	**221,305**	138,445
– bank balances held under segregated trust accounts	**18,871**	20,999
– bank balances and cash	**147,414**	243,360
Financial liabilities		
Amortised cost		
– trade and other payables	**30,450**	24,475
– bills payable	**–**	347
– finance lease obligation	**383**	958

(b) Financial risk management objectives and policies

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

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

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

Credit risk

The Group's principal financial assets include available-for-sale financial assets, financial assets at fair value through profit or loss, trade and other receivables, short-term loans receivable, and bank balances and cash. The Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligations as at 31st December, 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

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

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

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

Counterparty	Rating	**2010** ***HK$'000***	2009 *HK$'000*
Bank of China (Hong Kong) Limited	A1	**81,262**	194,884
Bank of Communications Co., Limited	A2	**42,003**	–
Standard Chartered Bank (Hong Kong) Limited	A2	**33,667**	35,471

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

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

Market risk

(i) Foreign currency risk

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

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

	2010	2009
	HK$'000	*HK$'000*
Assets		
Renminbi ("RMB")	**11,206**	7,882
US Dollars ("US$")	**62**	6,601
Australian Dollars ("A$")	**36,425**	15,921
Others	**22**	26
Liabilities		
Renminbi	**3,769**	259
US Dollars	**–**	347

(ii) Price risk

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

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

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

Market risk *(Continued)*

(ii) Price risk (Continued)

Sensitivity analysis for held for trading investments:

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

If equity prices of the held for trading investments had been 5% higher/lower:

– net loss for the year ended 31st December, 2010 would decrease/increase by approximately HK$14,817,000 (2009: net profit would increase/decrease by HK$9,968,000). This is mainly due to the changes in fair value of financial assets at fair value through profit or losses; and

The Group's is sensitivity to equity prices has increased from prior year because the Group's has increased its investment in held for trading investments.

If equity price of the available-for-sale financial assets had been 5% higher/lower:

– other equity reserves would increase/decrease by approximately HK$1,821,000 (2009: increase/decrease by HK$796,000) as a result of the changes in fair value of available-for-sale financial assets.

The Group's sensitivity to equity price has increased from prior year because the Australian dollars have been appreciated against Hong Kong dollars over the reporting period for the available-for-sale financial assets which are denominated in Australian dollars.

Sensitivity analysis for convertible notes designated at financial assets at fair value through profit or loss:

The sensitivity analyses below have been determined based on the exposure to the change of share price and its volatility of the convertible bonds at the reporting date.

If the share prices of the convertible bonds issuer had been 5% higher/lower:

– net loss for the year ended 31st December, 2010 would decrease by approximately HK$6,000/increase by approximately HK$14,000, as a result of changes in fair value of convertible bonds designated at financial assets at fair value through profit or loss.

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

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

Market risk *(Continued)*

(ii) Price risk (Continued)

If the volatility of share prices of the convertible bonds issuer had been 5% higher/lower:

– net loss for the year ended 31st December, 2010 would increase by approximately HK$11,000/decrease by approximately HK$13,000, as a result of changes in fair value of convertible bonds designated at financial assets at fair value through profit or loss.

In management's opinion, the sensitivity analyses are unrepresentative of the inherent market risk as the pricing model used in the fair value valuation of the conversion bonds involves multiple variables and certain variables are interdependent.

(iii) Interest rate risk

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

Sensitivity analysis

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

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

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

Market risk *(Continued)*

(iii) Interest rate risk (Continued)

Sensitivity analysis *(Continued)*

If interest rates had been 50 basis points higher/lower and all other variables were held constant:

– net loss for the year ended 31st December, 2010 would decrease/increase by approximately HK$617,000 (2009: HK$442,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate short-term loan interest income; and

– other equity reserves would not increase/decrease.

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

Liquidity risk

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

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

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

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

Liquidity risk *(Continued)*

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

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31st December, 2010								
Non-derivative financial liabilities								
Trade and other payables	–	30,450	–	–	–	–	30,450	30,450
Finance lease obligation	–	48	96	239	–	–	383	383
		30,498	96	239	–	–	30,833	30,833

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

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

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

Fair value of financial instruments

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

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

– the fair value of the convertible bonds designated at financial assets at fair value through profit or loss involves assumptions on the issuer's credit spread, discount rate, expected credit rating and future cash flows. Should these assumptions change, there would be material changes to the valuation; and

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

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

(c) Fair value hierarchy

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

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical financial instruments

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

Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data

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

(c) Fair value hierarchy *(Continued)*

The following table presents the Group's financial instruments that are measured at fair value at the end of the reporting period by level of the fair value measurement hierarchy:

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*
Financial assets			
At 31st December, 2010			
Available-for-sale financial assets	**36,425**	**–**	**–**
Financial assets at fair value through profit or loss			
– Held for trading investments	**296,348**	**–**	**–**
– Convertible bonds designated at financial assets at fair value through profit or loss	**–**	**–**	**33,782**
Total	**332,773**	**–**	**33,782**
At 31st December, 2009			
Available-for-sale financial asset	15,921	–	–
Financial assets at fair value through profit or loss		–	–
– Held for trading investments	199,359	–	–
Total	215,280	–	–

There were no transfers between Level 1 and 2 in the year ended 31st December, 2010 and 2009.

(d) Capital risk management

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

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

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

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

(d) Capital risk management *(Continued)*

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as total borrowings divided by total assets. During the year ended 31st December, 2010 and 2009, the Group's strategy was to maintain a reasonable gearing ratio. The gearing ratio at 31st December, 2010 and 2009 is as follows:

	As at 31st December, 2010	As at 31st December, 2009
	HK$'000	*HK$'000*
Total borrowings	**383**	958
Total assets	**1,567,180**	1,625,339
Gearing ratio	**0.02%**	0.05%

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

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

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

Segment turnover represents revenue generated from external customers.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

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

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

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

Segment Turnover and Results

For the year ended 31st December, 2010

	Trading of goods HK$'000	Provision of finance HK$'000	Brokerage and securities investment HK$'000	Exploitation and sales of minerals HK$'000	Elimination HK$'000	Total HK$'000
TURNOVER						
External sales	–	16,171	9,192	11,255	–	36,618
Inter-segment sales*	–	–	889	–	(889)	–
	–	16,171	10,081	11,255	(889)	36,618
RESULTS						
Segment results	3,546	16,162	(117,487)	(63,478)	–	(161,257)
Unallocated corporate income						85
Unallocated corporate expenses						(36,593)
Finance costs						(84)
Share of profit of a jointly controlled entity						11,553
Loss before taxation						(186,296)
Income tax expense						(498)
Loss for the year						(186,794)

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

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Segment Assets and Liabilities

As at 31st December, 2010

	Trading of goods HK$'000	Provision of finance HK$'000	Brokerage and securities investment HK$'000	Exploitation and sales of minerals HK$'000	Total HK$'000
ASSETS					
Segment assets	4,467	266,499	398,330	579,335	1,248,631
Interest in a jointly controlled entity					58,899
Available-for-sale financial assets					36,425
Unallocated corporate assets					223,225
Consolidated total assets					1,567,180
LIABILITIES					
Segment liabilities	201	1,358	32,025	4,236	37,820
Unallocated corporate liabilities					159,860
Consolidated total liabilities					197,680

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Other Information

For the year ended 31st December, 2010

	Trading of goods *HK$'000*	Provision of finance *HK$'000*	Brokerage and securities investment *HK$'000*	Exploitation and sales of minerals *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Capital additions	–	–	361	296	–	657
Depreciation/amortisation of:						
Property, plant and equipment	–	–	488	73	3,256	3,817
Mining right	–	–	–	1,559	–	1,559
Net loss on financial assets at fair value through profit or loss	–	–	119,099	–	–	119,099
Change in fair value of convertible bonds designated at financial assets at fair value through profit or loss	–	–	(411)	–	–	(411)
Loss on acquisition of convertible bonds	–	–	1,629	–	–	1,629
Impairment loss on mining right	–	–	–	60,000	–	60,000

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Segment Turnover and Results

For the year ended 31st December, 2009

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

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

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Segment Assets and Liabilities

As at 31st December, 2009

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

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Other Information

For the year ended 31st December, 2009

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

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

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

Turnover from external customers

	2010	2009
	HK$'000	*HK$'000*
PRC	**11,255**	20,638
Hong Kong	**25,363**	47,350
	36,618	67,988

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

Carrying amount of segment assets

	2010	2009
	HK$'000	*HK$'000*
PRC	**450,656**	636,893
Hong Kong	**797,975**	611,480
	1,248,631	1,248,373

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments *(Continued)*

Capital additions

	2010 HK$'000	2009 HK$'000
PRC	**296**	630,471
Hong Kong	**361**	6,848
	657	637,319

Information about major customers

The following is an analysis of revenue from customers contributing over 10% of total sales of the Group for the current and prior year:

	2010 HK$'000	2009 HK$'000
Customer A	**7,393**	–
Customer B	**4,000**	–
Customer C	**3,842**	–
Customer D	**–**	18,261

The revenue from Customer A and D are attributable to the exploitation and sales of minerals segment while revenue derived from Customer B and C are attributable to the provision of finance segment.

7. TURNOVER

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

	2010 HK$'000	2009 HK$'000
Sales of goods	**11,255**	20,638
Interest income from provision of finance	**16,171**	34,334
Commission and brokerage income	**9,192**	13,016
	36,618	67,988

8. LOSS FOR THE YEAR

	2010	2009
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Staff costs including directors' remuneration	**15,369**	13,643
Retirement benefits schemes contributions	**443**	501
Total staff costs	**15,812**	14,144
Amortisation of:		
Trading right	**–**	50
Mining right	**1,559**	1,746
Auditors' remuneration:		
Audit services	**1,000**	1,000
Non-audit services	**560**	220
Cost of inventories recognised as an expense	**11,312**	21,662
Depreciation of property, plant and equipment	**3,817**	4,753
Share of taxation of a jointly controlled entity (included in share of profit of a jointly controlled entity)	**4,054**	3,800
Impairment loss on mining right	**60,000**	–
Expenses paid in connection with the issue of shares	**3,350**	9,148
and after crediting:		
Other income		
Interest income on:		
Bank deposits	**48**	56
Other loan and receivables	**2,960**	8,326
Total interest income	**3,008**	8,382
Reversal of impairment losses during the year	**2**	–
Gain on disposal of property, plant and equipment	**–**	90
Foreign exchange gain, net	**14**	285
Sundry income	**5,978**	1,136
	9,002	9,893

8. LOSS FOR THE YEAR *(Continued)*

	2010	2009
	HK$'000	HK$'000
Other income analysed by category of asset is as follows:		
Loans and receivables (including bank deposits)	**3,008**	8,382
Non-financial assets	**5,994**	1,511
	9,002	9,893
Net loss on financial assets at fair value through profit or loss (held for trading investments):		
Proceeds on sales of investment	**79,727**	171,138
Less: cost of sales	**(110,095)**	(139,884)
Net realised (loss)/gain on financial assets at fair value through profit or loss	**(30,368)**	31,254
Unrealised loss on financial assets at fair value through profit or loss	**(88,786)**	(110,007)
Dividend income	**55**	97
Net loss on financial assets at fair value through profit or loss	**(119,099)**	(78,656)

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9. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years:		
– Other loans	**15**	29
– Convertible notes	**–**	118
– Finance lease obligation	**69**	75
	84	222

10. INCOME TAX EXPENSE/(CREDIT)

The tax expense/(credit) comprises:

	2010	2009
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**876**	207
PRC Enterprise Income Tax	**11**	15
	887	222
Deferred tax	**(389)**	(436)
	498	(214)

Hong Kong Profits Tax for the year ended 31st December, 2010 was calculated at 16.5% (2009: 16.5%) of the estimated assessable profit for the year.

For the Group's subsidiaries established in the PRC, PRC Enterprise Income Tax is calculated at the rate of 25% (2009: 25%).

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

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

	2010	2009
	HK$'000	*HK$'000*
Loss before taxation	**(186,296)**	(70,391)
Tax at the Hong Kong Profits Tax rate of 16.5% (2009: 16.5%)	**(30,738)**	(11,614)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(7)**	(103)
Tax effect of share of profit of a jointly controlled entity	**(1,906)**	(1,944)
Tax effect of expenses not deductible for tax purpose	**12,010**	27,321
Tax effect of income not taxable for tax purpose	**(304)**	(24,886)
Tax effect of temporary differences not recognised	**(355)**	–
Tax effect of tax losses not recognised	**21,761**	13,018
Effect of utilisation of tax losses previously not recognised	**–**	(1,993)
Others	**37**	(13)
	498	(214)

Details of deferred taxation are set out in note 30.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

During the year, emoluments paid or payable to each of the 12 directors (2009: 9 directors) were as follows:

		Fees		Salaries and other benefits		Retirement benefits schemes contributions		Discretionary bonus		Total	
		2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Executive directors											
Zhang Guoqing	*ii*	**50**	–	**–**	–	**–**	–	**–**	–	**50**	–
Lee Jalen	*i, iii*	**–**	–	**553**	–	**–**	–	**–**	–	**553**	–
Chan Ah Fei	*iv*	**30**	–	**–**	–	**–**	–	**–**	–	**30**	–
Lee Yuk Fat	*iv*	**30**	–	**–**	–	**–**	–	**–**	–	**30**	–
Suen Cho Hung, Paul	*viii*	**–**	–	**–**	1,005	**–**	50	**–**	–	**–**	1,055
Sue Ka Lok	*v*	**–**	–	**25**	1,179	**1**	59	**–**	–	**26**	1,238
Cao Jian An	*vi*	**–**	–	**40**	480	**2**	24	**–**	–	**42**	504
Ng Shin Kwan, Christine	*i*	**–**	–	**692**	650	**12**	12	**–**	–	**704**	662
Gao Wenxiang	*vii*	**550**	380	**–**	–	**–**	–	**–**	–	**550**	380
Chen Shuda		**336**	336	**–**	–	**–**	–	**–**	–	**336**	336
Independent non-executive directors											
Sun Ka Ziang, Henry		**86**	86	**–**	–	**–**	–	**–**	–	**86**	86
Kwok Ming Fai		**86**	86	**–**	–	**–**	–	**–**	–	**86**	86
Wong Yun Kuen		**86**	86	**–**	–	**–**	–	**–**	–	**86**	86
		1,254	974	**1,310**	3,314	**15**	145	**–**	–	**2,579**	4,433

Notes:

i) During the year ended 31st December, 2010 and up to the date of this report, the Company had the following changes in respect of its directors' remuneration:

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

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

(a) Directors' emoluments *(Continued)*

i) *(Continued)*

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

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

ii) Mr. Zhang Guoqing was appointed on 26th November, 2010.

iii) Mr. Lee Jalen was appointed on 18th January, 2010.

iv) Mr. Chan Ah Fei and Mr. Lee Yuk Fat were appointed on 26th November, 2010.

v) Mr. Sue Ka Lok resigned on 18th January, 2010.

vi) Mr. Cao Jian An resigned on 13th August, 2010.

vii) Mr. Gao Wenxiang resigned on 26th November, 2010.

viii) Mr. Suen Cho Hung, Paul resigned on 16th September, 2009.

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2009: three) was a director of the Company whose emoluments are included in the disclosures set out in note (a) above. The emoluments of the remaining highest paid individuals were as follows:

	2010	2009
	HK$'000	*HK$'000*
Salaries and other benefits	**3,210**	2,041
Retirement benefits schemes contributions	**80**	12
	3,290	2,053

Their emoluments were within the following bands:

	2010	2009
	No. of employee	*No. of employee*
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$2,000,000	**2**	1
HK$2,000,001 to HK$3,000,000	**–**	–
	4	2

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

12. LOSS PER SHARE

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

	2010	2009
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company	**(186,794)**	(70,177)

	2010	2009
	'000	*'000*
		(restated)
Number of shares		
Weighted average number of shares for the purpose of basic loss per share	**552,557**	583,625

The effects of the share consolidation on 26th November, 2010 (note 31), and the bonus element included within the rights issue completed after the reporting period (note 41), have been included in the calculation of basic loss per share. The weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 31st December, 2009 had been adjusted accordingly.

Basic and diluted loss per share for the year ended 31st December, 2010 and 2009 have been presented as equal because the exercise prices of the Company's share options were higher than the average market price for the year and is therefore considered as anti-dilutive.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
THE GROUP					
COST					
At 1st January, 2009	4,416	3,221	6,098	–	13,735
Additions	2	64	7,115	138	7,319
Disposals	–	–	(404)	–	(404)
At 31st December, 2009 and 1st January, 2010	4,418	3,285	12,809	138	20,650
Additions	16	380	124	137	657
Exchange adjustments	–	–	15	7	22
At 31st December, 2010	4,434	3,665	12,948	282	21,329
DEPRECIATION AND IMPAIRMENT					
At 1st January, 2009	1,794	898	1,993	–	4,685
Provided for the year	2,320	615	1,818	–	4,753
Eliminated on disposals	–	–	(404)	–	(404)
At 31st December, 2009 and 1st January, 2010	4,114	1,513	3,407	–	9,034
Provided for the year	303	662	2,841	11	3,817
Exchange adjustments	–	–	1	–	1
At 31st December, 2010	4,417	2,175	6,249	11	12,852
CARRYING VALUES					
At 31st December, 2010	**17**	**1,490**	**6,699**	**271**	**8,477**
At 31st December, 2009	304	1,772	9,402	138	11,616

The net carrying amount of the Group's fixed assets held under finance lease included in the total amounts of motor vehicles at 31st December, 2010 amounted to HK$1,272,000 (2009: HK$1,908,000).

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

	THE COMPANY	
	2010	2009
	HK$'000	*HK$'000*
Cost of unlisted investments	**1,000**	1,000
Less: Impairment losses recognised	**(690)**	(690)
	310	310
Amounts due from subsidiaries	**1,943,255**	2,193,137
Less: Impairment losses recognised	**(400,062)**	(400,062)
	1,543,193	1,793,075
Amounts due to subsidiaries	**(119,098)**	(508,853)

During the year ended 31st December, 2009, the Group has undergone group reorganisation and certain subsidiaries, after making appropriations, were disposed of at their respective carrying amounts.

During the year ended 31st December, 2009, the directors of the Company reviewed and examined the current operations of the subsidiaries and identified that the present value of estimated net future cash flows from certain subsidiaries are lower than their carrying amounts. Accordingly, the carrying amounts of these balances are reduced to their respective recoverable amounts.

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

	2010	2009
	HK$'000	*HK$'000*
Balance at beginning of the year	**690**	7,119
Reversed upon disposal during the year	**–**	(6,429)
Balance at end of the year	**690**	690

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

(Continued)

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

	2010	2009
	HK$'000	*HK$'000*
Balance at beginning of the year	**400,062**	300,627
Impairment losses recognised during the year	**–**	130,838
Reversal during the year	**–**	(31,403)
Balance at end of the year	**400,062**	400,062

The amounts due from/(to) subsidiaries are unsecured and have no fixed terms of repayment. Of the balances, approximately HK$258,467,000 (2009: HK$194,672,000) of the amounts due from subsidiaries bear interest at an effective interest rate of prime rate (2009: prime rate plus 2.5%) per annum and the remaining balances are non-interest bearing.

Particulars of the Company's principal subsidiaries at 31st December, 2010 are as follows:

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

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

Particulars of the Company's principal subsidiaries at 31st December, 2010 are as follows: *(Continued)*

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

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

Particulars of the Company's principal subsidiaries at 31st December, 2010 are as follows: *(Continued)*

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

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

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

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

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

** Registered as limited liability companies under the PRC law

15. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Cost of unlisted investment in a jointly controlled entity	**49,862**	49,862
Share of post-acquisition profits and reserves, net of dividends received	**9,037**	(4,692)
	58,899	45,170

Particulars of the Group's jointly controlled entity at 31st December, 2010 are as follows:

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

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

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

	2010	2009
	HK$'000	*HK$'000*
Non-current assets	**99,141**	107,713
Current assets	**264,643**	190,111
Current liabilities	**(150,405)**	(128,934)
Net current assets	**114,238**	61,177
Non-current liabilities	**(17,049)**	(18,324)
Net assets	**196,330**	150,566
The Group's share of net assets of the jointly controlled entity	**58,899**	45,170
Income	**695,191**	615,201
Expenses	**(643,168)**	(563,263)
Income tax expense	**(13,512)**	(12,667)
Profit for the year	**38,511**	39,271
The Group's share of profit of the jointly controlled entity for the year	**11,553**	11,781

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Equity securities:		
– listed securities	**36,425**	15,921
– unlisted securities	**9,562**	9,562
	45,987	25,483
Less: Impairment loss recognised	**(9,562)**	(9,562)
	36,425	15,921

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

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

The directors of the Company have reviewed the recoverable amount of the available-for-sale financial assets as at 31st December, 2010 and considered no further impairment loss should be made (2009: Nil).

17. OTHER ASSETS

The Group

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

18. TRADING RIGHT

	THE GROUP *HK$'000*
COST	
Balance at 1st January, 2009, 31st December, 2009, 1st January, 2010 and 31st December, 2010	778
AMORTISATION AND IMPAIRMENT	
At 1st January, 2009	728
Amortisation for the year	50
At 31st December, 2009, 1st January, 2010 and 31st December, 2010	778
CARRYING VALUES	
At 31st December, 2010	–
At 31st December, 2009	–

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

19. MINING RIGHT

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
COST		
At beginning of the year	**630,000**	–
Acquisition of subsidiaries *(note 34)*	**–**	630,000
At end of the year	**630,000**	630,000
AMORTISATION AND IMPAIRMENT		
At beginning of the year	**1,746**	–
Amortisation for the year	**1,559**	1,746
Impairment loss for the year	**60,000**	–
At end of the year	**63,305**	1,746
CARRYING VALUES		
At end of the year	**566,695**	628,254

The mining right as at 31st December, 2010 represents the mining right licence of a magnetite iron ore mine situated at the Guangdong Province, the PRC. The mining right licence was expired on 31st December, 2010 and is undergoing the renewal process. The Group has obtained the legal opinion from PRC lawyers that, a) there is no material legal claims or proceedings which may have an influence on the renewal of mining rights licence; and b) in accordance with the relevant PRC laws and regulations, there is no foreseeable legal obstacle for the Group to obtain the renewal of the mining right licence. The Group expected the renewed mining right licence will be obtained in April 2011.

Amortisation for mining right with finite useful lives is provided using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the ores mine.

The fair value of the mining right licence at 31st December, 2010 has been arrived at on the basis of a valuation carried out by Malcolm & Associates Appraisal Limited, an independent qualified professional valuer and an impairment loss of HK$60,000,000 was recognised in the consolidated income statement for the year ended 31st December, 2010 (2009: Nil), under the assumption that the Group can renew the mining rights licence indefinitely till all proven reserves have been mined.

20. GOODWILL

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
COST		
At beginning of the year	**128,679**	–
Acquisition of subsidiaries *(note 34)*	**–**	128,679
At end of the year	**128,679**	128,679

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

Impairment testing of goodwill

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

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation, using cash flow projections based on financial budgets covering a ten-year period with cash flows beyond the ten-year period assumed to be stable. The discount rate applied to the cash flow projections is 11.98%. The above assumptions have been reviewed by WBB Corporate Advisors, an independent qualified professional valuer.

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

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

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

21. INVENTORIES

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Raw materials	**145**	270
Work-in-progress	**–**	32
Finished goods	**731**	301
	876	603

22. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLE

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**34,432**	10,934
Less: Impairment loss recognised	**(1,490)**	(1,492)
	32,942	9,442
Deposits, other receivables and prepayments *(note)*	**12,774**	179,306
Less: Impairment loss recognised, in respect of other receivables	**(356)**	(356)
	12,418	178,950
Trade and other receivables	**45,360**	188,392
Bills receivable	**–**	365
	45,360	188,757

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

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Trade receivable arising from securities dealing business:		
Margin account clients	**15,586**	8,523
Cash account clients	**7,440**	2,285
Clearing house	**3,590**	–
Marks receivables	**183**	–
Others	**126**	126
	26,925	10,934
Trade receivable arising from mining business	**7,507**	–
	34,432	10,934

For trade receivables arising from securities dealing business, the settlement term is two days after the trade date. Interests are charged on overdue cash account clients and margin account clients at prime rate plus 7% (2009: prime rate plus 7%) per annum and at prime rate plus 4% (2009: prime rate plus 4%) per annum, respectively. Trade receivables arising from securities dealing business, net of impairment loss, were all due within 60 days as at 31st December, 2010 and 2009.

For trade receivables arising from the mining business, the Group normally allows a credit period of 60 days.

An aging analysis of the trade receivables arising from the mining business, net of impairment loss, at the end of the reporting periods are as follows:

	2010	2009
	HK$'000	*HK$'000*
0 to 60 days	**6,473**	–
61 to 90 days	–	–
over 90 days	**1,034**	–
	7,507	–

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

Trade receivables arising from the mining business of approximately HK$4,627,000 have been settled after the end of the reporting period. No impairment loss has been recognised on the remaining amount of approximately HK$2,880,000 as the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Movement of impairment losses recognised

	2010	2009
	HK$'000	*HK$'000*
Balance at beginning of the year	**1,848**	1,848
Reversal of impairment losses during the year	**(2)**	–
Balance at end of the year	**1,846**	1,848

Aging of the impaired trade and other receivables

	2010	2009
	HK$'000	*HK$'000*
Over 90 days	**1,846**	1,848

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

	2010	2009
	HK$'000	*HK$'000*
181 to 240 days	**–**	365

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

Note:

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

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

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

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

During the year ended 31st December, 2010, this legal case was settled with the total outstanding amount due from Oriental Pine of approximately HK$111,727,000 was received by the Group.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and the Company

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

24. CONVERTIBLE BONDS DESIGNATED AT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Debt element *HK$'000*	Conversion option element *HK$'000*	Total *HK$'000*
Fair value on acquisition on 9th August, 2010	**33,399**	**(28)**	**33,371**
Change in fair value:			
– Charged consolidated to income statement	**364**	**47**	**411**
Net carrying amounts at 31st December, 2010	**33,763**	**19**	**33,782**

During the year, the Group acquired the zero coupon convertible bonds issued by Sinolink Worldwide Holdings Limited ("Sinolink") (Stock Code: 1168), a company listed on the main board of the Stock Exchange of Hong Kong Limited ("Sinolink Convertible Bonds") with a principal amount of HK$35,000,000. The Sinolink Convertible Bonds due on 27th September, 2012 is convertible into fully paid ordinary shares of Sinolink with a par value of HK$0.10 each at an initial conversion price of HK$1.10, subject to adjustment on the occurrence of dilutive or concentrative event. The Group can exercise the conversion at anytime until the maturity date, provided that any conversion of the Sinolink Convertible Bonds does not trigger a mandatory offer obligation under The Hong Kong Code on Takeovers and Mergers. The Sinolink Convertible Bonds can be redeemed at 100% of the respective outstanding principal amount at any time during the period from the acquisition date and expiring on the maturity date. The Group has designated the Sinolink Convertible Bonds as financial assets at fair value through profit or loss.

On initial and subsequent recognition, the Sinolink Convertible Bonds were measured at fair value and a loss on acquisition of convertible bonds of approximately HK$1,629,000 and a fair value gain of approximately HK$411,000 were recognised in the consolidated income statement for the year ended 31st December, 2010 (2009: Nil).

The fair values of the Sinolink Convertible Bonds at the acquisition date and 31st December, 2010 have been arrived at on the basis of a valuation carried out by Ascent Partners Appraisal Limited, an independent qualified professional valuer. Black-Scholes option pricing model is used.

24. CONVERTIBLE BONDS DESIGNATED AT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

The inputs into the model of the Sinolink Convertible Bonds as at date of acquisition and 31st December, 2010 are as follows:

	9th August, 2010 (date of acquisition)	31st December, 2010
Stock price	HK$1.17	HK$1.13
Conversion price	HK$1.10	HK$1.10
Expected volatility	50.20%	47.07%
Risk free rate	0.51%	0.57%
Option life	2.13 years	1.74 years
Expected annual dividend yield	3.30%	3.30%

25. SHORT-TERM LOANS RECEIVABLE

The Group

	2010	2009
	HK$'000	*HK$'000*
Secured short-term loans receivable	**68,000**	88,440
Unsecured short-term loans receivable	**153,305**	50,005
	221,305	138,445

The range of effective interest rates (which are equal to contractual interest rates) on the Group's loans receivable is 5% to 14% (2009: 8% to 12%) per annum.

In addition, the Group has variable rate short-term loans receivable amounting to HK$123,400,000 (2009: HK$88,440,000) which carry interest ranging from prime rate to prime rate plus 5% (2009: from prime rate plus 3% to prime rate plus 5%) per annum.

All the short-term loans receivable as at 31st December, 2010 and 2009 were neither past due nor impaired, and are related to a number of independent borrowers that have strong financial background. Management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

25. SHORT-TERM LOANS RECEIVABLE *(Continued)*

The Group *(Continued)*

The secured short-term loans receivable are secured by listed equity shares owned by the borrowers. As at 31st December, 2010, the Group held collateral with value of approximately HK$96,110,000 (2009: HK$56,000,000).

Subsequent to the end of the reporting period, the Group agreed with one of the borrowers that listed equity shares owned by the borrower with the value of approximately HK$65,200,000 will be provided as collateral to secure the HK$30,000,000 unsecured short-term loans receivable.

The settlement term of short-term loans receivable is three months to one year.

26. BANK BALANCES HELD UNDER SEGREGATED TRUST ACCOUNTS/BANK BALANCES AND CASH

The Group and the Company

Bank balances carry interest at market rate of 0.01% (2009: 0.01%) per annum.

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

27. TRADE AND OTHER PAYABLES/BILLS PAYABLES

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Trade payables	**26,072**	22,023
Other payables and accruals	**4,378**	2,452
Trade and other payables	**30,450**	24,475
Bills payable	**–**	347
	30,450	24,822

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

Details of trade payables are as follows:

	2010	2009
	HK$'000	*HK$'000*
Trade payables arising from securities dealing business:		
Cash account clients	**19,400**	18,669
Clearing house	**31**	382
Margin account clients	**2,812**	2,827
Others	**60**	119
	22,303	21,997
Trade payables arising from the mining business:	**3,769**	26
	26,072	22,023

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

	2010	2009
	HK$'000	*HK$'000*
181 to 240 days	**–**	347

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

	2010	2009
	HK$'000	*HK$'000*
0 to 60 days	**3,769**	–

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

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

Included in trade payables arising from securities dealing business of approximately HK$18,871,000 (2009: HK$20,999,000) was payable to clients and other institutions in respect of the trust bank balances received and held for clients and other institutions in the course of the conduct of the regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed. The deposits placed carry variable commercial interest rates.

28. FINANCE LEASE OBLIGATION

At 31st December, 2010, the total future minimum lease payments under the finance lease obligation and their present values, are as follows:

	Minimum lease payments		**Present value of minimum lease payments**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**429**	644	**383**	575
In the second to fifth years, inclusive	**–**	429	**–**	383
	429	1,073	**383**	958
Future finance charges	**(46)**	(115)	**N/A**	N/A
Present value of finance lease obligation	**383**	958	**383**	958
Portion classified as current liabilities	**(383)**	(575)	**(383)**	(575)
Non-current portion	**–**	383	**–**	383

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

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

29. PROVISION

During the year ended 31st December, 2008, a subsidiary of the Company principally engaged in securities brokerage might be found liable to certain third parties for certain irregular transactions allegedly conducted by its former employee involving an aggregate amount of approximately HK$9,250,000. The matters had been first reported to the relevant enforcement agencies by such subsidiary in March 2009. The former employee was convicted by the High Court of Hong Kong in 2009 and there was no claim received by the subsidiary during the year. Based on the information available to the directors, the full amount of the possible claims was provided as at 31st December, 2010 and 2009.

Based on a preliminary legal advice, such subsidiary may also be subject to a maximum penalty of HK$10,000,000 to the enforcement agency for the allegedly irregular transactions conducted by the former employee. No penalty against the subsidiary was received during the year. As the investigation of the matters by the enforcement agency is in progress, the directors cannot reasonably predict the outcome of the matters, the possible maximum penalty of HK$10,000,000 is therefore regarded as a contingent liability of the Group as at 31st December, 2010 and 2009.

30. DEFERRED TAX LIABILITIES

The Group

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

	2010 ***HK$'000***	2009 *HK$'000*
At beginning of the year	**157,064**	–
Acquisition of subsidiaries *(note 34)*	**–**	157,500
Credited to consolidated income statement during the year	**(390)**	(436)
At end of the year	**156,674**	157,064

At 31st December, 2010, the Group had unused tax losses of approximately HK$38,414,000 (2009: HK$112,576,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

31. SHARE CAPITAL

	Notes	Number of shares '000	Share capital HK$'000
Authorised:			
At 1st January, 2009 and 2010, ordinary shares of HK$0.10 each		9,000,000	900,000
Capital Reduction	b (i)	–	(855,000)
Ordinary shares of HK$0.005 each		9,000,000	45,000
Share Consolidation	b (ii)	(8,100,000)	–
Ordinary shares of HK$0.05 each		900,000	45,000
Increase in authorised share capital	b (iii)	8,100,000	405,000
At 31st December, 2010, ordinary shares of HK$0.05 each		9,000,000	450,000
Issued and fully paid:			
At 1st January, 2009, ordinary shares of HK$0.10 each		3,160,083	316,008
Issue of shares	c	1,421,000	142,100
Conversion of convertible notes	d	428,571	42,857
At 31st December, 2009 and 1st January, 2010, ordinary shares of HK$0.10 each		5,009,654	500,965
Issue of shares	a	1,000,000	100,000
Ordinary shares of HK$0.10 each		6,009,654	600,965
Capital Reduction	b (i)	–	(570,917)
Ordinary shares of HK$0.005 each		6,009,654	30,048
Share Consolidation	b (ii)	(5,408,689)	–
At 31st December, 2010, ordinary shares of HK$0.05 each		600,965	30,048

31. SHARE CAPITAL *(Continued)*

Notes:

Details of the changes in the Company's share capital for the year ended 31st December, 2010 and 2009 are as follows:

(a) Pursuant to the placing and subscription agreements entered into by the Company on 9th August, 2010 and 14th October, 2010, 600,000,000 and 400,000,000 shares of the Company of HK$0.10 each were newly issued at HK$0.10 per share to not less than six independent investors each time during the year. These shares rank pari passu in all respects with the then existing shares. The issue prices represented discounts of approximately 10.71% and 7.41% to the closing prices per share of HK$0.112 and HK$0.108 respectively as quoted on the Stock Exchange on respective agreement dates. The respective net proceeds of placements of approximately HK$58,000,000 and HK$38,650,000 (equivalent to net prices per share of approximately HK$0.097) were used as general working capital of the Group.

(b) Special resolution approving the capital reorganisation was passed at the extraordinary general meeting of the Company held on 15th November, 2010, and the capital reorganisation became effective on 26th November, 2010. Details of the capital reorganisation are set out below:

i) the nominal value of the shares of the Company in issue was reduced from HK$0.10 to HK$0.005 each (the "Reduced Shares") by cancelling the issued and paid-up capital to the extent of HK$0.095 paid up on each of the issued shares of the Company (the "Capital Reduction");

ii) every ten issued and unissued Reduced Shares of HK$0.005 each were consolidated into one new share of HK$0.05 each (the "Share Consolidation");

iii) subsequent to the Share Consolidation, the authorised share capital of the Company was increased from HK$45,000,000 dividend into 900,000,000 shares to HK$450,000,000 dividend into 9,000,000,000 consolidated shares by the creation of an additional 8,100,000,000 new consolidated shares; and

iv) credit arising from the Capital Reduction of HK$570,917,151.70 was entirely credited to the share premium account of the Company.

For further details, please refer to the circular of the Company dated 8th October, 2010.

31. SHARE CAPITAL *(Continued)*

Notes: (Continued)

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

(d) During the year ended 31st December, 2009, convertible notes issued by the Company in the aggregate principal amount of HK$60,000,000 were fully converted into 428,571,428 ordinary shares of HK$0.10 each of the Company at a conversion price of HK$0.14 per share.

32. RESERVES

The Company

	Share premium HK$'000	Capital reserve HK$'000	Convertible notes equity reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2009	918,285	3,547	–	53,280	(191,057)	784,055
Issue of shares	182,910	–	–	–	–	182,910
Transaction costs attributable to issue of shares	(9,148)	–	–	–	–	(9,148)
Issue of convertible notes	–	–	20,143	–	–	20,143
Conversion of convertible notes	17,261	–	(20,143)	–	–	(2,882)
Lapse of share options	–	–	–	(104)	104	–
Loss for the year	–	–	–	–	(97,673)	(97,673)
At 31st December, 2009 and 1st January, 2010	1,109,308	3,547	–	53,176	(288,626)	877,405
Capital Reduction	570,917	–	–	–	–	570,917
Lapse of share options	–	–	–	(71)	71	–
Loss for the year	–	–	–	–	(13,742)	(13,742)
At 31st December, 2010	**1,680,225**	**3,547**	**–**	**53,105**	**(302,297)**	**1,434,580**

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

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

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

33. SHARE OPTION SCHEME

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

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

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

33. SHARE OPTION SCHEME *(Continued)*

Details of specific categories of share options are as follows:

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

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

Name or category of participant	Number of share options					
	At 1st January, 2010	Adjustment 1 *(Note e)*	Adjustment 2 *(Note f)*	Reclassification *(Note g)*	Lapsed during the year	At 31st December, 2010
	'000	*'000*	*'000*	*'000*	*'000*	*'000*
Tranche one						
Director						
Kwok Ming Fai	200	(180)	30	–	–	50
Employees other than directors						
In aggregate	40	(36)	6	–	–	10
	240	(216)	36	–	–	60

33. SHARE OPTION SCHEME *(Continued)*

Name or category of participant	At 1st January, 2010 '000	Adjustment 1 *(Note e)* '000	Adjustment 2 *(Note f)* '000	Reclassification *(Note g)* '000	Lapsed during the year '000	At 31st December, 2010 '000
	Number of share options					
Tranche three						
Directors						
Sue Ka Lok	10,000	(9,000)	1,520	(2,520)	–	–
Ng Shin Kwan, Christine	16,780	(15,102)	2,551	–	–	4,229
Sun Ka Ziang, Henry	52	(47)	8	–	–	13
Kwok Ming Fai	52	(47)	8	–	–	13
Wong Yun Kuen	52	(47)	8	–	–	13
Employees other than directors						
In aggregate	1,808	(1,627)	274	2,520	(36)	2,939
Other participants						
In aggregate	77,940	(70,146)	11,847	–	–	19,641
	106,684	(96,016)	16,216	–	(36)	26,848
	106,924	(96,232)	16,252	–	(36)	26,908
Exercisable at the end of the year						26,908
Weighted average exercise price (HK$)	1.22				12.20	12.18

33. SHARE OPTION SCHEME *(Continued)*

Notes:

(a) On 23rd March, 2007, 3,050,000 and 8,860,000 share options were granted to directors and employees of the Group, respectively. These share options entitle the holders thereof to subscribe for shares of the Company at a subscription price of HK$1.52 per share during the exercisable period from 23rd March, 2007 to 22nd March, 2017. For outstanding share options not yet exercised as at 31st December, 2009, the subscription price was adjusted to HK$0.38 per share as a result of the bonus issue which became effective on 7th November, 2007.

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

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

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

(e) During the year ended 31st December, 2010, as a result of the Share Consolidation (note 31) which became effective on 26th November, 2010, the relevant subscription price was adjusted from HK$0.38 and HK$1.22 to HK$3.80 and HK$12.20 respectively per share and the number of outstanding share options was adjusted accordingly.

(f) Subsequent to the reporting period, as a result of the Rights Issue which was completed on 31st January, 2011, the relevant subscription price was adjsuted from HK$3.80 and HK$12.20 to HK$1.51 and HK$4.84 respectively, and the number of outstanding share options was adjusted accordingly.

(g) On 18th January, 2010, Mr. Sue Ka Lok resigned as a director of the Company but remained his positions with various subsidiaries of the Company. Accordingly, the share options held by him were reclassified from the category of "Directors" to the category of "Employees other than directors in aggregate".

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

(i) There was no share options granted or exercised or cancelled during the year ended 31st December, 2010.

(j) No share option granted under Tranche Two was outstanding as at 31 December, 2010 and 2009.

(k) The share options outstanding at the end of the year have a weighted average remaining contractual life of 6.92 years (2009: 7.92 years).

33. SHARE OPTION SCHEME *(Continued)*

Notes: (Continued)

As at the date of this report, a total of 25,996,828 shares are available for issue under the Share Option Scheme which represents approximately 0.48% of the issued share capital of the Company as at the date of this report.

34. ACQUISITION OF SUBSIDIARIES

No acquisition of subsidiaries during the year ended 31st December, 2010.

For the year ended 31st December, 2009, Excel Faith, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Li Hui, as the vendor, to acquire the entire issued share capital of Union Bless, which effectively holds a mining right of a mixed metals mine located in Guangdong Province in the PRC, and a shareholder's loan at an aggregate consideration of HK$610,000,000 (the "Acquisition"). The principal activities of Union Bless and its subsidiaries are exploitation and sales of magnetite iron ore. The Acquisition was approved by shareholders of the Company on 15th July, 2009 and the Acquisition was completed on 24th September, 2009.

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

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

Total consideration was satisfied by:

	HK$'000
Cash consideration	550,000
Issue of the convertible notes	60,000
Total consideration	610,000

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

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

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

Notes:

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

(b) During the period between the date of completion of the Acquisition and 31st December, 2009, Union Bless and its subsidiaries contributed loss and turnover of approximately HK$1,836,000 and HK$2,377,000 respectively to the Group's loss for the year ended 31st December, 2009.

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

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

35. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

	2010	2009
	HK$'000	*HK$'000*
Operating lease rentals in respect of land and buildings	**6,594**	6,535

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

	2010	2009
	HK$'000	*HK$'000*
Within one year	**5,213**	6,141
In the second to fifth years inclusive	**622**	4,465
	5,835	10,606

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

36. CAPITAL COMMITMENTS

At 31st December, 2010, the Group had capital commitments as follows:

	2010	2009
	HK$'000	*HK$'000*
Subscription of shares of YTC	**4,704**	–

In October 2010, the Group committed to subscribe for 5.95% of the total number of shares to be issued under the share placement of YTC Resources Limited ("YTC"), whose shares are listed in Australian Securities Exchange, with the subscription amount of A$595,000 (equivalent to approximately HK$4,704,000). The shareholding in YTC will remain unchanged at 5.95% of YTC's ordinary shares on issue. The placement was completed subsequent to the end of the reporting period.

As 31st December, 2010, the Company did not have any capital commitments (2009: Nil).

37. PLEDGE OF ASSETS

At 31st December, 2010, property, plant and equipment of approximately HK$1,272,000 was pledged as security for the Group's finance lease obligation (2009: HK$1,908,000).

38. RETIREMENT BENEFITS SCHEMES

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

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

39. CONTINGENT LIABILITIES

Save as disclosed in note 29, no material contingent liabilities of the Group and the Company were noted at 31st December, 2010 and 2009.

40. MATERIAL RELATED PARTY TRANSACTIONS

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

Key management personnel remuneration

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

	2010	2009
	HK$'000	*HK$'000*
Short term employee benefits	**2,565**	4,288
Retirement benefits schemes contributions	**15**	145
	2,580	4,433

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

41. EVENTS AFTER THE REPORTING PERIOD

In addition to the subsequent events detailed in note 36, the Company completed a rights issue of 4,807,723,376 rights shares of HK$0.05 each at HK$0.10 per rights share on the basis of eight rights shares for every one share held. For further details, please refer to the circular of the Company dated 21st December, 2010.

42. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31st March, 2011.

Five Year Financial Summary

	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	**2010** ***HK$'000***
RESULTS					
Turnover	531,652	586,193	665,901	67,988	**36,618**
(Loss)/profit before taxation	(258,213)	79,734	12,742	(70,391)	**(186,296)**
Income tax (expense)/credit	(1,438)	(6,375)	(304)	214	**(498)**
(Loss)/profit for the year	(259,651)	73,359	12,438	(70,177)	**(186,794)**
(Loss)/profit attributable to:					
Owners of the Company	(238,132)	75,319	12,915	(70,177)	**(186,794)**
Non-controlling interests	(21,519)	(1,960)	(477)	–	**–**
	(259,651)	73,359	12,438	(70,177)	**(186,794)**

	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	**2010** ***HK$'000***
ASSETS AND LIABILITIES					
Total assets	761,367	1,136,063	1,175,295	1,625,339	**1,567,180**
Total liabilities	(497,386)	(160,641)	(52,173)	(192,156)	**(197,680)**
	263,981	975,422	1,123,122	1,433,183	**1,369,500**
Equity attributable to owners of the Company	262,650	975,422	1,123,122	1,433,183	**1,369,500**
Non-controlling interests	1,331	–	–	–	**–**
	263,981	975,422	1,123,122	1,433,183	**1,369,500**

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