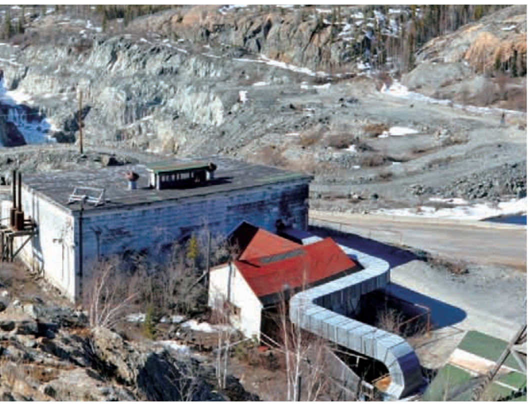
North Mining Shares Company Limited
北方礦業股份有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 433)



Annual Report **2010**

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Gao Yuan Xing *(Chairman and Chief Executive Officer)*
Jin Jiu Xin *(Deputy Chairman)*
Zhao Qing
Zhang Jia Kun
Chai Ming
Qian Yi Dong

Independent Non-executive Directors

Mu Xiangming
Cheng Chak Ho
Lo Wa Kei Roy

COMPANY SECRETARY AND AUTHORISED REPRESENTATIVE

Yuen Wing Kwan

AUDIT COMMITTEE

Mu Xiangming *(Chairman)*
Cheng Chak Ho
Lo Wa Kei Roy

REMUNERATION COMMITTEE

Lo Wa Kei Roy *(Chairman)*
Cheng Chak Ho
Qian Yi Dong

AUDITORS

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

PRINCIPAL BANKERS

Citibank
Standard Chartered Bank (Hong Kong) Limited
HSBC
CITIC Ka Wah Bank Limited
Wing Hang Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 3609–10, 36/F
China Resources Building
No. 26 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LISTING INFORMATION

Stock Code: 433, Hong Kong

WEBSITE

www.northmining.com.hk

CHAIRMAN'S STATEMENT

To the shareholders,

On behalf of the board of directors (the "Board or Directors") of North Mining Shares Company Limited (the "Company", together with its subsidiaries, collectively the "Group"), I am pleased to present the annual report of the Company for the year ended 31 December 2010.

BUSINESS REVIEW

In 2010, with the recovery policies adopted by the US and European countries taking effect, demand for molybdenum saw corresponding increase, contributing to a steady price movement of the commodity in international markets. However, as the PRC government has been stepping up its measures in energy conservation and emission reduction as well as consolidating the domestic steel industry, demand from this sector dwindled.

Mining is still one of the principal activities of the Group. For the year ended 31 December 2010, the Group recorded a turnover of approximately HK$384,543,000 (2009: HK$85,498,000), representing a 4.5-fold increase as compared with the corresponding period in 2009. The increase is mainly due to these segment's income contribution of approximately HK$380,799,000 (2009: HK$70,671,000) to the Group.

PROSPECT

With the effectiveness of the stimulus policies of the US and European countries, as well as the gradually stabilising global economy, there will be a stable increase in the price of and the demand for molybdenum in the coming year. In addition, the adjustments to state policies in respect of molybdenum resources and its related industry will foster a steady price movement of molybdenum in 2011 and the years to come. The management of the Company will seize the opportunity to maximize the return for the Company and the shareholders.

APPRECIATION

Finally, I would like to take this opportunity to express our sincere gratitude to our shareholders for their trust and continuous support, and to all the Directors, the management and staff for their continuous hard work and dedication over the years.

Gao Yuan Xing
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL FINANCIAL PERFORMANCE

During the year under review, the Group recorded a turnover of approximately HK$384,543,000, representing an increase of 3.5 times over 2009 (2009: approximately HK$85,498,000). Such increase is mainly due to the increase in turnover from the Group's mining business operations during the year. The turnover attributable to mining business operations amounted to HK$380,799,000 for the year ended 31 December 2010 (2009: approximately HK$70,671,000).

For the year ended 31 December 2010, the Group recorded a loss attributable to equity holders of the Company of approximately HK$688,783,000 (2009: profit of approximately HK$781,694,000), representing a significant decrease as compared to the year 2009. The substantial reduction in profit is mainly due to the negative goodwill of approximately HK$993,555,000 arising from the acquisition of Shaanxi Province Luo Nan Xian Jiu Long Kuang Ye Company Limited ("Jiu Long Kuang Ye") during 2009 and the impairment loss on mining rights of Jiu Long Kuang Ye of approximately HK$343,678,000 in 2010.

BUSINESS REVIEW

The principal activities of the Group are (i) mining operations — exploitation and exploration; (ii) property leasing operations; and (iii) property management operations. An analysis of each of these business segments is presented below:

Mining Operations — Exploitation and Exploration

* Shaanxi Province Luo Nan Xian Jiu Long Kuang Ye Company Limited ("Jin Long Kuang Ye") (陝西省洛南縣九龍礦業有限公司)

During the year under review, the volume of molybdenum concentrate produced by the molybdenum mine operated by Jiu Long Kuang Ye was about 3,770 tonnes. The sales volume of molybdenum concentrate was about 3,730 tonnes, whereas the grade of molybdenum concentrate was approximately 42–45%. The average selling price of molybdenum concentrate was about HK$100,012 per tonne. During the year under review, Jiu Long Kuang Ye contributed a revenue of approximately HK$380,799,000 (2009: approximately HK$70,671,000) for the Group. The cost of sales was approximately HK$251,449,000 (2009: approximately HK$42,927,000). Gross profit amounted to HK$129,350,000 (2009: approximately HK$27,744,000). Net loss was HK$511,426,000 (2009: Profit of approximately HK$1,003,272,000). The substantial reduction in profit is mainly due to the negative goodwill of approximately HK$993,555,000 arising from the acquisition of Jiu Long Kuang Ye during 2009, the amortization of mining rights of approximately HK$54,253,000 and impairment loss on mining rights of approximately HK$343,678,000 recognised in 2010. On the assumption of taking no account of the effect of the amortization of mining rights and impairment loss on mining rights, Jiu Long Kuang Ye should have provided a profit contribution of approximately HK$88,379,000.

During the year under review, the Group was notified by the relevant government authorities that, because of the change in control of Jiu Long Kuang Ye from the previous owner to the Group, it is required to renew the existing mining permit by paying the environmental and resources tax estimated in the total amount of approximately HK$201,406,000 (RMB170,000,000), such tax is related to future exploitation of molybdenum concentrate. During the year ended 31 December 2010, the Group had settled part of the above-mentioned tax liability in the amount of approximately HK$83,328,000 (approximately RMB70,000,000).

* *For identification purposes only*

* Jilin Province Rui Sui Kuang Ye Company Limited* ("Rui Sui Kuang Ye") (吉林省瑞穗礦業有限公司)

Rui Sui Kuang Ye has the exploitation rights of an iron mine covering approximately 4.17 km^2 in Da Nan Gou, Jin Dou Xiang, Tong Hua Xian, Jilin Province (吉林省通化縣金鬥鄉大南溝) of the PRC. It also holds the exploration rights of a molybdenum mine extending approximately 9.35 km^2 located in Fu Song Xian, Baishan City, Jilin Province (吉林省白山市撫松縣) of the PRC.

* Heilongjiang Yi Tong Mining Company Limited ("Yi Tong Mining") (黑龍江伊通礦業有限公司)

On 28 June 2010, the Group, through entering into an acquisition agreement with Yi Tong Mining, conditionally agreed to acquire 70% of the equity interests in Yi Tong Mining at an aggregate consideration of approximately HK$425,714,000, which has been settled by the payment of RMB240,000,000 (approximately HK$285,714,000) in cash and by the issue of 500,000,000 consideration shares at an issue price of HK$0.28 per consideration share respectively. The acquisition was completed on 21 July 2010. Yi Tong Mining is principally engaged in the business of exploration and exploitation, production and sales of gold and iron. Yi Tong Mining holds a mine exploitation permit and a mine exploration permit of Dong Feng Lin Gold Iron Mine which is located in Heilongjiang Province, the PRC. According to the "Geological General Exploration Report on Dong Feng Lin Gold Iron Mine, Tie Li City, Heilongjiang Province" (黑龍江省鐵力市東風林金鐵礦場之地質詳查報告) issued by the Yi Chun City Geology Exploration Team (伊春市地質勘查隊) in October 2009, the reserves of gold and iron in the said mine are about 18.19 tonnes and about 41,510,000 tonnes respectively.

Property leasing operations

Changchun, the PRC

The shopping mall in Changchun City needs to undergo renovation and reconstruction so as to improve its competitive strengths in the city. The upgrading works are scheduled to be completed by the first quarter in 2012. Accordingly, for the year ended 31 December 2010, there was no rental income generated from the shopping mall (2009: approximately HK$11,067,000). The Board expects that the shopping mall will bring stable rental income to the Group upon completion of the renovation and reconstruction works.

Xian, the PRC

During the year under review, the Group received a bonus of RMB4,000,000 from Xian Communication University Second Affiliated Middle School Southern District. The procedures for the transfer of land and property rights are still being processed.

Property management operations

For the year ended 31 December 2010, the Group recorded a turnover of approximately HK$3,744,000 attributable to its property management business, representing a decrease of about 0.4% as compared to approximately HK$3,760,000 for the year ended 31 December 2009.

* *For identification purposes only*

Other Business

Associates

The Group has an associated company which is principally engaged in the business of manufacturing and trading of pharmaceutical products in the PRC. In year 2009, the associated company terminated its business operations to meet the transport infrastructure plans developed by the local government. As such, for the year ended 31 December 2010, the Group did not record any gain or loss from the associated company (2009: loss of HK$652,000). As this associated company will not resume its business in the future, the directors considered that this associated company would no longer bring economic benefit to the Group and therefore, an impairment of approximately HK$33,312,000 has been recognised during the year under review.

PROSPECTS

In 2011, the Group will continue to focus on the development of the mining business, and in particular, it will endeavor to enhance its strength in the operation in this sector. At the same time, the Group will continue to keep abreast of the changing market conditions and will adjust its business and operation strategies so as to leverage on the economic growth and thus enlarge our market share. In addition, the Group will continue seeking for investment opportunities with potentials in the PRC or elsewhere with an aim to maximize the return to our shareholders.

DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2010 (2009: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow. During the year under review, the Group recorded a net cash inflow of approximately HK$43,683,000 (2009: outflow of approximately HK$32,286,000) which was mainly due to the placing and operation from Jiu Long Kuang Ye mines during the year. With the significant amounts of cash on hand amounted to approximately HK$138,381,000 as at 31 December 2010 (2009: approximately HK$94,698,000), the Board considered that the Group's liquidity position is healthy.

As at 31 December 2010, the Group had outstanding bank borrowings in the amount of approximately HK$105,254,000 (2009: approximately HK$42,946,000). The Group's gearing ratio as at 31 December 2010 was 2.9% (2009: 1.2%). The increase in gearing ratio was mainly due to the increase in bank borrowings during the year. Nevertheless, the Directors considered that the gearing ratio remains as low level compared to total equity.

The Group is of good liquidity and sufficient solvent ability. As at 31 December 2010, the Group's current ratio was approximately 2.01 (2009: approximately 2.41). The decrease in current ratio was mainly due to the increase in current liabilities in the Group's mining operation during the year under review.

As at 31 December 2010, the Group's debt to equity ratio was approximately 0.48 (2009: approximately 0.42). The increase in debt to equity ratio was mainly due to the increase in bank borrowings during the year under review. The ratio was calculated by dividing the total liabilities of approximately HK$1,796,689,000 (2009: approximately HK$1,526,300,000) by total shareholders' equity of approximately HK$3,710,148,000 (2009: approximately HK$3,671,592,000).

Overall, the Board believes that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement.

CAPITAL STRUCTURE AND TREASURY POLICIES

Capital Structure

The Group's capital structure as at 31 December 2010 mainly comprised of current assets of approximately HK$501,518,000 (2009: approximately HK$300,719,000), current liabilities of approximately HK$249,222,000 (2009: approximately HK$124,561,000) and shareholders' equity of approximately HK$3,710,148,000 (2009: approximately HK$3,671,592,000).

Current assets mainly comprised of cash and cash equivalents of approximately HK$138,381,000 (2009: approximately HK$94,698,000), inventories of approximately HK$193,879,000 (2009: approximately HK$69,475,000) and prepayments, deposits and other receivables of HK$166,909,000 (2009: approximately HK$130,557,000).

Current liabilities mainly comprised of current portion of bank borrowings of approximately HK$105,254,000 (2009: approximately HK$32,381,000), trade payables of HK$22,610,000 (2009: approximately HK$18,740,000) and accruals and other payables of approximately HK$121,124,000 (2009: approximately HK$50,910,000).

Treasury Policies

During the year ended 31 December 2010, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Board does not consider that the Group is significantly exposed to any foreign currency exchange risk. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. For the year ended 31 December 2010, the Group did not employ any financial instruments for hedging purpose and was not engaged in foreign currency speculative activities.

BANK BORROWINGS AND CHARGES OF GROUP ASSETS

As at 31 December 2010, the Group had bank borrowings amounting to approximately HK$105,254,000 (2009: approximately HK$42,946,000). The bank borrowings were secured by a collateral with term deposits of RMB20 million provided by two related companies and secured by the Group's property, plant and equipment and the Group's mining rights certificate held by Jiu Long Kuang Ye, being the subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

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

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2010, the Group employed 778 full time employees (2009: 782 employees). Employees remuneration packages are structured and reviewed with reference to the nature of the jobs, market condition and individual merits. The Group also provides other employee benefits including year-end double pay, mandatory provident fund and medical insurance.

MATERIAL TRANSACTIONS

During the year, the Group entered into the following transactions:

1. On 5 July 2009, the Group entered into an acquisition agreement with independent third parties (the "Jiu Long Vendors") to acquire 65% equity interests of Jiu Long Kuang Ye for a total consideration of 1,366,940,000 consideration shares (the "Consideration Shares") at an issue price of HK$0.6 per Consideration Share. The acquisition agreement was completed on 2 December 2009. The Consideration Shares were issued by the Company to the Jiu Long Vendors on 12 January 2010, on which day the market price of the Company's share was HK$0.49, thus making up the total consideration of the acquisition to approximately HK$669,800,000

2. On 16 April 2010, Universal Union Limited ("Universal Union") entered into the placing and subscription agreement with the placing agent and the Company, pursuant to which Universal Union agreed to place, through the placing agent, the placing shares owned by Universal Union to not less than six placees at a price of HK$0.395 each on a best effort basis; and the Company has conditionally agreed to allot and issue, and Universal Union has conditionally agreed to subscribe for the subscription shares at a price of HK$0.395 each. The placing completion and the subscription completion took place on 19 April 2010 and 27 April 2010 respectively in accordance with the terms of the placing and subscription agreement. An aggregate of 775,000,000 placing shares have been successfully placed to not less than six placees, who and whose ultimate beneficial owners are independent third parties, at the placing price of HK$0.395 per placing share, and an aggregate of 775,000,000 subscription shares, representing approximately 6.43% of the issued share capital of the Company as enlarged by the subscription, have been allotted and issued to Universal Union by the Company at the subscription price of HK$0.395 per subscription share.

3. On 28 June 2010, the Group entered into an acquisition agreement with independent third parties (the "Yi Tong Vendors") to acquire 70% equity interests of Yi Tong Mining for the aggregate consideration amounted to approximately HK$414,416,000 which would be satisfied by cash payment of RMB240,000,000 (approximately HK$274,416,000) and the allotment and issue of 500,000,000 consideration shares (the "Yi Tong Consideration Shares") at an issue price of HK$0.28 per Yi Tong Consideration Share. The acquisition agreement was completed on 21 July 2010. The Yi Tong Consideration Shares were issued by the Company to the Yi Tong Vendors on 21 July 2010, on which day the market price of the Company's share was HK$0.26, thus making up the total consideration of the acquisition to approximately HK$404,416,000.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Gao Yuan Xing, aged 56, was appointed as the Chairman of the Board, the Chief Executive Director and an Executive Director of the Company on 15 March 2011. He had been an Executive Director of the Company during the period from 3 September 2009 to 12 March 2010. Mr. Gao has completed the course of Senior Manager Class in Shanghai Institute of Foreign Trade and has more than 30 years of experience in energy management. He worked in the foreign affairs office of Shanghai Municipal Government for many years. Mr. Gao had also been the general manager of Shanghai Jun Feng Investment Company Limited*, the general manager of Zhuhai Huan Cheng Enterprise Limited*, the executive director of Hong Kong China International Medical Science Interchange Company Limited*, the general manager of China Consolidated Investments Limited* and the chief executive officer of Sinoenergy Development Limited* respectively.

Mr. Jin Jiu Xin, aged 59, was appointed as an Executive Director of the Company on 28 February 2006, is currently a director of certain subsidiaries of the Company and was appointed as the Deputy Chairman of the Board on 12 January 2007. Mr. Jin had previously worked in managerial posts of various companies in the PRC, where he specialised in administration, property development, and business dispute resolution in Hong Kong and the PRC.

Mr. Zhao Qing, aged 49, was appointed as an Executive Director of the Company on 14 August 2009, and is currently a director of a subsidiary of the Company. He graduated from Shanghai University of Finance and Economics with a Master Degree in Investment and Economics in 1998. He has extensive experience in management and had been the deputy chief executive officer of Wan Tai Group Limited, the general manager of Guo Qin Investment Company Limited and the financial controller and chairman of Song Liao Automobile Company Limited.

Mr. Zhang Jia Kun, aged 63, was appointed as an Executive Director of the Company on 14 August 2009, and is currently a director of a subsidiary of the Company. He graduated from Shanghai Education College and Shanghai Business College where he majored in professional mathematics and financial management respectively. He has extensive experience in financial management. Currently, he is the general manager of finance of Wan Tai Group Limited and the legal representative and chairman of the Company's wholly-owned subsidiary Shanghai Yuan Bei Trading Company Limited.

Mr. Chai Ming, aged 52, was appointed as an Executive Director of the Company on 26 August 2009. He has extensive experience in business commencement and management in the environmental protection and energy domains. He is the chairman of Zhongxing Keyang Energy & Environment Protection Company Limited, Hero Sunny Investment Limited (Hong Kong) and Yan An Ke Lin Re Dian Company Limited respectively.

Mr. Qian Yi Dong, aged 25, was appointed as an Executive Director of the Company on 15 March 2011 and is currently a director of certain subsidiaries of the Company. He had been an Executive Director of the Company during the period from 26 March 2009 to 26 August 2009. Mr. Qian graduated from Beijing Normal University Zhuhai majored in electronic commerce. He is also a director of Universal Union Limited and China Wan Tai Group Limited, the controlling shareholders of the Company.

* The English translation of Chinese names in this repport is included for information purposes only and should not be regarded as the official English translation of such Chinese names.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mu Xiangming, aged 55, was appointed as an Independent Non-executive Director of the Company on 20 April 2001. He is also the Chairman of the Audit Committee of the Company. Mr. Mu graduated from Fudan University (Shanghai) Law School with an L.L.B. and from University of Oregan (USA) Law School with an L.L.M. Mr. Mu had been a member of Shanghai Municipal Government Foreign Economic Trade Committee from 1983 to 1986 and a practicing lawyer in a US law firm for nearly four years. He is now a partner of a law firm in Shanghai, the PRC.

Dr. Cheng Chak Ho, aged 41, was appointed as an Independent Non-executive Director of the Company on 12 April 2001. He has extensive experience in valuations of all kinds of property, plant and machinery, and businesses. Dr. Cheng has also been involved in valuations of several major infrastructure projects in the Asia Pacific Rim. He has experience of property agency, investment dealings and property development. Among others, he is a senior member of the Canadian Institute of Management, a member of the Hong Kong Institute of Surveyors and a member of American Society of Mechanical Engineers. Dr. Cheng holds a Bachelor of Science in Building from the City University of Hong Kong, a Master Degree in Urban Design from the University of Hong Kong, a Master of Science in Engineering (Mechanical Engineering) and a Doctor of Philosophy in Economics from the University of Brighton, USA.

Mr. Lo Wa Kei Roy, aged 39, was appointed as Independent Non-executive Director of the Company on 25 September 2004. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (Practicing), a member of Institute of Chartered Accountant of England and Wales, a fellow member of the Association of Chartered Certified Accountants, a fellow member of CPA Australia and a member of the Hong Kong Securities Institute. Mr. Lo has over 17 years experience in auditing, accounting and finance. In addition, he was an independent non-executive director of Goldpoly New Energy Holdings Limited (formerly known as Time Infrastructure Holdings Limited), he is currently an independent non-executive director of Sun Hing Vision Group Holdings Limited and China Zhongwang Holdings Limited, all companies listed on the Stock Exchange.

REPORT OF THE DIRECTORS

The Directors of the Company present their report and the audited financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and property investment. The principal activities of the Group are mining operations — exploitation and exploration, property leasing operations and property management operations. Details of the Group's principal subsidiaries are set out in Note 20 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in Note 6 to the consolidated financial statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2010 and the state of the Company's and the Group's affairs as at 31 December 2010 are set out in the consolidated financial statements on pages 26 to 30.

The cashflows of the Group are set out in the consolidated financial statements on pages 32 to 33.

The Directors do not recommend the payment of any dividend nor transfer of any amount to reserves in respect of the year ended 31 December 2010 (2009: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the Group's single largest customer and supplier accounted for approximately 2% (2009: 7%) and 9% (2009: 6%) respectively, of the Group's total operating revenue. The Group's five largest customers and suppliers accounted for approximately 39% (2009: 32%) and 46% (2009: 48%) respectively, of the Group's total operating revenue.

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

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 31 and Note 28 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVE

Details of the amount of the Company's reserve distributable to shareholders as at 31 December 2010 are set out in Note 28 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in Note 15 to the consolidated financial statements.

SUBSIDIARIES

The particulars of the Company's principal subsidiaries as at 31 December 2010 are set out in Note 20 to the consolidated financial statement.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in Note 27 to the consolidated financial statements.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Pursuant to Rule 13.51B(1) of the Rules Governing the listing of securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the changes of directors' biographical details are set out below:

Mr. Lo Wa Kei Roy resigned as an independent non-executive director of Goldpoly New Energy Holdings Limited (formerly known as Time Infrastructure Holdings Limited), a company listed on the Stock Exchange, during the year.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2010.

SHARE OPTION SCHEME

The Company currently does not have any share option scheme.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors
Gao Yuan Xing *(Chairman and Chief Executive Officer)* (appointed on 15 March 2011)
Jin Jiu Xin *(Deputy Chairman)*
Zhao Qing
Zhang Jia Kun
Chai Ming
Qian Yi Dong (appointed on 15 March 2011)
Chiu Yeung (resigned on 15 March 2011)

Independent Non-executive Directors
Mu Xiangming
Cheng Chak Ho
Lo Wa Kei Roy

In accordance with the Company's bye-law 86(2), Mr. Gao Yuan Xing and Mr. Qian Yi Dong will hold the office only until the forthcoming annual general meeting, and being eligible, offer themselves for re-elections at the forthcoming annual general meeting.

In accordance with the Company's bye-laws 87(1) and (2), Mr. Zhao Qing, Mr. Mu Xiangming and Dr. Cheng Chak Ho will retire from office by rotation, and all of them being eligible, offer themselves for re-elections at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2010, the interests and short positions 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 (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follow:

Name of directors	Capacity	Number of shares held	Approximate percentage interest in the issued share capital of the Company
Chiu Yeung *(Note 1)*	Held by controlled corporation	468,750	0.0037%

Notes:

1. Mr. Chiu Yeung was beneficially interested in the entire issued share capital of Jin Tai Finance Company Limited ("Jin Tai"). Jin Tai held 468,750 shares in the Company. Mr. Chiu resigned as Chairman of the Board, Chief Executive Officer and executive director on 15 March 2011.

2. All interests stated above represent long position.

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

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES

As at 31 December 2010, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as was known to the Directors or chief executive of the Company, the following persons had, or was deemed or taken to have, an interest or short position in the shares or underlying shares of the Company:

Name of shareholders	Capacity	Number of shares held	Approximate percentage interest in the issued share capital of the Company
Qian Yong Wei *(Note 1)* ("Mr. Qian")	Held by controlled corporation	5,996,988,552	47.75%
Xu Zhe Cheng *(Note 2)* ("Ms. Xu")	Held by spouse	5,996,988,552	47.75%
China Wan Tai Group Limited ("China Wan Tai") *(Note 3)*	Held by controlled corporation	5,996,988,552	47.75%
Universal Union Limited ("Universal Union")	Beneficial owner	5,996,988,552	47.75%
Chu Yuet Wah *(Note 4)* ("Mrs. Chu")	Held by controlled corporation	4,252,907,722	33.86%
Best Forth Limited *(Note 4)* ("Best Forth")	Held by controlled corporation	4,252,907,719	33.86%
Ample Cheer Limited *(Note 4)* ("Ample Cheer")	Held by controlled corporation	4,252,907,719	33.86%
Kingston Finance Limited *(Note 4)* ("Kingston")	Security interest in shares	4,252,907,719	33.86%

Notes:

1. Mr. Qian held 95% interest in China Wan Tai. China Wan Tai held 100% interest in Universal Union. Universal Union held 5,996,988,552 shares in the Company.

2. Ms. Xu is the spouse of Mr. Qian. The interest of Mr. Qian was deemed to be Ms. Xu's interest.

3. These shares are held by Universal Union, a wholly owned subsidiary of China Wan Tai which is in turn beneficially owned by Mr. Qian and Ms. Xu as to 95% and 5% respectively.

4. Mrs. Chu held 100% interest in Best Forth. Best Forth held 80% interest in Ample Cheer and Ample Cheer held 100% interest in Kingston Finance. Kingston Finance is deemed to have a security interest in 4,252,907,719 shares in the Company held by Universal Union. Accordingly, Mrs. Chu, Best Forth and Ample Cheer are also deemed to have security interest in 4,252,907,719 shares in the Company.

5. All interests stated above represent long position.

Save as disclosed above, the Directors and chief executive of the Company were not aware of any persons who, as at 31 December 2010, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or, who was, directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them, or was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in the Company or any other body corporate.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

The Directors' remuneration for the year is set out in Note 9 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance in relation to the Group's business to which the Company, any of its holding companies or fellow subsidiaries was a party, in which a Director had a material interest, subsisted at the end of the year under review or at any time during the year under review.

RELATED PARTY TRANSACTIONS

Details of the related party transactions during the year are set out in Note 37 to the consolidated financial statements.

COMPETING INTERESTS

The Directors believe that none of the Directors and their respective associates had an interest, directly or indirectly, in a business which competes or may compete with the business of the Group.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the law of Bermuda.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 102 to 103 of this annual report.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors, namely Mr. Mu Xiangming, Dr. Cheng Chak Ho and Mr. Lo Wa Kei Roy. The purpose of the establishment of the audit committee is for reviewing and supervising the financial reporting process and internal control of the Group. The audit committee has reviewed the Group's financial statements for the year ended 31 December 2010.

AUDITORS

Elite Partners CPA Limited ("Elite") who were appointed as the auditors of the Company at the Company's special general meeting held on 24 January 2008, and then retired and re-appointed at the Company's annual general meetings held on 28 April 2009 and 28 May 2010.

Due to the merge of business, on 22 March 2011, Elite resigned as auditors of the Company and Pan-China (H.K.) CPA Limited ("Pan-China") was appointed as auditors of the Company.

Pan-China will retire and, being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting.

A resolution for the re-appointment of Pan-China as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Gao Yuan Xing
Chairman of the Board and Chief Executive Officer

Hong Kong, 28 March 2011

REPORT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of the shareholders. Throughout the year ended 31 December 2010, the Company had applied the principles of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules and complied with all the applicable code provisions of the Code, except for a deviation from the Code provision A.2.1, that the roles of chairman and chief executive officer should not be performed by the same individual.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

Composition

Directors during the year 2010 and up to the date of this report are as follows:

Executive Directors
Gao Yuan Xing *(Chairman and Chief Executive Officer)* (appointed on 15 March 2011)
Jin Jiu Xin *(Deputy Chairman)*
Zhao Qing
Zhang Jia Kun
Chai Ming
Qian Yi Dong (appointed on 15 March 2011)
Chiu Yeung (resigned on 15 March 2011)

Independent Non-executive Directors
Mu Xiangming
Cheng Chak Ho
Lo Wa Kei Roy

For the year ended 31 December 2010, the Board had at all times at least one independent non-executive Director who has appropriate professional qualifications or accounting or related financial management expertise.

The principal roles of the Board are to oversee the strategic development, to determine the objectives, strategies and policies of the Group, to monitor and control the financial performance and to ensure effective internal controls and risk management. Implementation of strategies and day-to-day operations are delegated to the management.

During the year 2010, four Board meetings were held and the attendance records are as follows:

Name of Directors	Number of Board Meetings Attended	Attendance Rate
Gao Yuan Xing (appointed on 15 March 2011)	0/0	0%
Jin Jiu Xin	2/4	50%
Zhao Qing	4/4	100%
Zhang Jia Kun	4/4	100%
Chai Ming	4/4	100%
Qian Yi Dong (appointed on 15 March 2011)	0/0	0%
Mu Xiangming	2/4	50%
Cheng Chak Ho	2/4	50%
Lo Wa Kei Roy	2/4	50%
Chiu Yeung (resigned on 15 March 2011)	4/4	100%

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year 2010, Mr. Chiu Yeung ("Mr. Chiu") served as Chairman and Chief Executive Officer of the Group. The Board considers that Mr. Chiu has accumulated extensive experience in the Group's businesses and can provide leadership for the senior management team and strategic planning of our business, so the vesting of two roles in the same person would provide the Group with stable and consistent leadership and allows for more effective and efficient planning and implementation of long term business strategies. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

NON-EXECUTIVE DIRECTORS

All the independent non-executive Directors of the Company were appointed for an initial term of one year and every Director (including those appointed for a specific term) is subject to retirement by rotation at least once every three years in accordance with the bye-laws of the Company.

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company does not have a nomination committee as the role and function of such committee are performed by the Board.

The Board is responsible for considering and approving the appointment of its members and making recommendations to shareholders on Directors standing for re-election, providing sufficient biographical details of Directors to enable shareholders to make an informed decision on the re-election, and where necessary, nominate and appoint Directors to fill casual vacancies. The chairman may in conjunction with the other Directors from time to time review the composition of the Board with particular regard to ensuring that there is an appropriate number of Directors on the Board independent of management.

According to the bye-laws of the Company, any Director appointed by the Board as an additional Director shall hold office only until the next annual general meeting, and the next general meeting if appointed to fill a casual vacancy, but is eligible for re-appointment by the shareholders. In addition, pursuant to the Company's bye-laws, all Directors are subject to re-election by shareholders at the annual general meeting at least once every three years on a rotational basis.

REMUNERATION OF DIRECTORS

The Remuneration Committee of the Company was established in May 2006. The members of the Remuneration Committee during the year 2010 and up to the date of this report are:

Lo Wa Kei Roy (Chairman of the Committee), Independent Non-executive Director
Cheng Chak Ho, Independent Non-executive Director
Qian Yi Dong, Executive Director (appointed on 15 March 2011)
Chiu Yeung, Executive Director (resigned on 15 March 2011)

The Remuneration Committee has adopted terms of reference which are in line with the Code.

The Remuneration Committee held one meeting during the year ended 31 December 2010. Details of attendance of the Remuneration Committee are as follows:

Name of Members	**Attendance**
Lo Wa Kei Roy *(Chairman)*	1/1
Cheng Chak Ho	1/1
Qian Yi Dong (appointed on 15 March 2011)	0/0
Chiu Yeung (resigned on 15 March 2011)	1/1

The members of Remuneration Committee discussed the remuneration package of the existing Directors of the Company in the meeting.

AUDITOR'S REMUNERATION

An amount of approximately HK$800,000 (2009: HK$600,000) was charged to the Group's consolidated financial statement for the year ended 31 December 2010 for the auditing services provided by Pan-China (H.K.) CPA Limited. There was no non-audit service assignment provided by Pan-China (H.K.) CPA Limited during the year (2009: Nil).

AUDIT COMMITTEE

Current members of the Audit Committee are:

Mu Xiangming (Chairman of the Committee), Independent Non-executive Director
Cheng Chak Ho, Independent Non-executive Director
Lo Wa Kei Roy, Independent Non-executive Director

The Audit Committee has adopted terms of reference which are in line with the Code.

The Audit Committee held two meetings during the year ended 31 December 2010. Details of the attendance of the Audit Committee meetings are as follows:

Name of Members	**Attendance**
Mu Xiangming *(Chairman)*	2/2
Cheng Chak Ho	2/2
Lo Wa Kei Roy	2/2

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

CORPORATE GOVERNANCE COMMITTEE AND FINANCIAL REPORTING COMMITTEE

In order to further strengthen the Company's corporate governance, the Company established the following committees on 12 January 2008:

Corporate Governance Committee

Current members of the Corporate Governance Committee are:

Mr. Jin Jiu Xin (Chairman of the committee), the Deputy Chairman of the Board and Executive Director
Mr. Zhao Qing, Executive Director
Dr. Cheng Chak Ho, Independent Non-executive Director

The major responsibilities of the Corporate Governance Committee are to oversee the Company's corporate governance matters and to ensure that the Company has complied with the Code.

The Corporate Governance Committee held one meeting during the year ended 31 December 2010. Details of the attendance of the Corporate Governance Committee meeting are as follows:

Name of Members	Attendance
Jin Jiu Xin *(Chairman)*	1/1
Zhao Qing	1/1
Cheng Chak Ho	1/1

The Corporate Governance Committee had reviewed the corporate governance report of the Company and confirmed that the Company had complied with the Code throughout the year (except the deviation from the Code provision A.2.1).

Financial Reporting Committee

The members of the Financial Reporting Committee during the year 2010 and up to the date of this report are:

Mr. Qian Yi Dong (the Chairman of the committee), Executive Director (appointed on 15 March 2011)
Mr. Jin Jiu Xin, Executive Director and the deputy chairman of the Board
Mr. Lo Wa Kei Roy, Independent Non-executive Director
Mr. Chiu Yeung, Executive Director (resigned on 15 March 2011)

The major responsibility of the Financial Reporting Committee is to oversee the preparation of financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of The Group's results and cash flow for that year. The Financial Reporting Committee is also responsible to ensure the compliance by the Group of disclosure requirements under the Listing Rules in a timely manner.

The Financial Reporting Committee held two meetings during the year ended 31 December 2010. Details of the attendance of the Financial Reporting Committee meetings are as follows:

Name of Members	Attendance
Qian Yi Dong *(Chairman)* (appointed on 15 March 2011)	0/0
Jin Jiu Xin	1/2
Lo Wa Kei Roy	2/2
Chiu Yeung (resigned on 15 March 2011)	2/2

The Financial Reporting Committee had reviewed the audited financial statements of the Group for the year ended 31 December 2010 and confirmed that the preparation of the audited financial statements of the Group for the year ended 31 December 2010 had complied with the disclosure requirements under the Listing Rules in a timely manner.

REPORT ON CORPORATE GOVERNANCE

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge that it is their responsibility to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and to present a balanced, clear and understandable assessment of the financial results and disclosures of the Group under the Listing Rules and any other rules and statutory requirements. The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern.

On behalf of the Board

Gao Yuan Xing
Chairman of the Board and Chief Executive Officer

Hong Kong, 28 March 2011

INDEPENDENT AUDITOR'S REPORT

To the members of North Mining Shares Company Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of North Mining Shares Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 101, which comprise the consolidated and Company's statements of financial position as at 31 December 2010, and the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

BASIS FOR QUALIFIED OPINION

— Scope limitation — prior year's audit scope limitation affecting opening balances and comparative figures

The auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2009, which formed the basis for the corresponding figures presented in the current period's consolidated financial statements, contained a qualification because of the possible effect of the limitations on the scope of the audit in relation to a property development project held by a subsidiary of the Company which has been surrendered to Xian Government without the Company's knowledge or consent. Details of the qualified opinion were set out in the independent auditor's report dated 29 March 2010 issued by the preceding auditor and was included in the Group's annual report for the year ended 31 December 2009. Any adjustments found to be necessary in respect of the carrying amount of the abovementioned property development project would have a significant and consequential effect on the consolidated financial position of the Group as at 31 December 2010, the results and cash flows for the year ended 31 December 2010 and the related disclosures thereof in the consolidated financial statements of the Group.

— Scope limitation — provision for environmental and resources tax

As stated in note 29 to the consolidated financial statements, an outstanding amount of HK$118,078,000 (approximately RMB100,000,000) related to the provision of environmental and resources tax (the "Provision") arising from the renewal of mining right held by a subsidiary of the Company has been recognised in the consolidated financial statements. We were unable to obtain sufficient appropriate evidence regarding the validity and completeness of the Provision as at 31 December 2010. Any adjustments found to be necessary in respect thereof would have a significant and consequential effect on the consolidated financial position of the Group as at 31 December 2010, the results and cash flows for the year ended 31 December 2010 and the related disclosures thereof in the consolidated financial statements of the Group.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

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

INDEPENDENT AUDITOR'S REPORT

REPORT ON MATTERS UNDER SECTIONS 141(4) AND 141(6) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the matters described in the basis for qualified opinion's paragraph:

— we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

— we were unable to determine whether proper books of account had been kept.

Pan-China (H.K.) CPA Limited
Certified Public Accountants
Hong Kong, 28 March 2011

Yip Kai Yin
Practising Certificate Number P05131

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	5(a)	**384,543**	85,498
Cost of sales		**(254,413)**	(48,966)
Gross profit		**130,130**	36,532
Other income and gain	5(b)	**5,330**	1,031,890
Administrative expenses		**(77,396)**	(37,126)
Other operating expenses		**(986,965)**	(277,300)
(Loss)/Profit from operations		**(928,901)**	753,996
Finance costs	7	**(1,157)**	(324)
Share of results of associates		**—**	(652)
(Loss)/Profit before income tax	8	**(930,058)**	753,020
Taxation	11	**83,017**	22,981
(Loss)/Profit for the year		**(847,041)**	776,001
Attributable to:			
Equity holders of the Company		**(688,783)**	781,694
Non-controlling interests		**(158,258)**	(5,693)
		(847,041)	776,001
Dividends	13	**—**	—
(Loss)/Earnings per share for (loss)/profit attribute to the equity holders of the Company			
— Basic, HK cents	14(a)	**(5.76)**	8.06
— Diluted, HK cents	14(b)	**(5.76)**	7.97

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
(Loss)/Profit for the year	**(847,041)**	776,001
Other comprehensive income (Net of tax effect):		
Surplus on revaluation of exploration and evaluation assets	—	1,788,024
Exchange differences arising from translation of foreign subsidiaries	**181,048**	(271)
Other comprehensive income for the year	**181,048**	1,787,753
Total comprehensive (loss)/income for the year	**(665,993)**	2,563,754
Attributable to:		
Equity holder of the Company	**(535,758)**	1,693,304
Non-controlling interests	**(130,235)**	870,450
	(665,993)	2,563,754

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	15	**239,516**	251,520
Investment properties	16	**153,501**	263,128
Interests in associates	19	**—**	32,633
Prepaid lease payments	21	**89,423**	87,817
Exploration and evaluation assets	22	**3,340,576**	3,314,575
Mining rights	23	**3,318,288**	3,149,583
		7,141,304	7,099,256
Current Assets			
Inventories	24	**193,879**	69,475
Trade receivables	25	**—**	2,525
Prepayments, deposits and other receivables	26	**166,909**	130,557
Tax recoverable		**11,349**	3,464
Cash and cash equivalents		**138,381**	94,698
		510,518	300,719
Total assets		**7,651,822**	7,399,975
EQUITY			
Equity attributable to Company's equity holders			
Share capital	27	**200,961**	155,129
Reserves	28	**3,509,187**	3,516,463
		3,710,148	3,671,592
Non-controlling interests		**2,144,985**	2,202,083
Total equity		**5,855,133**	5,873,675
LIABILITIES			
Non-Current Liabilities			
Provision for environmental and resources tax	29	**118,078**	—
Deferred tax liabilities	30	**1,429,389**	1,391,174
Bank borrowings	31	**—**	10,565
		1,547,467	1,401,739

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Current Liabilities			
Trade payables	32	**22,610**	18,740
Other payables and accruals	33	**121,124**	50,910
Bank borrowings	31	**105,254**	32,381
Amounts due to related parties	34	**—**	22,530
Tax payables		**234**	—
		249,222	124,561
Total liabilities		**1,796,689**	1,526,300
Total equity and liabilities		**7,651,822**	7,399,975
Net current assets		**261,296**	176,158
Total assets less current liabilities		**7,402,600**	7,275,414
Net assets		**5,855,133**	5,873,675

Approved and authorised for issue by the board of directors on 28 March 2011.

Gao Yuan Xing
Director

Qian Yi Dong
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	15	**759**	1,194
Interests in associates	19	**—**	2,010
Interests in subsidiaries	20	**1,731,712**	1,161,488
		1,732,471	1,164,692
Current Assets			
Prepayments, deposits and other receivables	26	**517**	47,646
Cash and cash equivalents		**559**	5,094
		1,076	52,740
Total assets		**1,733,547**	1,217,432
EQUITY			
Equity attributable to Company's equity holders			
Share capital	27	**200,961**	155,129
Reserves	28	**1,529,394**	1,058,311
Total Equity		**1,730,355**	1,213,440
LIABILITIES			
Current Liabilities			
Other payables and accruals	33	**3,192**	3,992
Total liabilities		**3,192**	3,992
Total equity and liabilities		**1,733,547**	1,217,432
Net current (liabilities)/asset		**(2,116)**	48,748
Total assets less current liabilities		**1,730,355**	1,213,440
Net assets		**1,730,355**	1,213,440

Approved and authorised for issue by the board of directors on 28 March 2011.

Gao Yuan Xing
Director

Qian Yi Dong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to the equity holders of the Company											
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Special reserve HK$'000	Fair value reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1 January 2009	155,129	952,025	31,350	(894)	—	445,877	3,008	17,464	(297,492)	1,306,467	436,699	1,743,166
Profit and total comprehensive income for the year	—	—	—	—	—	911,881	—	(271)	781,694	1,693,304	870,450	2,563,754
	155,129	952,025	31,350	(894)	—	1,357,758	3,008	17,193	484,202	2,999,771	1,307,149	4,306,920
Acquisition of a subsidiary	—	—	—	—	669,801	—	—	2,020	—	671,821	894,934	1,566,755
Transfer to statutory reserve	—	—	—	—	—	—	1,897	—	(1,897)	—	—	—
Balance at 31 December 2009 and at 1 January 2010	155,129	952,025	31,350	(894)	669,801	1,357,758	4,905	19,213	482,305	3,671,592	2,202,083	5,873,675
Loss and total comprehensive loss for the year	—	—	—	—	—	—	—	181,048	(688,783)	(507,735)	(158,258)	(665,993)
	155,129	952,025	31,350	(894)	669,801	1,357,758	4,905	200,261	(206,478)	3,163,857	2,043,825	5,207,682
Placing of shares	15,961	390,330	—	—	—	—	—	—	—	406,291	—	406,291
Acquisition of subsidiaries	29,871	779,930	—	—	(669,801)	—	—	—	—	140,000	101,160	241,160
Transfer to statutory reserve	—	—	—	—	—	—	6,790	—	(6,790)	—	—	—
At 31 December 2010	**200,961**	**2,122,285**	**31,350**	**(894)**	**—**	**1,357,758**	**11,695**	**200,261**	**(213,268)**	**3,710,148**	**2,144,985**	**5,855,133**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Cash flows from operating activities		
(Loss)/Profit from operations	(928,901)	753,996
Adjustments for:		
Interest income	(163)	(86)
Compensation income	(4,723)	(34,024)
Depreciation	30,212	4,302
Amortisation of intangible assets	—	1,696
Amortisation of prepaid lease payments	2,243	1,967
Amortisation of mining right	54,253	6,744
Gain on disposal of associate	—	(2,261)
Negative goodwill arising from business combination	—	(993,555)
Share of loss of associates	—	652
Impairment loss on property under development	—	84,794
Fair value loss on investment properties	145,236	118,588
Provision for environmental and resources tax	201,406	—
Impairment loss on mining rights	343,678	—
Provision for obsolete inventories	744	—
Impairment loss on interests in associates	33,312	13,237
Impairment loss on intangible assets	—	30,723
Impairment loss on prepayments, deposits and other receivables	114	2,681
Impairment loss on property, plant and equipment	16,386	4,280
Impairment loss on goodwill	189,593	12,591
Operating profit before working capital changes	83,390	6,325
(Increase)/Decrease in inventories	(124,404)	23,537
(Increase)/Decrease in trade receivables, prepayments, deposits and other receivables	(34,585)	37,592
Decrease in amounts due from associates	—	3,644
Increase/(Decrease) in trade payables, other payables and accruals	57,261	(70,402)
Decrease in amounts due to related parties	(22,530)	(1,134)
Cash used in operations	(40,868)	(438)
Interest received	163	86
Compensation income received	4,723	22,681
Other tax paid	(83,328)	—
Corporate income tax paid	(29,680)	(707)
Net cash (used in)/generated from operating activities	(148,990)	21,622

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from investing activities			
Addition to exploration and evaluation assets		**(23,616)**	(43,672)
Purchase of items of property, plant and equipment and addition to properties under development		**(33,561)**	(28,375)
Interest expenses paid		**(1,157)**	—
Cash effect of acquisition of a subsidiary	37	**(285,525)**	25,205
Net cash used in investing activities		**(343,859)**	(46,842)
Cash flows from financing activities			
Proceeds from bank loans		**84,838**	—
Repayment of bank loans		**(22,530)**	—
Proceeds from issuance of shares		**406,291**	—
Net cash generated from financing activities		**468,599**	—
Net decrease in cash and cash equivalents		**(24,250)**	(25,220)
Cash and cash equivalents at 1 January		**94,698**	126,984
Effect of foreign exchange rate changes, net		**67,933**	(7,066)
Cash and cash equivalents at 31 December		**138,381**	94,698
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**138,381**	94,698

1. GENERAL INFORMATION

North Mining Shares Company Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liabilities. The address of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The principal activities of the Company are investment holding and property investment. The principal activities of the Company's subsidiaries are set out in Note 20 to the Consolidated financial statements.

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

In the opinion of the directors of the Company, the ultimate holding company of the Company is China Wan Tai Group Limited, which was incorporated in Hong Kong.

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

2.1 Standards and Interpretations adopted in the current period

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

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

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

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

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

HKFRS 3 (as revised in 2008) — Business Combination

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

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

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

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

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

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

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

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

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

Amendment to HKAS 17 Leases

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

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

2.2 Standards and Interpretations in issued but not yet adopted

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The consolidated financial statements of have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") under the historical cost convention, as modified by the revaluation of investment properties and exploration and evaluation assets, which are carried at fair value, as explained in the accounting policies set out below. In addition, the consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The preparation of consolidated financial statements in accordance with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 to the consolidated financial statements.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

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.

Inter-company transactions, balances, income and expenses between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's entity therein. Minority 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.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's shares of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of consolidation (Continued)

(b) Associates (Continued)

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the associates. Accounting policies of associates have been changes where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

3.3 Business combination

Business combinations that took place on or after 1 January 2010

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Business combination (Continued)

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Business combination (Continued)

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

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

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

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

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

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

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

3.4 Goodwill

Goodwill arising on acquisition of a business 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 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 is presented separately in the consolidated statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Goodwill (Continued)

For the purpose 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 profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

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.

3.5 Financial assets

The Group classifies its financial assets into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial investment and loans and receivables.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial assets (Continued)

3.5.1 Effective interest method

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

Interest income is recognised in profit or loss on an effective interest basis.

3.5.2 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading, financial assets designated upon initial recognition as at fair value through profit or loss and all derivatives other than hedging instruments.

Financial assets are classified as held for trading if:

— it has been acquired principally for the purpose of selling it in the near term;

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

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

Financial assets at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise.

3.5.3 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial assets (Continued)

3.5.4 Available-for-sale financial investment

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-for-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

3.5.5 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

3.5.6 Derecognition

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial assets (Continued)

3.5.7 Impairment of financial assets

At each end of reporting period, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the reporting period in which the reversal occurs.

For available-for-sale financial investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. When available-for-sale financial investment is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. Impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in total comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of property, plant and equipment, using the straight line method, over their estimated useful lives. The principal annual rates are as follows:

Mining structures and buildings	20 years
Leasehold improvement	3 to 5 years
Furniture, fixtures and equipment	5 years
Motor vehicles	3 to 5 years
Equipment	5 years

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.7 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Investment properties (Continued)

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements. Changes in fair values are recognised in the consolidated income statements.

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

3.8 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

3.9 Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at fair value less any accumulated impairment losses.

Exploration and evaluation assets include the expenditures incurred in the search for minerals resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

When the technical feasibility and commercial viability of extracting minerals resource become demonstrable, any previously recognised exploration and evaluation assets would be reclassified as intangible asset or property, plant and equipment. These assets are assessed for impairment, and any impairment loss recognised, before reclassification when events or changes in circumstances indicate that the carrying amount may not be recoverable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Mining right

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

3.11 Prepaid lease payment

All lands in the PRC are state-owned and no individual land ownership right exists. The Group acquired the rights to use certain lands and the premiums paid for such rights are recorded as prepaid lease payment, which are stated at cost and amortised over the use terms of 45 years using the straight-line method.

3.12 Current assets and current liabilities

Current assets are expected to be realised within twelve months of the end of reporting period or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the end of reporting period or in the normal course of the Group's operating cycle.

3.13 Inventories

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

3.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

3.15 Financial liabilities and equity instruments issued by the Group

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.15.1 Equity instruments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial liabilities and equity instruments issued by the Group (Continued)

3.15.2 Compound instruments

The component parts of compound instruments (convertible note) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

3.15.3 Effective interest method

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

Interest expense is recognised in profit or loss on an effective interest basis.

3.15.4 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

3.15.5 Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

— it has been acquired principally for the purpose of repurchasing it in the near term;

— on initial recognition it is part of a portfolio of identified financial instruments that the Group manages tighter and has a recent actual pattern of short-term profit-taking; or

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

Financial liabilities at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the reporting period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial liabilities and equity instruments issued by the Group (Continued)

3.15.6 Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

3.15.7 Derecognition

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

3.16 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lower levels for which there are separately identifiable cash flows (cash-generating units).

3.17 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) Rental income from operating lease

Rental income receivable under operating leases is recognised in equal instalments over the accounting periods covered by the lease term. Lease incentives granted are recognised as an integral part of the aggregate lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Revenue recognition (Continued)

(ii) Interest income and property management income

Interest income from bank deposits and loans receivable are accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable. Property management income is recognised when the services are rendered.

(iii) Sales of molybdenum concentrate and sulfuric acid

Sales of molydnum concentrate and sulfuric acid is measured at the fair value of the consideration received or receivable and represents amounts of goods sold in the normal course of business, net of sales related tax. Sales of goods are recognised when goods are delivered and title has passed.

3.18 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Foreign currencies (Continued)

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3.19 Lease

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

The Group as lessor

Rental income from operating leases is recognised in the profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to the 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Borrowing costs

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

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

3.21 Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and to the state-managed retirement benefits schemes for the employees of the Group's overseas entities are recognised as an expense in the income statement as incurred.

(iii) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

3.22 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 is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the 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 which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Taxation (Continued)

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

The carrying amount of deferred tax assets is reviewed at each end of 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 year when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3.23 Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the end of reporting period of the expenditures expected to be required to settle the obligation.

3.24 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.25 Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

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 the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal 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 discussed below.

4.1 Useful lives of property, plant and equipment

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2. Estimated of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each the end of reporting period.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

4.3 Impairment of intangible assets

The Group performs annual tests on whether there has been impairment of intangible assets in accordance with the accounting policy stated in Note 3.16 to the consolidated financial statements. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.4 Exploration and evaluation assets and mining rights

Mining right are amortised using the unit of production method based on the actual production volume over the estimated total proved and probable reserve of the molybdenum 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 proved and probable reserves of the molybdenum mines.

The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgement and decision based on available geological, geophysical, engineering and economic data. These estimate 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 proved and probable reserves of the molybdenum mines. If the quantities of reserve are different from current estimates, it will result in significant changes to amortisation of mining rights and affect the recoverable amount of exploration and evaluation , which a material loss may arise.

4.5 Trade debtors

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the consolidated income statement. Changes in the collectability of trade receivables for which provisions are not made could affect our results of operations.

4.6 Net realisable value of inventories

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.7 Impairment of goodwill

Determining whether goodwill is impaired requires and estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

4.8 Impairment of assets

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

4.9 Fair value of other financial assets and liabilities

The fair values of loans and receivables and financial liabilities are accounted for or disclosed in the consolidated financial statements. The calculation of fair values requires the Group to estimate the future cash flows expected to arise from those assets and liabilities and suitable discount rates. Variations in the estimated future cash flows and the discount rates used may result in adjustments to the carrying amounts of these assets and liabilities and the amounts disclosed in the consolidated financial statements.

4.10 Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilization may be different.

5. TURNOVER

An analysis of the Group's turnover and other income and gains is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
(a) Revenue		
Sales of molybdenum concentrate	**373,093**	70,671
Sales of sulfuric acid	**7,706**	—
Rental income	**—**	11,067
Property management fee income	**3,744**	3,760
	384,543	85,498
(b) Other income and gains:		
Royalty income	**—**	1,678
Compensation income *(Note 35)*	**4,723**	34,024
Bank interest income	**163**	86
Negative goodwill arising from business combination	**—**	993,555
Gain on disposal of associates	**—**	2,261
Sundry income	**444**	286
	5,330	1,031,890

6. SEGMENT INFORMATION

Operating segments has been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and to assessing their performance.

For management purposes, the Group is orgainsed into business units based on their products and services and has three reportable operating segments as follows:

(a) Mining operation: — Exploration of mineral mines
— Exploitation of molybdenum mines

(b) Property leasing operation: The leasing of commercial premises

(c) Property management operation: Provision of management service to commercial premises

6. SEGMENT INFORMATION (Continued)

Management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Information regarding the above segment is reported below.

6.1 Operating segment information

Segment revenue and results

For the year ended 31 December 2010

			Mining operation			
	Property leasing[2] HK$'000	Property management HK$'000	Mining exploitation[3] HK$'000	Mining exploration[4] HK$'000	Others HK$'000	Total HK$'000
Revenue						
Segment revenue	—	3,744	380,799	—	—	384,543
Results[1]						
Segment results	(137,019)	4	(511,426)	(189,593)	—	(838,034)
Unallocated corporate income						5,330
Unallocated corporate expenses						(97,354)
Share of results of associates						—
Loss before income tax						(930,058)
Income tax						83,017
Loss for the year						(847,041)

6. SEGMENT INFORMATION (Continued)

6.1 Operating segment information (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2009

			Mining operation			
	Property leasing[2] HK$'000	Property management HK$'000	Mining exploitation[3] HK$'000	Mining exploration HK$'000	Others[5] HK$'000	Total HK$'000
Revenue						
Segment turnover	11,067	3,760	70,671	—	—	85,498
Results[1]						
Segment results	(179,239)	86	1,003,272	—	(67,175)	756,944
Unallocated corporate income						4,311
Unallocated corporate expenses						(7,259)
Share of results of associates						(652)
Finance costs						(324)
Profit before income tax						753,020
Income tax						22,981
Profit for the year						776,001

1. Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment result represents the loss incurred by each segment without allocation of corporate income and expenses, central administrative expenses, directors' salaries and finance cost. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

2. For the year ended 31 December 2010, segment results for property leasing operation included an impairment loss on investment properties amounted to approximately HK$145,236,000 and reversal of deferred tax liabilities of approximately HK$8,216,000, which are directly related to the reportable segment.

   For the year ended 31 December 2009, segment results for property leasing operation included the impairment loss on investment properties amounted to approximately HK$118,588,000, impairment loss on property under development of approximately HK$84,794,000 and compensation income received of approximately HK$24,855,000 which are directly related to the reportable segment.

6. SEGMENT INFORMATION (Continued)

6.1 Operating segment information (Continued)

Segment revenue and results (Continued)

3. For the year ended 31 December 2010, segment results for mining exploitation included an impairment loss on mining rights of approximately HK$343,678,000, amortisation of mining rights of approximately HK$54,253,000, provision of environment and resources tax of approximately HK$201,406,000 and reversal of deferred tax liabilities of approximately HK$99,483,000 which are directly related to the reportable segment.

   For the year ended 31 December 2009, segment results for mining exploitation included a negative goodwill of approximately HK$993,550,000 arising from the acquisition of a subsidiary and amortisation of mining rights of approximately HK$6,744,000 which are directly related to the reportable segment.

4. For the year ended 31 December 2010, segment results for mining exploration included an impairment loss of goodwill of approximately HK$189,593,000 which are directly related to the reportable segment.

5. For the year ended 31 December 2009, others mainly comprised of impairment loss on goodwill and investment related to an associate company amounted to approximately HK$12,591,000 and HK$13,237,000 respectively, impairment loss on intangible assets of approximately HK$30,723,000 and impairment loss on property, plant and equipment of approximately HK$4,280,000.

Segment assets and liabilities

As at 31 December 2010

			Mining operation			
	Property leasing	Property management	Mining exploitation	Mining exploration	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	**187,852**	**1,146**	**3,468,752**	**3,789,575**	**204,497**	**7,651,822**
Segment liabilities	**21**	**834**	**1,079,280**	**711,782**	**4,772**	**1,796,689**

As at 31 December 2009

	Property leasing	Property management	Mining exploitation	Mining exploration	Others	Total
Segment assets	288,632	5,411	3,315,740	3,549,054	241,138	7,399,975
Segment liabilities	1,422	240	595,886	918,725	10,027	1,526,300

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

— all assets are allocated to reportable segments other than goodwill, intangible assets and assets used jointly reportable segments which are classified as "Others" in segment assets.

— all liabilities are allocated to reportable segments other than liabilities for which reportable segments are jointly liable and classified as "Others" in segment liabilities.

6. SEGMENT INFORMATION (Continued)

6.1 Operating segment information (Continued)

Other segment information

For the year ended 31 December 2010

			Mining operation			
	Property leasing	Property management	Mining exploitation	Mining exploration	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other segment information:						
Depreciation and amortisation	—	12	—	86,158	538	86,708
Fair value loss on investment properties	145,236	—	—	—	—	145,236
Impairment loss recognised during the year	—	—	344,422	189,593	49,812	583,827
Capital expenditures	—	—	33,561	23,616	—	57,177
Provisions	—	—	201,406	—	—	201,406

For the year ended 31 December 2009

	Property leasing	Property management	Mining exploitation	Mining exploration	Others	Total
Depreciation and amortisation	2,536	8	—	7,964	4,201	14,709
Fair value loss on investment properties	118,588	—	—	—	—	118,588
Impairment loss recognised during the year	89,074	—	—	2,514	56,717	148,305
Capital expenditures	23,818	—	4,582	43,647	—	72,047

Capital expenditure consists of additions of property, plant and equipment and addition to exploration and evaluation assets.

6. SEGMENT INFORMATION (Continued)

6.2 Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the group's current and non-current assets. The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the segment assets is based on the physical location of the asset, in the case of intangible assets, mining rights, exploration and evaluation assets, goodwill and interests in associates, the location of the operation to which they are allocated.

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

	Segment revenue from external customers		Segment assets	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**—**	—	**2,149**	8,896
The PRC	**384,543**	85,498	**7,649,673**	7,391,079
	384,543	85,498	**7,651,822**	7,399,975

6.3 Information about major customers

Included in revenue of approximately HK$384,543,000 (2009: HK$85,498,000) are revenue of approximately HK$46,145,000 (2009: HK$6,192,000) which arose from sales to the Group's largest customer. The Group's five largest customers accounted for approximately HK$149,918,000.

7. FINANCE COSTS

	Group	
	2010	2009
	HK$'000	HK$'000
Interest on bank loans and other borrowings wholly repayable within five years	**1,157**	324

8. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/Profit before income tax is arrived at after charging/(crediting):

	Group	
	2010	2009
	HK$'000	HK$'000
Auditors' remuneration	**800**	600
Cost of inventories expensed	**251,499**	42,927
Depreciation of property, plant and equipment	**30,212**	4,302
Staff costs (including directors' remuneration *(Note 9)*)		
— Wages and salaries	**21,633**	10,298
— Retirement benefits contributions	**2,972**	1,272
Operating lease payments in respect of offices premises	**2,441**	1,371
Included in other operating expenses:		
Amortisation of intangible assets	**—**	1,696
Amortisation of prepaid lease payments	**2,243**	1,967
Amortisation of mining rights	**54,253**	6,744
Fair value loss on investment properties	**145,236**	118,588
Provision for obsolete inventories	**744**	—
Provision for environmental and resources tax	**201,406**	—
Impairment loss on property under development	**—**	84,794
Impairment loss on mining rights	**343,678**	—
Impairment loss on interests in associates	**33,312**	13,237
Impairment loss on intangible assets	**—**	30,723
Impairment loss on prepayments, deposits and other receivables	**114**	2,681
Impairment loss on property, plant and equipment	**16,386**	4,280
Impairment loss on goodwill	**189,593**	12,591
Gross rental income from investment properties	**—**	11,067
Less: Direct operating expenses from investment properties that generated rental income during the year	**—**	(3,420)
	—	7,647

9. DIRECTORS' REMUNERATION

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

	Group	
	2010	2009
	HK$'000	HK$'000
Fees:		
Executive directors	**—**	260
Independent non-executive directors	**300**	340
	300	600
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	**1,625**	1,198
Contributions to pension schemes	**12**	42
Independent non-executive directors:		
Salaries, allowances and benefits in kind	**—**	—
	1,637	1,240
	1,937	1,840

For the year ended 31 December 2010, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors have waived any emoluments during the year (2009:Nil).

9. DIRECTORS' REMUNERATION (Continued)

	Fees		Salaries and other benefits		Retirement benefit scheme contributions		Total	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Executive directors								
Chiu Yeung[1]	—	—	650	490	12	12	662	502
Jin Jiu Xin	—	—	325	325	—	—	325	325
Ji Jian Xun[2]	—	—	—	130	—	—	—	130
He Hui Min[3]	—	—	—	—	—	—	—	—
Qian Yi Dong[4]	—	54	—	50	—	—	—	104
Chai Ming[5]	—	108	260	—	—	—	260	108
Gao Yuan Xing[6]	—	98	—	50	—	—	—	148
Zhao Qing[7]	—	—	260	102	—	20	260	122
Zhang Jia Kun[8]	—	—	130	51	—	10	130	61
	—	260	1,625	1,198	12	42	1,637	1,500
Independent non-executive directors								
Mu Xiangming	100	100	—	—	—	—	100	100
Cheng Chak Ho	100	100	—	—	—	—	100	100
Lo Wa Kei Roy	100	100	—	—	—	—	100	100
Li Mei[9]	—	40	—	—	—	—	—	40
	300	340	—	—	—	—	300	340

1 Chiu Yeung resigned as Executive Director on 15 March 2011.
2 Ji Jian Xun resigned as Executive Director on 9 December 2009.
3 He Hui Min resigned as Executive Director on 26 March 2009.
4 Qian Yi Dong was appointed as Executive Director on 26 March 2009 and resigned as Executive Director on 26 August 2009. He was re-appointed as Executive Director on 15 March 2011.
5 Chai Ming was appointed as Executive Director on 26 August 2009.
6 Gao Yuan Xing was appointed as Executive Director on 3 September 2009 and resigned as Executive Director on 12 March 2010. He was re-appointed as Executive Director on 15 March 2011.
7 Zhao Qing was appointed as Executive Director on 14 August 2009.
8 Zhang Jia Kun was appointed as Executive Director on 14 August 2009.
9 Li Mei resigned as independent non-executive director on 2 June 2009.

For the years ended 31 December 2010 and 2009 remunerations of, all directors of the Company fall within HK$Nil to HK$1,000,000.

During the year ended 31 December 2010, no amounts have been paid by the Group to the directors as inducement to join the Group, as compensation for loss of office or as commitment fees to existing directors for entering into new services contracts with the Group (2009: Nil).

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

10. EMPLOYEES' EMOLUMENTS

The five highest paid employees during the year included three (2009: two) directors, details for whose remuneration are set out in Note 9 above. Detail of the remuneration of the remaining two (2009: three) highest paid, non-director employees are as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	**1,005**	973
Mandatory provident fund contribution	**23**	62
	1,028	1,035

Retirement benefit scheme

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

The employees of the Company's subsidiary in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represent for the entire pension obligations payable to retired employees.

The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong and the PRC. In the opinion of the Directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2010 in respect of the retirement of its employees.

Equity compensation benefits

The share option scheme adopted by the Group expired on 23 December 2000. As at 31 December 2010 and up to the date of this report, the Group has not adopted any new share option scheme.

11. TAXATION

No provision for Hong Kong profits tax has been made since the Group incurred taxation losses for the year (2009: Nil). Taxes on profits assessable elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

	Group	
	2010	2009
	HK$'000	HK$'000
Current tax:		
PRC	**22,029**	1,859
Under provision in prior years	**—**	15
Deferred tax *(Note 30)*	**(105,046)**	(24,855)
	(83,017)	(22,981)

A reconciliation of the tax expense applicable to loss before income tax using the statutory rates for the tax jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
(Loss)/Profit before taxation	**(930,058)**	753,020
Share of result of associates	**—**	(652)
	(930,058)	752,368
Tax at the statutory tax rates	**(232,514)**	188,255
Tax effect of income not taxable for tax purpose	**(1,222)**	(248,388)
Tax effect of expenses not deductible for tax purpose	**246,741**	70,401
Tax effect of temporary difference	**(105,046)**	(24,855)
Tax effect of recognised tax losses	**—**	(8,409)
Tax effect of unrecognised tax losses	**9,024**	—
Under provision in prior year	**—**	15
Tax charge for the year	**(83,017)**	(22,981)

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the year ended 31 December 2010 include a loss of approximately HK$29,376,000 (2009: loss of approximately HK$13,159,000) which has been dealt with in the financial statements of the Company (Note 28).

13. DIVIDENDS

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

14. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share amount is based on the net loss for the year of HK$688,783,000 (2009: net profit of HK$781,694,000) attributable to equity holders of the Company, and weighted average of 11,952,149,325 (2009: 9,695,585,425) ordinary shares in issue during the year.

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to ordinary equity holders of the Company of approximately HK$688,783,000 (2009: profit of approximately HK$781,694,000) and the weight average number of ordinary shares of 11,952,149,325 (2009:9,804,191,616) shares.

There was no potential dilutive share in existence for the year ended 31 December 2010, accordingly, no diluted loss per share has been presented for the year ended 31 December 2010.

	2010	2009
	'000	'000
Weighted average number of ordinary shares at 31 December 2010/2009	**11,952,149**	9,695,586
Effect of deemed issue of share for acquisition of a subsidiary	**—**	108,606
Weighted average number of ordinary shares diluted at 31 December 2010/2009	**11,952,149**	9,804,192

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Properties under development HK$'000	Minings structure and buildings HK$'000	Plant and machinery HK$'000	Leasehold improvement HK$'000	Equipment HK$'000	Furniture, fixture and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At cost:								
At 1 January 2009	227,148	—	—	2,523	4,254	12,197	—	246,122
Acquisition of a subsidiary	—	146,295	95,329	—	—	9,661	25,789	277,074
Additions	23,794	—	—	—	—	—	—	23,794
Transfer to investment properties	(19,106)	—	—	—	—	—	—	(19,106)
Exchange adjustments	721	82	53	6	14	45	14	935
At 31 December 2009 and at 1 January 2010	232,557	146,377	95,382	2,529	4,268	21,903	25,803	528,819
Acquisition of a subsidiary	—	—	16,386	—	—	—	—	16,386
Additions	—	3,631	14,960	—	—	657	14,313	33,561
Transfer to investment properties	(23,818)	—	—	—	—	—	—	(23,818)
Assets written off	(208,739)	—	—	(1,993)	(4,268)	(3,973)	—	(218,973)
Disposals	—	—	—	—	—	(24)	—	(24)
Exchange adjustments	—	6,015	3,919	—	—	401	1,060	11,395
	—	156,023	130,647	536	—	18,964	41,176	347,346
Accumulated depreciation and impairment:								
At 31 December 2008 and at 1 January 2009	123,249	—	—	1,130	1,439	8,135	—	133,953
Acquisition of a subsidiary	—	16,738	29,837	—	—	2,659	—	49,234
Charge for the year	—	607	452	505	853	1,885	—	4,302
Impairment loss recognised	84,794	—	—	680	1,971	1,629	—	89,074
Exchange adjustments	696	10	16	2	5	7	—	736
At 31 December 2009	208,739	17,355	30,305	2,317	4,268	14,315	—	277,299
Charge for the year	—	7,132	20,981	106	—	1,993	—	30,212
Disposals	—	—	—	—	—	(24)	—	(24)
Impairment loss recognised	—	—	16,386	—	—	—	—	16,386
Elimination on assets written off	(208,739)	—	—	(1,993)	(4,268)	(3,973)	—	(218,973)
Exchange adjustments	—	908	1,820	—	—	202	—	2,930
	—	25,395	69,492	430	—	12,513	—	107,830
Net carrying value:								
At 31 December 2010	**—**	**130,628**	**61,155**	**106**	**—**	**6,451**	**41,176**	**239,516**
At 31 December 2009	23,818	129,022	65,077	212	—	7,588	25,803	251,520

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company

	Furniture, fixture and motor vehicle HK$'000
At cost:	
At 1 January 2009, at 31 December 2009, at 1 January 2010 and at 31 December 2010	3,186
Accumulated depreciation:	
At 1 January 2009	1,557
Charge for the year	435
At 31 December 2009 and 1 January 2010	1,992
Charge for the year	435
At 31 December 2010	2,427
Net book value:	
At 31 December 2010	**759**
At 31 December 2009	1,194

Notes:

(a) As at 31 December 2010, the Directors conducted a review of the Group's property, plant and equipment and determined that numbers of assets were impaired due to its physical damage or unable to use for generate future economic benefit to the Group in future period. The review led to the recognition of an impairment loss of HK$16,386,000 (2009: HK$4,280,000) which has been recognised in profit or loss and included in the other operating expenses in the consolidated income statement. These assets are used in the Group's mining operation reportable segments. The recoverable amount of the relevant assets has been determined on the basis of their value in use.

(b) As at 31 December 2010, plant and machinery with a carrying value of approximately HK$Nil (2009: HK$27,005,000) were pledged to the bank as a security for banking facilities granted to a subsidiary of the Company.

(c) Assets written off include items of property, plant and equipment which were impaired in prior years and in the opinion of the Directors, have no residual value and impactable to generate future economic benefit to the Group's operation due to loss or damage.

16. INVESTMENT PROPERTIES

The Group

	2010 HK$'000	2009 HK$'000
At fair value:		
At 1 January 2010/2009	263,128	357,835
Transfer from properties under development	23,818	19,106
Fair value loss on investment properties	(145,236)	(118,588)
Exchange adjustment	11,791	4,775
At 31 December 2010/2009	153,501	263,128

For the year ended 31 December 2010, investment property under construction with carrying value of HK$23,818,000 (2009: HK$19,106,000) was transferred from property, plant and equipment to investment properties following the application of the amendments to HKAS 40 "Investment Properties" resulting from Improvement to HKFRS issued in 2008.

The fair value of the Group's investment property at 31 December 2010 has been arrived at on the basis of a valuation carried out at that date by Ascent Partners Transaction Services Limited ("Ascent Partners"), an independent valuer not related to the Group and a member of the Hong Kong Institute of Surveyors, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

For the year ended 31 December 2010, fair value loss on investment properties of approximately HK$145,236,000 (2009: HK$118,588,000) has been recognised in the profit or loss and included in other operating expenses in the consolidated income statement. Such decrease in fair value of investment properties was mainly due to the termination by Group of all of the tenancy agreement for implementation of a large scale renovation for its investment properties.

Further particulars of the Group's investment properties are included on page 104 of this annual report.

17. GOODWILL

The Group

	2010 HK$'000	2009 HK$'000
At cost:		
At 1 January 2010/2009	12,591	12,591
Acquisition of a subsidiary	189,593	—
At 31 December 2010/2009	202,184	12,591
Accumulated impairment loss:		
At 1 January 2010/2009	12,591	—
Impairment loss recognised for the year	189,593	12,591
At 31 December 2010/2009	202,184	12,591
Carrying value:		
At 31 December 2010/2009	—	—

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

	2010 HK$'000	2009 HK$'000
Associate — production of pharmaceutical products[1]	12,591	12,591
Mining operation[2]	189,593	—
At 31 December 2010/2009	202,184	12,591

Notes:

(1) The amount represents goodwill arising from the acquisition of 27% interests in Tonghua Hengan Pharmaceutical Holding Company Limited ("Hengan") in 2006. Goodwill has been allocated to one single cash unit ("CGU"). In prior year, the Group determined that the recoverable amount of the CGU below its carrying value because the operations of Hengan were ceased during the year due to the transportation infrastructure plan implemented by the local government which will occupy the land where the Hengan's factory were located, hence no cash flow projection can be formulated for the purpose of calculating the value-in-use. As a result, impairment loss of approximately HK$12,591,000 has been recognised and included in the consolidated financial statements for the year ended 31 December 2009.

(2) The amount represents goodwill arising from the acquisition of 70% equity interests in Heilongjiang Yi Tong Mining Company Limited (Note 38). The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five-year period, and a discount rate of 20.48% per annum. During the year, the Directors determined that the recoverable amount of the CGU below its carrying value, impairment loss of approximately HK$189,593,000 has been recognised in profit or loss and included in other operating expenses in the consolidated income statements for the year ended 31 December 2010.

18. INTANGIBLE ASSETS

The Group

	Technical know-how	
	2010	2009
	HK$'000	HK$'000
At cost:		
At 1 January 2010/2009	**37,000**	37,000
Assets written off	**(37,000)**	—
At 31 December 2010/2009	**—**	37,000
Accumulated amortisation and impairment loss:		
At 1 January 2010/2009	**37,000**	4,581
Amortisation provided for the year	**—**	1,696
Impairment loss recognised during the year	**—**	30,723
Elimination of assets written off	**(37,000)**	—
At 31 December 2010/2009	**—**	37,000
Carrying value:		
At 31 December 2010/2009	**—**	—

The carrying amount of technical know-how represents two separate technical know-how for the production of pharmaceutical products. The technical know-how has been assigned to the Group's associate company — Hengan which engaged in the production of pharmaceutical products in the PRC. In prior year, due to the close down of Hengan's operation in last year, the Directors determined that the technical know-how will no longer generate economic benefit to the Group and therefore recognised an impairment loss of HK$30,723,000 in respect of the technical know-how and included in the other operating expenses in the consolidated income statement for the year ended 31 December 2009. During the year, the Directors determined that the technical know-how has no residual value and the fact that the operation of Hengan will not be resumed, therefore, the carrying amount of these technical know-how has been written off accordingly.

19. INTERESTS IN ASSOCIATES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**—**	—	**1**	1
Share of net assets of associates	**42,562**	53,429	**—**	—
Share of results of associates	**—**	(652)	**—**	—
Disposal of associates	**—**	(10,215)	**—**	—
	42,562	42,562	**1**	1
Amounts due from associates	**3,987**	3,308	**—**	2,010
At 31 December 2010/2009	**46,549**	45,870	**1**	2,011
Less: Accumulated impairment loss	**(46,549)**	(13,237)	**(1)**	(1)
	—	32,633	**—**	2,010

Amounts due from associates are unsecured, interest-free and recoverable on demand.

The following list contains the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group.

Name of associate	Registered and paid up capital	Country of incorporation	Proportion of interest held	Principal activities
Tonghua Hengan Pharmaceutical Holding Company Limited ("Hengan")[1]	RMB66,000,000	PRC	27%	Production of pharmaceutical products
Joy Route Limited ("Joy Route")[2]	US$100	British Virgin Islands	50%	Inactive
Fulin Enterprise Limited ("Fulin")[2]	HK$1,000	Hong Kong	30%	Investment holdings

Notes:

(1) As a result of a transport infrastructure plan implemented by the local government which required to occupy the land where the Hengan's factory was located, the operation of Hengan had been terminated, therefore, no results had been shared by the Group for the year ended 31 December 2010. Against this background, the Directors recognised full impairment loss of HK$33,312,000 which included in other operating expenses in the consolidated income statement.

(2) Joy Route and Fulin were inactive and did not contribute any results and assets of the Group for the year ended 31 December 2010.

19. INTERESTS IN ASSOCIATES (Continued)

The summarised financial information in respect of the Group's associates is set out below:

	2010 HK$'000	2009 HK$'000
Total assets	173,292	199,874
Total liabilities	—	(26,582)
Net assets	173,292	173,292
Group's share of net assets of associates	42,562	42,562
Revenue	—	237,029
Loss for the year	—	(2,530)
Group's share of results of associates during the year	—	(652)

20. INTERESTS IN SUBSIDIARIES

The Company

	2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	1,200,626	1,180,626
Less: Impairment loss on interests in subsidiaries	(374,385)	(374,384)
	826,241	806,242
Amounts due from subsidiaries	1,209,828	659,603
Less: Impairment loss on amounts due from subsidiaries	(304,357)	(304,357)
	905,471	355,246
	1,731,712	1,161,488

20. INTERESTS IN SUBSIDIARIES (Continued)

The amounts due from subsidiaries are unsecured, interest-free and recoverable on demand. The amounts will not be repayable within twelve months from the end of reporting period, accordingly, the amounts are classified as non-current assets in the Company's statement of financial position.

Particulars of the principal subsidiaries of the Company are as follows:

Name of subsidiary	Place of incorporation/ establishment	Registered capital/ issued capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Sun Man Tai International (B.V.I.) Limited	British Virgin Islands	Ordinary HK$274,051	100%	—	Investment holding
BOC Mantai Property Management (Shanghai) Corporation Limited#	PRC	Registered capital US$200,000	—	100%	Properties management
Changchun Rong Xin Economy and Trade Company Limited#	PRC	Registered capital RMB34,000,000	—	100%	Property leasing
Tonghua Golden Life Resource Development Company Limited#	PRC	Registered capital HK$5,000,000	—	100%	Property investment
Jilin Province Rui Sui Kuang Ye Company Limited#	PRC	Registered capital RMB15,000,000	—	51%	Exploration of iron and molybdenum mine
Shannxi Province Luo Nan Xian Jiu Long Kuang Ye Company Limited#	PRC	Registered capital RMB90,000,000	—	65%	Exploration and exploitation of molybdenum mines, sales of molybdenum concentrates
Heilongjiang Yi Tong Mining Company Limited#	PRC	Registered capital RMB1,000,000	—	70%	Exploration and exploitation of iron and gold

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

The English name of these subsidiaries represent management's translation of the Chinese name only, as no official English names have been registered by these companies.

21. PREPAID LEASE PAYMEMTS

The Group

The amount represents land use rights in the PRC amortised over their relevant lease term of 45 years.

22. EXPLORATION AND EVALUATION ASSETS

The Group

	Exploration rights	Evaluation costs	Total
	HK$'000	HK$'000	HK$'000
At valuation:			
At 1 January 2009	880,724	7,855	888,579
Additions	—	43,672	43,672
Surplus on revaluation	2,382,324	—	2,382,324
At 31 December 2009 and at 1 January 2010	3,263,048	51,527	3,314,575
Additions	—	23,616	23,616
Exchange adjustments	—	2,385	2,385
At 31 December 2010	**3,263,048**	**77,528**	**3,340,576**

As at 31 December 2010 and 2009, the Group had two exploration rights in respect of (i) an iron mine located at Da Nan Gou, Jin Dou Xiang, Tong Hua, Jilin Province, the PRC which covers approximately 4.17 km^2 ("Iron Mine"); and (ii) a molybdenum mine located at Fu Song Xian, Baishan City, Jilin Province, the PRC which covers approximately 9.35 km^2 ("Molybdenum Mine"). Both of the exploration rights were granted by the Land and Resources Bureau of Jilin Province, the PRC.

As at 31 December 2009, the Group appointed an independent professional valuer, Ascent Partners to perform an independent valuation on the exploration rights for both Iron Mine and the Molybdenum Mine. The valuation amounts of both Iron and Molybdenum mines as at 31 December 2009 were approximately HK$3,263,048,000 and the surplus on revaluation of approximately HK$2,382,324,000 has been credited to assets revaluation reserves included in the consolidated statement of comprehensive income as at 31 December 2009.

As at 31 December 2010, the Directors determined that there was no material change to the valuation amounts for both Iron Mine and Molybdenum Mine as compared to that of last year based on the valuation performed by Ascent Partners.

The evaluation costs represent expenditure paid for provision of services on activities relating to evaluation of the technical feasibility and viability on both Iron Mine and the Molybdenum Mine.

The Directors consider that no impairment loss shall be recongnised for the year 31 December 2010 and 2009 as no indication for provision of impairment loss has been identified.

23. MINING RIGHTS

The Group

	2010 HK$'000	2009 HK$'000
At cost:		
At 1 January 2010/2009	3,156,327	—
Acquisition of a subsidiary	449,000	3,154,538
Exchange adjustment	117,950	1,789
At 31 December 2010/2009	3,723,277	3,156,327
Accumulated amortisation and impairment loss:		
At 1 January 2010/2009	6,744	—
Amortisation provided for the year	54,253	6,744
Impairment loss recognised during the year	343,678	—
Exchange adjustment	314	—
At 31 December 2010/2009	404,989	6,744
Carrying value:		
At 31 December 2010/2009	3,318,288	3,149,583

During the year ended 31 December 2009, the Group completed the acquisition of 65% interests in Shaanxi Province Luo Nan Xian Jiulong Kuang Ye Company Limited which holds an exploitation right of molybdenum mine located in Xi Ban Cha Gou, Huanglongpu Village, Shimen Town, Luonan Country, Shaanxi Province, the PRC which covers approximately 5.85 km^2 ("Jiulong Molybdenum Mine"). The exploitation right of Jiulong Molybdenum Mine has been granted by Land and Resources Bureau of Shannxi Province, the PRC.

During the year ended 31 December 2010, the Group completed the acquisition of 70% interests in Heilongjiang Yi Tong Mining Company Limited which holds an mining right on Gold Iron Mine which is located in Heilongjiang Province, the PRC and covers approximately 4.71 km^2 ("Yi Tong Gold Iron Mine"). The exploitation right of Yi Tong Gold Iron Mine has been granted by Land and Resources Bureau of Heilongjiang Province, the PRC.

As at 31 December 2010, the Group determined the recoverable amount of CGU for both Jiulong Molybdenum Mine and Yi Tong Gold Iron Mine based on value in use calculation. That calculation uses cash flows projections based on financial budgets as approved by management covering a 5-year periods, and discount rate of 18.48% for Jiulong Molybdenum Mine and 14.66% of Yi Tong Gold Iron Mine with reference to the valuation performed by Ascent Partners as at 31 December 2010. As a result, the recoverable amounts of CGU in respect of Jiulong Molybdenum Mine were below its carrying amounts, accordingly an impairment loss of approximately HK$343,678,000 (2009: Nil) has been recognised to the profit or loss and included in other operating expenses in the consolidated income statements. For Yi Tong Gold Iron Mine, no impairment loss has been recognised as its recoverable amounts were approximate to its carrying value as at 31 December 2010.

24. INVENTORIES

The Group

	2010 HK$'000	2009 HK$'000
Raw materials	—	9,707
Finished goods	193,879	59,768
	193,879	69,475

The cost of inventories recognised as an expense during the year in respect of mining operation was approximately HK$251,499,000 (2009: HK$42,927,000). The cost of inventories recognised as an expense includes approximately HK$744,000 (2009: Nil) in respect of obsolete inventories as at 31 December 2010.

25. TRADE RECEIVABLES

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

The Group

	2010 HK$'000	2009 HK$'000
0 — 30 days	—	2,525

The Directors consider that the fair values of trade receivables are not materially different from their amounts because these amounts have short maturity period on their inception.

For the Group's mining operation, sales of molybdenum concentrates are largely on cash basis with no credit terms being granted to customers, except for sizable customers with good credit history, the Group will allow a credit term not more than 30 days. In normal circumstances, trade deposits or payment in advance are normally required to reduce the risk for unsettlement of outstanding balances. There was no trade receivable outstanding for mining operation as at 31 December 2010 (2009: HK$2,525,000).

For the Group's property leasing operation, rental income receivables from tenants of its investment properties are normally payable within 30 days and rental deposits are normally required. There was no outstanding balance as at 31 December 2010 and 2009 because there was no tenant for the Group's existing investment properties as a result of renovation works were in progress.

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 31 December 2010, the balances of prepayments, deposits and other receivables includes (i) investment deposits of approximately HK$98,099,000 for the acquisition of several land and buildings in Xian, the PRC for the purpose of the Group's office and leasing operation. The sales and purchase agreement has been completed in December 2010 and the title of those land and buildings were in the process of transferring to the Group; and (ii) dividend receivables of approximately HK$4,723,000 in respect of the dividend declared by Xian Communication University Second Affiliated Middle School Southern District (Note 35). The remaining balances of prepayments, deposits and other receivables as at 31 December 2010 were arising from the Group's normal operation which are expected to be recovered within one year.

As at 31 December 2009, the balances of prepayments, deposits and other receivables included (i) an amount of approximately HK$45,367,000 (RMB40,000,000) represent a refund of initial deposits on the acquisition of subsidiaries which has been terminated during the year, the balance was subsequently received by the Company in February 2010; (ii) an amount of approximately HK$11,343,000 (RMB10,000,000) represent a compensation receivables for a suspected fraud transaction taken by the joint venture partner (Note 35), the balance was subsequently received in January 2010; and (iii) an amount of approximately HK$12,476,000 (RMB11,000,000) represent the consideration receivables from the disposal of associates to an independent third party (Note 38), the balances was subsequently received in January 2010. Apart from disclosed above, the remaining balances of prepayments, deposits and other receivables as at 31 December 2009 were arising from the Group's normal operations which are expected to be recovered within one year.

For the year ended 31 December 2010, the Group provided an impairment loss of approximately HK$114,000 (2009: HK$2,681,000) on prepayments, deposits and other receivables which in the opinion of the directors, the recoverable for such amounts were in doubt.

The amount of the Group's and the Company's prepayments, deposits and other receivables are expected to be recovered or recognised as expense after more than one year was approximately HK$517,000 (2009: HK$541,000). All of the other prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.

In the opinion of the directors, the fair values of prepayments, deposits and receivables are not materially different from their amounts because these amounts have short maturity periods on their inception.

27. SHARE CAPITAL

The Company

	Notes	Number of shares '000	Nominal values HK$'000
Authorised:			
Ordinary shares of HK$0.016 each			
At 1 January 2009, at 31 December 2009, at 1 January 2010 and at 31 December 2010		31,250,000	500,000
Issued and fully paid:			
At 1 January 2009, at 31 December 2009 and at 1 January 2010		9,695,585	155,129
Issuance of shares for acquisition of subsidiary in 2009	(a)	1,366,940	21,871
Placing of shares	(b)	997,591	15,961
Issuance of shares for acquisition of subsidiary in 2010	(c)	500,000	8,000
		12,560,116	200,961

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

(a) On 5 July 2009, the Group entered into an acquisition agreement with independent third parties to acquire 65% equity interests of Shaanxi Province Luo Nan Xian Jiu Long Kuang Ye Company Limited for the total shares consideration of 1,366,940,000 shares of the Company at an issue price of HK$0.60 per shares. The acquisition agreement was completed on 2 December 2009 and the consideration shares had been subsequently issued on 12 January 2010.

(b) On 9 February 2010, the Company entered into a placing agreement with the placee, pursuant to which the Company has conditionally agreed to place 222,591,284 shares at a price of HK$0.45. The Company raised approximately HK$100,166,000 and the agreement was completed on 16 March 2010.

(c) On 16 April 2010, the Company entered into a placing agreement with the placing agent, pursuant to which the Company proposed to raise approximately HK$306,125,000 by way of placing 775,000,000 ordinary shares at a price of HK$0.395 per share through placement to independent third parties. The placing of shares had been completed on 27 April 2010.

(d) On 28 June 2010, the Group entered into an acquisition agreement with independent third parties to acquire 70% equity interest in Heilongjiang Yi Tong Mining Company Limited at the aggregate consideration of approximately HK$414,416,000 which would be satisfied by cash payment of RMB240,000,000 and the allotment and issue of 500,000,000 consideration shares at an issue price of HK$0.28 per share. The acquisition was completed on 21 July 2010 and those consideration shares had been allotted on that day.

An new shares issued ranked pari passes with the existing shares in all respects.

28. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 31 of the annual report.

The Company

	Share premium HK$'000	Contribution surplus[a] HK$'000	Special reserve[d] HK$'000	Accumulated losses HK$'000	Total HK$'000
At1 January 2009	952,025	115,615	—	(665,971)	401,669
Loss and total comprehensive loss of the year	—	—	—	(13,159)	(13,159)
Issuance of shares in respect of acquisition of a subsidiary	—	—	669,801	—	669,801
At 31 December 2009 and at 1 January 2010	952,025	115,615	669,801	(679,130)	1,058,311
Loss and total comprehensive loss of the year	—	—	—	(29,376)	(29,375)
Issuance of shares in respect of acquisition of a subsidiary in 2009	647,930	—	(669,801)	—	(21,871)
Placing of shares	390,330	—	—	—	390,330
Issuance of shares in respect of acquisition of a subsidiary in 2010	132,000	—	—	—	132,000
At 31 December 2010	**2,122,285**	**115,615**	**—**	**(708,506)**	**1,529,394**

28. RESERVES (Continued)

Notes:

(a) The contribution surplus represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the Group reorganisation in 1995.

According to Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus. However, a company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

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

(ii) the realizable value of the Company's assets would thereby be less than the aggregate its liabilities and its issued share capital and share premium accounts.

In the opinion of directors, the Company did not have any reserves available for distribution to shareholders at 31 December 2010 and 2009.

(b) Revaluation reserves represent the revaluation of the exploration and evaluation assets. Detail of which has been in Note 22 to the consolidated financial statements.

(c) Statutory reserve comprises of (i) statutory surplus and statutory welfare fund reserve; and (ii) statutory reserve for safety production of molybdenum ore, which has been summarised below:

(i) Statutory reserves and statutory welfare fund reserves

In accordance with articles of association of the Company's subsidiaries established in the PRC ("PRC Subsidiaries"), PRC Subsidiaries shall appropriate 10% of its annual statutory net profit (after net off against any prior years' losses), prepared in accordance with the accounting principles and financial regulations (the "GAAP") to the statutory surplus reserve. When the balance of such statutory surplus reserve reaches 50% of the entity's share capital, any further appropriation is optional.

In accordance with articles of association of the PRC Subsidiaries, PRC subsidiaries shall appropriate 5% to 10% its annual statutory net profit (after offset against any prior years' losers), prepared in accordance with the PRC GAAP, to the statutory public welfare fund reserve.

(ii) Statutory reserves for safety production of molybdenum ore

In accordance with regulations in the PRC relating to the mining industry, PRC subsidiary operates in mining operation is required to transfer an amount from retained profits to the statutory reserve account annually. The amount is calculated as the shortfall of the amount of depreciation on property, plant and equipment in respect of mines and the amount calculated based on the volume of molybdenum ore extracted each year and at the applicable rate per ton of molybdenum ore. The utilisation of the amount in the statutory reserve account is subject to the rules in the PRC Companies Law and the statutory reserves account is not available for distribution to equity holders. The Group is required to submit the list of property, plant and equipment purchased and the expense incurred on safety improvement for approval for the utilisation of such amount. Upon approval by the relevant PRC authorities, the corresponding amount will then transfer from the statutory reserve account to retained profits.

28. RESERVES (Continued)

Notes: (Continued)

(d) Special reserve represents the Company's ordinary shares to be issued for acquisition of a subsidiary. On 5 July 2009, the Group entered into an acquisition agreement with independent third parties (the "Vendors") to acquire 65% equity interests of Shaanxi Province Luo Nan Xian Jiu Long Kuang Ye Company Limited for a total consideration of 1,366,940,000 shares of the Company (the "Consideration Shares") at an issue price of HK$0.60 per Consideration Share. The acquisition agreement was completed on 2 December 2009, but the Consideration Shares were not yet issued to the Vendors as at 31 December 2009 and therefore recorded as special reserve in the consolidated statement of changes in equity.

The Consideration Shares were then issued by the Company to the Vendors on 12 January 2010, on which day the market price of the Company's share was HK$0.49, as such, the amount of Consideration Shares to be issued to the Vendors was approximately HK$669,801,000.

29. PROVISION FOR ENVIRONMENTAL AND RESOURCES TAX

The Group

	2010 **HK$'000**	2009 HK$'000
Environmental and resources tax	**118,078**	—

On 5 July 2009, the Group entered into an acquisition agreement to acquire 65% equity interests in Shaanxi Province Luo Nan Xian Jiu Long Kuang Ye Company Limited ("Jiu Long Kuang Ye") at a consideration of approximately HK$669,801,000. The acquisition was completed on 2 December 2009.

During the year, Jiu Long Kuang Ye was demanded immediate payment of environmental and resources tax by the local authorities in the approximate amounts of RMB170,000,000 upon renewing the mining license after the change in control of Jiu Long Kuang Ye from the previous owner to the Group. The environmental and resources tax has been provided for and included in the other operating expenses in the consolidated financial statements of the Group. During the year, the Group paid RMB100,000,000 for the environmental and resources tax to the local authorities.

30. DEFERRED TAX LIABILITIES

The Group

	Investment properties HK$'000	Exploration and evaluation assets HK$'000	Mining rights HK$'000	Total HK$'000
At 1 January 2009	30,536	—	—	30,536
Acquisition of a subsidiary	—	—	788,187	788,187
Charged to other comprehensive income	—	595,581	—	595,581
Credited to profit or loss	(24,855)	—	—	(24,855)
Exchange adjustment	1,277	—	448	1,825
At 31 December 2009 and at 1 January 2010	6,958	595,581	788,635	1,391,174
Acquisition of a subsidiary	—	—	112,250	112,250
Credited to profit or loss	(8,216)	—	(96,830)	(105,046)
Exchange adjustment	1,258	—	29,753	31,011
31 December 2010	**—**	**595,581**	**833,808**	**1,429,389**

Except of the above, the Group and the Company did not have any significant unprovided deferred tax liabilities at 31 December 2010 (2009: Nil).

31. BANK BORROWINGS

The Group

	2010 HK$'000	2009 HK$'000
Bank loans, secured		
Within one year	**105,254**	32,381
In the second year	**—**	10,565
	105,254	42,946

31. BANK BORROWINGS (Continued)

As at 31 December 2010, the Group's interest-bearing bank loans carried at fixed interest rate ranged from 6% to 7.43% (2009: 6% to 7.43%) per annum and were secured by (i) term deposits of RMB30,000,000 (2009: RMB20,000,000) provided by the Group's related companies; (ii) plant and machinery provided by the Group's subsidiary with carrying amount of approximately HK$Nil (2009: HK$27,005,000); (iii) the exploitation right certificate of a molybdenum mine held by the Group's subsidiary; and (iv) corporate guarantee provided by an independent insurance company with a counter-guarantee of 160 tons (2009: 105 tons) of molybdenum provided by the Group's subsidiary and the personal properties provided by the directors of the Group's subsidiary.

As at 31 December 2010 and 2009, the Group's bank borrowings were denominated in RMB and the carrying value of which were approximate to their fair values at the end of the reporting periods.

32. TRADE PAYABLES

The Group

	2010 HK$'000	2009 HK$'000
Due within 1 months or demand	**22,610**	18,740

The Directors consider that the carrying amounts of trade payables approximate to their fair values at the end of reporting period.

33. OTHER PAYABLES AND ACCRUALS

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

The Directors consider that the carrying amounts of other payables and accruals approximate to their fair values at the end of reporting period.

34. AMOUNTS DUE TO RELATED PARTIES

The Group

The amounts due to related parties are unsecured, carried at interest rate of 12% per annum and repayment of demand. The related parties are those minority shareholders and directors of the Group's subsidiary.

35. CONTINGENT LIABILITIES AND ASSETS AND CAPITAL COMMITMENTS

Contingent liabilities:

In accordance with relevant PRC laws and regulations, a subsidiary of the Company, Jiu Long Kuang Ye operates in exploitation of molybdenum in the PRC is obliged to accrue the cost for land reclamation and mine closures for its molybdenum mines. As at 31 December 2010, the directors estimated that approximately HK$44,613,980 (2009: HK$36,998,000) was the liabilities for land reclamation and mine closures for the Group's Molybdenum Mines, which was determined based on the directors best estimates according to their own calculations of the amounts. Such liabilities has not been provided in the consolidated financial statements as the amounts of obligation cannot be measured reliably due to the uncertain timing of the future cash expenditure to perform the required works and other factors associated with the calculation of the amounts of liabilities.

Save as disclosed above, the Group had no other material contingent liabilities as at 31 December 2010 (2009: Nil).

Contingent assets:

During the year ended 31 December 2009, the directors of the Company discovered that, without their knowledge and consent, the land where the property development project held by a subsidiary of the Company in the PRC to be erected was surrendered to an independent party by the Group's joint venture partner in the property development project, in a suspected fraud ("Suspected Fraud Transaction"). The Company has reported the case to the PRC police and several persons involved in the Suspected Fraud Transaction has been arrested. As a result, on 30 December 2009, a civil settlement agreement were entered between the joint venture partner and a subsidiary of the Company that the joint venture partner would compensates the Company (i) a sum of RMB30,000,000 in cash ("Cash Compensation"); and (ii) the entire equity holdings in Xian Communication University Second Affiliated Middle School Southern District with the market value of approximately RMB183,972,000 valued by an independent valuer as at 31 December 2009 ("Asset Compensation"). The Cash Compensation has been fully received in January 2010.

The Group has not recognised the Assets Compensation but disclosed in the consolidated financial statements as the inflow of economic benefits is probable but not yet virtually certain. The title of the Asset Compensation has not yet transferred to the Group, however, a dividend has been declared to the Group of approximately HK$4,723,000 which has been accounted for as compensation income in the consolidated income statement for the year ended 31 December 2010.

Save as disclosed above, the Group had no other material contingent assets as at 31 December 2010 (2009: Nil).

Capital commitments:

As at 31 December 2010 and 2009, the Group did not have any capital commitments.

36. OPERATING LEASE COMMITMENTS

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

The Group

	2010 HK$'000	2009 HK$'000
Within one year	1,935	1,259
In the second to fifth years inclusive	1,738	118
	3,673	1,377

37. RELATED PARTY TRANSACTIONS

(a) At the report period date, the Group had the following balance with related parties:

The Group

	Trade payables		Amount due from/(to) related parties	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Associates	—	—	3,987	3,308
Related parties	—	1,497	—	(22,530)

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. Amounts of approximately HK$3,987,000 (2009: HK$3,308,000) have been recognised in the period for bad or doubtful debts in respect of the amounts due from related parties.

37. RELATED PARTY TRANSACTIONS (Continued)

(b) During the year, the Group entered into the following transactions with related parties:

	2010 HK$'000	2009 HK$'000
Associate:		
Royalty income received *(Note)*	—	1,678
Related parties:		
Sales of molybdenum concentrates		
— Received	—	7,774
Purchase		
— Paid	—	1,508
— Payable	—	1,497
Interest paid	—	235

The transactions were carried at prices agreed between the parties.

(c) Compensation of key management personnel

Remuneration for key management personnel, including amount paid to Company's directors and certain of the highest paid employees, as disclosed in Notes 9 and 10 to the consolidated financial statements is follows:

	2010 HK$'000	2009 HK$'000
Short-term employee benefits	2,240	1,198
Mandatory Provident Fund contribution	35	42
	2,275	1,240

38. BUSINESS COMBINATION

Subsidiaries acquired

For the year ended 31 December 2010

On 28 June 2010, the Group entered into an acquisition agreement to acquire 70% equity interests in Heilongjiang Yi Tong Mining Company Limited ("Yi Tong Mining") at an aggregate consideration of approximately HK$425,714,000, which has been settled by the payment of RMB240,000,000 in cash and by the issue of 500,000,000 consideration shares at an issue price of HK$0.28 per share. The acquisition was completed on 21 July 2010.

For the year ended 31 December 2009

On 5 July 2009, the Group entered into an acquisition agreement to acquire the 65% of equity interest in Shaanxi Province Luo Nan Xian Jiu Long Kuang Ye Company Limited ("Jiu Long Kuang Ye") at a consideration of 1,366,940,000 consideration shares at an issue price of HK$0.6 per share. The acquisition was completed on 2 December 2009 and the fair value of the shares allotted on the completion date was HK$0.48 per share, resulting in the consideration for the acquisition of Jiu Long Kuang Ye was approximately HK$669,801,000.

Consideration transferred

	2010 **HK$'000**	2009 HK$'000
Cash consideration	**285,714**	—
Equity consideration	**140,000**	669,801
Total	**425,714**	669,801

Acquisition-related costs amounting to HK$628,000 (2009: 2,428,000) have been excluded from the consideration transferred and have been recognised as an expense in the current year and included in administrative expenses in the consolidated income statement.

38. BUSINESS COMBINATION (Continued)

Fair value of net identifiable assets acquired and liabilities recognised at the date of acquisition

	2010			2009		
	Carrying value HK$'000	**Fair value adjustment HK$'000**	**Fair value HK$'000**	Carrying value HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Properties, plant and equipment	**16,386**		**16,386**	223,259		223,259
Mining rights	**—**	**449,000**	**449,000**	—	3,154,538	3,154,538
Trade and other receivables	**35**		**35**	41,860		41,860
Prepaid lease payments	**—**		**—**	1,251		1,251
Inventories	**744**		**744**	93,012		93,012
Tax recoverable	**—**		**—**	5,899		5,899
Cash and bank balances	**189**		**189**	25,205		25,205
Trade and other payables	**(16,823)**		**(16,823)**	(131,974)		(131,974)
Bank borrowings	**—**		**—**	(42,922)		(42,922)
Amounts due to related parties	**—**		**—**	(23,651)		(23,651)
Deferred tax liabilities	**—**	**(112,250)**	**(112,250)**	—	(788,187)	(788,187)
	531		**337,281**	191,939		2,558,290
Non-controlling interests			**(101,160)**			(894,934)
			236,121			1,663,356

38. BUSINESS COMBINATION (Continued)

Non-controlling interests

The non-controlling interests in respect of Yi Tong Mining and Jiu Long Kuang Ye recognised at the acquisition dates were measured by reference to its proportionate shares of the recognised amounts of the identifiable net assets of Yi Tong Mining and Jiu Long Kuang Ye respectively.

Goodwill arising on acquisition

	2010 **HK$'000**	2009 HK$'000
Consideration transferred	**425,714**	669,801
Plus: non-controlling interests of 30% in Yi Tong Mining (2009: 35% in Jiu Long Kuang Ye)	**101,160**	894,934
Less: fair value of identifiable net assets acquired	**(337,281)**	(2,558,290)
Goodwill/(Bargaining purchase) arising on acquisition	**189,593**	(993,555)

For the year ended 31 December 2010, goodwill arose in the acquisition of Yi Tong Mining because the cost of the combination included a premium paid for estimated reserves of mineral resources in the mining rights of Yi Tong Gold Iron Mine. The fair value of mining rights has been recognised separately from goodwill as it meets the recognition criteria for identifiable intangible assets.

For the year ended 31 December 2009, bargaining purchase arose in the acquisition of Jiu Long Kuang Ye because the cost of combination included (i) discount on fair value of insurance of consideration shares from original agreed price of HK$0.6 per share to the issue price of HK$0.49; and (ii) discount on the estimated reserves of molybdenum of remaining unexplorated areas of the mine. The bargaining purchase has been credited to the profit or loss and included in other income and gains in the consolidated income statement.

Net cash outflow on acquisition of subsidiaries

	2010 **HK$'000**	2009 HK$'000
Cash consideration paid	**285,714**	—
Less: cash and cash equivalent balances acquired	**(189)**	(25,205)
Net cash outflow/(inflow) on acquisition	**285,525**	(25,205)

38. BUSINESS COMBINATION (Continued)

Impact of acquisitions on the results of the Group

For the year ended 31 December 2010, no revenue and results has been contributed to the Group by the additional mining operation generated by Yi Tong Mining because Yi Tong Mining has not yet commenced the exploitation of its existing mine. Therefore, had the business combination of Yi Tong Mining been effected at 1 January 2010, the revenue and results of the Group for the year would be the same as the amounts disclosed in consolidated income statements. For the reason of acquisition of Yi Tong Mining is in order to increase the Group's gold and iron reserves and resources for the expansion strategy of mining business of the Group.

For the year ended 31 December 2009, the revenue and profit for the year were approximately HK$70.7 million and HK$7.5 million which were attributable to the additional mining operation generated by Jiu Long Kuang Ye. Had the business combination of Jiu Long Kuang Ye been effected at 1 January 2009, the revenue of the Group would have been approximately HK$174.9 million, and the loss for the year would have been approximately HK$11.9 million. The Directors consider these "pro-forma" numbers to represent an approximate measure of the performance of combined group on an annualised basis and to provide a reference point for comparison in future. In determining the "pro-forma" revenue and profit of the Group had Jiu Long Kuang Ye been acquired at the beginning of 2009, the Directors have exclude the effect of amortisation of mining rights and deferred tax liabilities.

39. DISPOSAL OF AN ASSOCIATE

During the year ended 31 December 2009, Express Century Limited, a wholly owned subsidiary of the Company entered into a disposal agreement with an independent third party for disposal of the equity interest of 27% in Tonghua Yong Ji Real Estate Company Limited at a cash consideration of approximately HK$12,476,000. The transaction was completed in December 2009. There was no disposal of associate during the year ended 31 December 2010.

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of an associate is as follows:

	2010	2009
	HK$'000	HK$'000
Cash consideration received	—	12,476
Less: interest in an associate	—	(10,215)
Gain on disposal of an associate	—	2,261

The gain on disposal of an associate has been recognised in the profit or loss and included in other income and gains in the consolidated income statement for the year ended 31 December 2009.

40. FINANCIAL INSTRUMENTS

Categories of financial instruments

Financial assets

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans and receivables:				
— Investment deposit	**—**	—	**—**	45,367
— Trade receivables	**—**	2,525	**—**	—
— Prepayments, deposit and other receivables	**166,909**	130,557	**517**	1,679
— Amounts due from associates	**—**	3,308	**—**	2,010
— Tax recoverable	**11,349**	3,464	**—**	—
— Cash and cash equivalents	**138,381**	94,698	**559**	5,094
	316,639	234,552	**1,076**	54,150

Financial liabilities

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities measured at amortised cost				
— Trade payables	**22,610**	18,740	**—**	—
— Other payables and accruals	**121,124**	50,910	**3,192**	3,992
— Bank borrowings	**105,254**	42,946	**—**	—
— Amounts due to related parties	**—**	22,530	**—**	—
— Tax payables	**234**	—	**—**	—
	249,222	135,126	**3,192**	3,992

40. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives

The Group's treasury department, including the board of directors meets periodically to analyse and formulate strategies to manage and monitor the Group's exposure to variety of risk associate with financial instruments which arise from the Group's operating and investing activities. Generally, the Group employs conservative strategies regarding its risk management to ensure appropriate measures are implemented on a timely and effective manner. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

The business transactions of the Group conducted during the year were mainly denominated and settled in either RMB or HKD; consequently, exposures to exchange rate fluctuations arise. The Group currently does not have hedging policy in respect of the foreign currency risk. However, management monitors the related foreign currency risk exposure closely and will consider hedging significant foreign currency risk exposure should the needs arises.

Based on the market condition at end of the reporting period, the Group determined that it is reasonably possible for RMB to strengthen/weaken by 10% against HKD in the coming twelve months (2009: 10%). Hence, 10% are the sensitivity rates used in the current year when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and based on the assumption that other variables are held constant. A positive number below indicates an increase in profit or equity where RMB strengthens 10% against HKD. For a 10% weakening of RMB against HKD, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	2010	2009
	HK$'000	HK$'000
Profit or loss[1]	**16,532**	9,931
Equity[2]	**135,776**	135,776

Notes:

(1) This is mainly attributable to the exposure outstanding on receivable and payable denominated in RMB at end of reporting period.

(2) This is mainly as a result of the changes in valuation of exploration and evaluation assets which are denominated in RMB and recognised in the assets revaluation reserves included in equity at the end of the reporting period.

(3) In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

40. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rate except for bank borrowings which are at fixed interest rate. A reasonably change in interest rate in the next twelve months has been assessed, which could have immaterial change in the Group's profit. Changes in interest rates have impact on the Group's other components of equity. The Group adopts centralized treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense.

(iii) Other price risk

The Group does not exposed to equity price risks as the Group does not have any equity investments at the end of the reporting period.

(b) Credit risk

The Group's exposure to credit risk is mainly limited to the carrying amount of financial assets as disclosed in "categories of financial instruments" above.

Credit risk on trade receivable is minimal because most of the transactions related to mining operation were made on cash basis with no credit term given to its customers, except for sizable customers and with good credit history with the Group. In addition, the Group does not have significant concentration of credit risk. Credit risk on cash and bank balances is mitigated as counterparties are banks or financial institutions with high credit rating. Credit risk on prepayments, deposit and other receivables is minimal as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivables balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually or collectively at end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. None of the Group's financial assets and securitized by collateral or other credit enhancements.

(c) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The Group has net current assets of approximately HK$261,296,000 (2009: HK$176,158,000) and net assets of approximately HK$5,855,133 (2009: HK$5,873,675,000) as at 31 December 2010. In the opinion of directors, the Group's exposure to liquidity risk is limited.

40. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives (Continued)

(c) Liquidity risk (Continued)

The following table details the remaining contractual maturities at each of end of reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rate at end of reporting period) and the earliest date the Group may be required to pay:

2010

	On demand HK$'000	Less than 3 months HK$'000	3 to less than 6 months HK$'000	6 to less than 12 months HK$'000	Over 1 years HK$'000	Total HK$'000
Trade payables	22,610	—	—	—	—	22,610
Other payables and accruals	121,124	—	—	—	—	121,124
Bank borrowings	—	—	—	105,254	—	105,254
Tax payables	234	—	—	—	—	234
	143,968	—	—	105,254	—	249,222

2009

	On demand HK$'000	Less than 3 months HK$'000	3 to less than 6 months HK$'000	6 to less than 12 months HK$'000	Over 1 years HK$'000	Total HK$'000
Trade payables	—	18,740	—	—	—	18,740
Other payables and accruals	—	50,910	—	—	—	50,910
Bank borrowings	—	20,415	11,966	—	10,565	42,946
Amount due to related parties	22,530	—	—	—	—	22,530
	22,530	90,065	11,966	—	10,565	135,126

40. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives (Continued)

(d) Fair value

The directors of the Company consider the fair value of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments. The fair values of non-current financial assets and liabilities were not disclosed because these are not materially different from their carrying amount.

41. CAPITAL MANAGEMENT

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

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

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

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

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group has not adopted any formal dividend policy.

41. CAPITAL MANAGEMENT (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's total capital comprises all components of equity and net debt includes bank borrowing, trade payables and other payables and accruals, less cash and cash equivalents:

The Group's gearing ratio at 31 December 2010 and 2009 was as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Bank borrowings	**105,254**	42,946
Trade payables	**22,610**	18,740
Other payables and accruals	**121,124**	50,910
Amounts due to related parties	**—**	22,530
Less: Cash and cash equivalents	**(138,381)**	(94,698)
Net debts	**110,607**	40,428
Equity	**5,855,133**	5,873,675
Capital and net debt	**5,965,740**	5,914,103
Gearing ratio	**2%**	1%

42. EVENTS AFTER THE REPORTING PERIOD

Excepts as those disclosed elsewhere in the consolidated financial statements, the Group has the following significant events which took place subsequent to the end of reporting period.

On 24 January 2011, the Company entered into a placing agreement pursuant to which the Company has conditionally agreed to allot and issue, and the placee, being an independent third party has conditionally agreed to subscribe for 442,500,000 shares at a price of HK$0.32 each.

SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the published results and of the assets and liabilities of the Group for the five year ended 31 December 2010.

Result

	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Turnover	**384,543**	85,498	74,400	237,647	48,941
(Loss)/Profit from operating	**(928,901)**	753,996	(80,424)	(58,871)	(48,330)
Finance costs	**(1,157)**	(324)	—	—	(883)
Share of results of associates	**—**	(652)	18,492	4,239	692
(Loss)/Profit before tax	**(930,058)**	753,020	(61,932)	(54,632)	(48,521)
Taxation	**83,017**	22,981	(862)	1,934	(190)
(Loss)/Profit for the year	**(847,041)**	776,001	(62,794)	(52,698)	(48,711)
Attributable to:					
Equity holders of the Company	**(688,783)**	781,694	(54,336)	(45,469)	(41,420)
Non-controlling interests	**(158,258)**	(5,693)	(8,458)	(7,229)	(7,291)
(Loss)/Profit for the year	**(847,041)**	776,001	(62,794)	(52,698)	(48,711)

SUMMARY OF FINANCIAL INFORMATION

Assets and Liabilities

	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Property, plant and equipment	**239,516**	251,520	112,169	131,553	144,346
Investment properties	**153,501**	263,128	357,835	—	—
Goodwill	**—**	—	12,591	12,591	12,591
Interest in associates	**—**	32,633	59,386	39,735	25,084
Intangible assets	**—**	—	32,419	34,269	36,119
Prepaid lease payment	**89,423**	87,817	88,533	—	—
Exploration and evaluation assets	**3,340,576**	3,314,575	888,579	—	—
Mining rights	**3,318,288**	3,149,583	—	—	—
Current assets	**510,518**	300,719	234,661	249,987	176,184
Total assets	**7,651,822**	7,399,975	1,786,173	468,135	394,324
Current liabilities	**(249,222)**	(124,561)	(12,471)	(7,367)	(25,113)
Long-term liabilities	**(1,547,467)**	(1,401,739)	(30,536)	—	—
Non-controlling interests	**(2,144,985)**	(2,202,083)	(436,699)	(8,431)	(15,660)
Net assets	**3,710,148**	3,671,592	1,306,467	452,337	353,551

SUMMARY OF INVESTMENT PROPERTIES

Particulars of the investment held by the Group as at 31 December 2010 is as follows:

Location	Use	Group's interest	Tenure of lease
1. No. 9 Chongqing Road, Chaoyang District, Changchun City, Jilin Province, The PRC (中國吉林省長春市朝陽區重慶路9號)	Commercial	100%	Medium term lease