



中國礦業資源集團有限公司\*

China Mining Resources Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 340

Interim Report | 2011

\* For identification purpose only

# Content

CORPORATE INFORMATION	2
MANAGEMENT DISCUSSION AND ANALYSIS	3
REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION	10
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	12
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	14
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	16
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	18
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	20
CORPORATE GOVERNANCE	46
DISCLOSURE OF INTERESTS AND OTHER INFORMATION	47

# Corporate Information

## **DIRECTORS**

### **Executive Directors:**

You Xian Sheng (*Chairman*)

Chen Shou Wu (*Deputy Chairman,  
Chief Executive Officer and  
Chief Investment Officer*)

Wang Hui

Yeung Kwok Kuen (*Chief Financial Officer*)

### **Non-executive Director:**

Lam Ming Yung

### **Independent Non-executive Directors:**

Chan Sze Hon

Chu Kang Nam

Goh Choo Hwee

Lin Xiang Min

## **AUDIT COMMITTEE**

Chan Sze Hon (*Chairman*)

Chu Kang Nam

Goh Choo Hwee

## **REMUNERATION COMMITTEE**

Chan Sze Hon (*Chairman*)

Chu Kang Nam

Goh Choo Hwee

Yeung Kwok Kuen

## **COMPANY SECRETARY**

Leung Lai Ming

## **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

Room 1306 13th Floor  
Bank of America Tower  
12 Harcourt Road  
Admiralty  
Hong Kong

## **REGISTERED OFFICE**

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## **PRINCIPAL SHARE REGISTRAR**

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

## **HONG KONG BRANCH SHARE REGISTRAR**

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

## **AUDITORS**

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

## **PRINCIPAL BANKERS**

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

## **STOCK CODE**

00340

## **COMPANY WEBSITE**

[www.chinaminingresources.com](http://www.chinaminingresources.com)

# Management Discussion and Analysis

## RESULTS REVIEW

For the six months ended 30 June 2011, China Mining Resources Group Limited (the “Company”) together with its subsidiaries (the “Group”) recorded a consolidated revenue of HK\$117,642,000 (six months ended 30 June 2010: HK\$86,554,000) and gross profit of HK\$55,604,000 (six months ended 30 June 2010: HK\$13,741,000), representing an increase of 36% and 305% respectively as compared with the corresponding period in 2010. The increase in revenue in the first half of 2011 was primarily due to the significant increase of revenue generated from Harbin Songjiang Copper (Group) Company Limited (“Harbin Songjiang”) and its subsidiaries (“Harbin Songjiang Group”).

The Group’s unaudited profit attributable to owners of the Company amounted to HK\$41,396,000 (six months ended 30 June 2010: loss of HK\$468,417,000).

The Group’s profit before interest, taxes, depreciation and amortisation (“EBITDA”) was HK\$57,800,000 for the six months ended 30 June 2011 (six months ended 30 June 2010: loss before interest, taxes, depreciation and amortisation (“LBITDA”) of HK\$11,983,000).

## REVIEW OF OPERATIONS

### Harbin Songjiang Group

Harbin Songjiang is based in Harbin, Heilongjiang Province, the People’s Republic of China (the “PRC”) and specialises in the mining, processing and sales of molybdenum for the period ended 30 June 2011. The mining processing and sales business of copper and zinc has been terminated in the year ended 31 December 2010.

Harbin Songjiang Group contributed HK\$69,486,000 (six months ended 30 June 2010: HK\$43,941,000) and HK\$60,280,000 including a gain on disposal of a subsidiary of HK\$12,311,000 (six months ended 30 June 2010: loss of HK\$12,129,000) to the Group’s revenue and profit respectively for the six months ended 30 June 2011.

# Management Discussion and Analysis

## **REVIEW OF OPERATIONS** (Continued)

### **Harbin Songjiang Group** (Continued)

#### **Revenue**

The revenue of the mining business for the six months ended 30 June 2011 increased by 58% to HK\$69,486,000 compared to corresponding period in the previous financial year. The increase was mainly attributable to the continuing moderate recovery of the ferro molybdenum market in the PRC in the first half of 2011.

The average selling prices of ferro molybdenum was HK\$157,923 per tonne for the six months ended 30 June 2011 (six months ended 30 June 2010: HK\$172,230 per tonne).

#### **Cost of Sales and Gross Profit**

The cost of sales of Harbin Songjiang Group for the six months ended 30 June 2011 was HK\$40,769,000 (six months ended 30 June 2010: HK\$40,075,000) and the gross profit margin was 41% (six months ended 30 June 2010: 9%). The increase in gross profit margin was primarily due to the relatively lower unit cost of production of ferro molybdenum which was sold during the period.

#### **King Gold Group**

King Gold and its subsidiaries (“King Gold Group”) is principally engaged in cultivation, research, production and sale of Chinese tea products, and its products are selling under the brand names of “武夷” and “武夷星” which are well-recognised in the PRC as premium tea products widely distributed throughout the country.

King Gold Group contributed HK\$48,156,000 and HK\$3,343,000 to the Group’s revenue and profit for the six months ended 30 June 2011 respectively (six months ended 30 June 2010: HK\$46,737,000 and loss of HK\$448,709,000 respectively). As there is no impairment loss recognised for goodwill and brand name which were recognised in the period end 30 June 2011, the tea business recorded a profit in the first half of 2011 from its business operations. There were one-off impairment losses of approximately HK\$423,086,000 and HK\$44,091,000 recognised in the consolidated statement of comprehensive income for the goodwill and brand name respectively during the six months ended 30 June 2010.

# Management Discussion and Analysis

## **REVIEW OF OPERATIONS** (Continued)

### **King Gold Group** (Continued)

#### **Revenue**

For the six months ended 30 June 2011, King Gold Group generated a revenue of HK\$48,156,000. This represented an increase of HK\$1,419,000 or 3% in revenue when compared with the HK\$46,737,000 revenue which generated in the first half of 2010.

#### **Cost of Sales and Gross Profit**

The cost of sales of King Gold Group decreased from HK\$35,737,000 for the six months ended 30 June 2010 to HK\$21,269,000 for the six months ended 30 June 2011. The average gross profit margin for the current period was 56%, compared to 24% in the same period last year. The increase in gross profit margin was mainly contributed by the decrease in raw materials cost of the tea leaves during the period.

### **Year Joy Group**

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

China iTV is mainly engaged in online video service which involves an online video platform that offers various contents and deliver various value-added services to the customers of the telecommunication companies in the PRC. Year Joy Group has not generated revenue in the first half of 2011 as the iTV business is still in the development stage during the period. In July 2011, the pilot program was run on the “WO” platform (“沃門戶”) of Unicom Broadband Online Ltd. It is expected that the iTV business will start generating revenue from October 2011. Year Joy Group incurred HK\$2,286,000 loss for the six months ended 30 June 2011 which was mainly attributable to operating expenses, e.g, staff costs, office expenses etc, of the iTV business during the period.

# Management Discussion and Analysis

## **REVIEW OF OPERATIONS** (Continued)

### **Investments in Canada listed mining companies and other securities**

The Group invested in several Canada listed mining companies for the purpose of long-term investments and capital gain and dividend income during the six months ended 30 June 2011. The investment portfolio of the Group, including available-for-sale investments and held-for-trading investments, has recorded a depreciation during the first half of 2011. The net decrease in fair value of the investment portfolio during the six months ended 30 June 2011 was HK\$51,798,000 (31 December 2010: net increase of HK\$133,630,000) including decrease in fair value and net loss on disposal.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 June 2011, the Group had total assets and net assets of HK\$1,324,898,000 (31 December 2010: HK\$1,416,057,000) and HK\$572,054,000 (31 December 2010: HK\$499,267,000), respectively. The current ratio was 1.38, as compared to 1.11 as of year ended 31 December 2010.

As at 30 June 2011, the Group had bank balances and cash amounted to approximately HK\$282,928,000 (31 December 2010: HK\$391,894,000), of which most were denominated in Hong Kong dollars and Renminbi.

As at the balance sheet date, the Group had (i) bank borrowings of HK\$104,757,000 (31 December 2010: HK\$82,645,000) which were interest-bearing at floating rates with reference to the prevailing borrowing rate quoted by the People's Bank of China and (ii) other loans of HK\$32,860,000 (31 December 2010: HK\$20,414,000), of which HK\$1,204,000 was interest-free and HK\$26,490,000 and HK\$5,166,000 was interest-bearing at 5% and 2.55% per annum respectively. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 29.1% (31 December 2010: 60.3%).

## **FOREIGN EXCHANGE RISK MANAGEMENT**

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

# Management Discussion and Analysis

## **SHARE CAPITAL**

As at 30 June 2011, the Company had 9,138,782,211 ordinary shares and 3,776,190,000 convertible preference shares in issue with total shareholders' fund of the Group amounting to approximately HK\$1,291,497,000.

## **CONTINGENT LIABILITIES**

The Group has no material contingent liabilities as at 30 June 2011.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

There were no material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 June 2011.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2011, the Group had 12 and 1,125 employees in Hong Kong and Mainland China respectively.

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

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



# Management Discussion and Analysis

## PROSPECTS

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

The tea business maintained stable throughout the period. Under the fierce tea market environment in the PRC, we believe continue brand-building and retail market development will enlarge our market share and enhance our competitive strengths. Since August 2011, the Group has been promoting its brand national-wide through advertisements on various channels. In addition, the Group is cooperating with a famous PRC literature and art company to launch a new tea brand “Impression Dahongpao tea” (“印象大紅袍茶”). Meanwhile, the Group plans to establish more than 50 chain stores in 2011, including flagship stores, own-operated stores and stores operated through franchise arrangement. Furthermore, the Group will develop new and exclusive tea products, including products under the Impression Dahongpao series and some exclusive type of products for “Diao Yu Tai” (“釣魚臺”) boutiques.

For the online video business, the Group will continue to focus on the cooperation with the major telecommunication companies in the PRC and develop more value-added services, including but not limited to online video service to the telecommunication companies' customer. Moreover, the Group plans to purchase more popular Japanese animations to enhance its content library and redistribute to other online video business companies. The ultimate goal for the online video business is to have a long-term and stable cooperative relationship with the PRC major telecommunications companies and continue to develop relevant internet and mobile value-added service applications to the end-users of the telecommunications companies. In the foreseeable future, the online video business will focus on providing the high quality and value-added products and services including animations, finance, and others video program channels, to smartphone and tablet computer's users, including iphone and ipad's users.

# Management Discussion and Analysis

## **PROSPECTS** (Continued)

During the current period, the Group is actively looking for attractive merger and acquisition opportunities and strives to extend our business reach and enhance the profitability to maximize our shareholders' value.

During the first half of 2011, the global economy is still fluctuating and the PRC inflation pressure was further intensified. Under the even-changing market environment, we overcome all difficulties with concerted efforts through strengthening our internal management process and promoting efficient cost control and capital utilization so as to enhance economic benefit. Looking ahead, we will continue our active development strategies, deepen market penetration, increase product innovation, develop new profit growth spots, in order to promote sales growth, increase market share and enhance our competitiveness in our mining, tea and iTV business sectors, so that to generate the greatest returns for shareholders.

# Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF

## **CHINA MINING RESOURCES GROUP LIMITED**

中國礦業資源集團有限公司

*(incorporated in Bermuda with limited liability)*

### **INTRODUCTION**

We have reviewed the interim financial information set out on pages 12 to 45, which comprises the condensed consolidated statement of financial position of China Mining Resources Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **SCOPE OF REVIEW**

We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

# Report on Review of Interim Financial Information

## **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

## **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

29 August 2011

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

		<b>Six months ended 30 June</b>	
<i>Notes</i>		<b>2011 HK\$'000</b>	2010 HK\$'000 (unaudited and restated) (Note 27)
		<b>(unaudited)</b>	
<b>Continuing operations</b>			
Revenue	3	<b>117,642</b>	86,554
Cost of sales		<b>(62,038)</b>	(72,813)
		<b>55,604</b>	13,741
Gross profit		<b>5,943</b>	8,887
Other income		<b>39,443</b>	5,235
Other gains and losses		<b>(15,715)</b>	(5,462)
Distribution and selling expenses		<b>(35,547)</b>	(40,131)
Administrative expenses		<b>(15,066)</b>	(10,991)
Finance costs	4	<b>(15,066)</b>	(10,991)
Impairment losses on goodwill	11	—	(423,086)
Impairment losses on other intangible assets	11	—	(44,091)
		<b>34,662</b>	(495,898)
Profit (loss) before tax		<b>1,094</b>	9,412
Income tax credit	5	<b>1,094</b>	9,412
		<b>35,756</b>	(486,486)
Profit (loss) for the period from continuing operations	6	<b>35,756</b>	(486,486)
<b>Discontinued operation</b>			
Loss for the period from discontinued operation	7	—	(3,023)
		<b>35,756</b>	(489,509)
<b>Other comprehensive income (expense)</b>			
Exchange differences arising on translation		<b>8,101</b>	1,139
Loss on change in fair value of available- for-sale investments		<b>(38,216)</b>	(35,482)
Actuarial gain (loss) on defined benefit pension plans		<b>773</b>	(3,200)
		<b>(29,342)</b>	(37,543)
Other comprehensive expense for the period		<b>(29,342)</b>	(37,543)
		<b>6,414</b>	(527,052)
Total comprehensive income (expense) for the period		<b>6,414</b>	(527,052)

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

		<b>Six months ended 30 June</b>	
Notes	<b>2011</b> <b>HK\$'000</b> <b>(unaudited)</b>	2010 <b>HK\$'000</b> (unaudited and restated) (Note 27)	
Profit (loss) for the period attributable to:			
Owners of the Company			
— Profit (loss) for the period from continuing operations	<b>41,396</b>	(465,394)	
— Loss for the period from discontinued operation	<b>—</b>	(3,023)	
	<hr/>	<hr/>	
Profit (loss) for the period attributable to owners of the Company			
	<b>41,396</b>	(468,417)	
	<hr/>	<hr/>	
Non-controlling interests			
— Loss for the period from continuing operations attributable to non-controlling interests	<b>(5,640)</b>	(21,092)	
	<hr/>	<hr/>	
	<b>35,756</b>	(489,509)	
	<hr/>	<hr/>	
Total comprehensive income (expense) attributable to:			
Owners of the Company			
	<b>14,154</b>	(506,333)	
Non-controlling interests			
	<b>(7,740)</b>	(20,719)	
	<hr/>	<hr/>	
	<b>6,414</b>	(527,052)	
	<hr/>	<hr/>	
Earnings (loss) per share			
From continuing and discontinued operations			
Basic	<b>HK0.45 cent</b>	(HK7.33) cents	
Diluted	<b>HK0.32 cent</b>	(HK7.33) cents	
From continuing operations			
Basic	<b>HK0.45 cent</b>	(HK7.28) cents	
Diluted	<b>HK0.32 cent</b>	(HK7.28) cents	

9

# Condensed Consolidated Statement of Financial Position

At 30 June 2011

		30 June 2011 <i>HK\$'000</i> (unaudited)	31 December 2010 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
<b>Non-current Assets</b>			
Property, plant and equipment	10	129,867	111,685
Prepaid lease payments		32,462	33,800
Goodwill	11	88,295	88,295
Other intangible assets	11	150,279	143,542
Available-for-sale investments	12	251,505	326,710
Deposit for acquisition of tea mountain		21,115	20,705
		<u>673,523</u>	<u>724,737</u>
<b>Current Assets</b>			
Inventories		177,248	164,754
Trade and other receivables	13	165,715	96,446
Prepaid lease payments		4,455	3,873
Held-for-trading investments		21,029	34,353
Bank balances and cash		282,928	391,894
		<u>651,375</u>	<u>691,320</u>
<b>Current Liabilities</b>			
Trade and other payables	14	225,695	260,593
Amounts due to non-controlling shareholders	15	—	150,500
Tax payable		59,942	62,454
Bank borrowings	16	104,757	82,645
Other borrowings	16	15,653	1,181
Provisions	17	65,787	64,540
		<u>471,834</u>	<u>621,913</u>
<b>Net Current Assets</b>		<u>179,541</u>	<u>69,407</u>
<b>Total Assets less Current Liabilities</b>		<u>853,064</u>	<u>794,144</u>

# Condensed Consolidated Statement of Financial Position

At 30 June 2011

	Notes	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
<b>Capital and Reserves</b>			
Share capital	21	913,878	913,878
Share premium and deficits		<u>(441,231)</u>	<u>(493,218)</u>
Equity attributable to owners of the Company		472,647	420,660
Non-controlling interests		<u>99,407</u>	<u>78,607</u>
<b>Total Equity</b>		<u>572,054</u>	<u>499,267</u>
<b>Non-current Liabilities</b>			
Deferred income	18	39,701	35,782
Other borrowings	16	17,207	19,233
Provisions	17	78,067	76,311
Deferred tax liabilities		16,102	18,747
Other long term payables	19	77,746	92,768
Non-redeemable convertible preference shares	20	<u>52,187</u>	<u>52,036</u>
		<u>281,010</u>	<u>294,877</u>
		<u>853,064</u>	<u>794,144</u>

The condensed consolidated financial statements on pages 12 to 45 were approved and authorised for issue by the Board of Directors on 29 August 2011 and are signed on its behalf by:

**Chen Shou Wu**  
Director

**Yeung Kwok Kuen**  
Director



# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the Company													Non-controlling interests	Total
	Share capital	Share premium	Non-redeemable convertible preference shares	Statutory surplus reserve	Capital reserve	Share options reserve	Investment revaluation reserve	Translation reserve	Other reserve	Issuable shares	Actuarial reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note i)	HK\$'000 (Note ii)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010 (audited)	613,078	2,876,111	-	101,485	19,907	58,870	23,059	420,579	-	157,170	(6,668)	(3,401,089)	864,504	84,828	949,332
Exchange differences arising on translation	-	-	-	-	-	-	-	766	-	-	-	-	766	373	1,139
Loss on change in fair value of available-for-sale investments	-	-	-	-	-	-	(35,482)	-	-	-	-	-	(35,482)	-	(35,482)
Actuarial loss on defined benefit pension plans	-	-	-	-	-	-	-	-	-	-	(3,200)	-	(3,200)	-	(3,200)
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	(468,417)	(468,417)	(21,082)	(489,509)
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(35,482)	766	-	-	(3,200)	(468,417)	(506,333)	(20,719)	(527,052)
Shares issued	66,038	91,132	-	-	-	-	-	-	-	(157,170)	-	-	-	-	-
Recognition of equity-settled share-based payment	-	-	-	-	-	12,699	-	-	-	-	-	-	12,699	-	12,699
Cancellation of share options	-	-	-	-	-	(25,498)	-	-	-	-	-	25,498	-	-	-
Transfer	-	-	-	-	1,094	-	-	-	-	-	-	(1,094)	-	-	-
Subtotal	66,038	91,132	-	-	1,094	(12,799)	-	-	-	(157,170)	-	24,404	12,699	-	12,699
At 30 June 2010 (unaudited)	679,116	2,969,243	-	101,485	21,001	46,071	(12,423)	421,345	-	-	(8,868)	(3,845,102)	370,870	64,109	434,979

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the Company														
	Share capital	Share premium	Non-redeemable convertible preference shares	Statutory surplus reserve	Capital reserve	Share options reserve	Investment revaluation reserve	Translation reserve	Other reserve	Issuable shares	Actuarial reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011 (audited)	913,878	3,192,267	684,321	104,396	22,282	46,071	175,948	405,639	-	-	(6,045)	(5,118,087)	420,660	78,607	493,267
Exchange differences arising on translation	-	-	-	-	-	-	-	10,201	-	-	-	-	10,201	(2,100)	8,101
Loss on change in fair value of available-for-sale investments	-	-	-	-	-	-	(38,216)	-	-	-	-	-	(38,216)	-	(38,216)
Actuarial gain on defined benefit pension plans	-	-	-	-	-	-	-	-	-	773	-	-	773	-	773
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	-	-	41,386	41,386	(5,640)	35,756
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(38,216)	10,201	-	-	773	41,386	14,154	(7,740)	6,414
Disposal of subsidiaries	-	-	-	-	-	-	-	2,108	-	-	-	(2,108)	-	-	-
Contribution from non-controlling interests (Note 15)	-	-	-	-	-	-	-	-	37,833	-	-	-	37,833	28,540	66,373
Transfer	-	-	-	-	3,638	-	-	-	-	-	-	(3,638)	-	-	-
Subtotal	-	-	-	-	3,638	-	-	2,108	37,833	-	-	(5,746)	37,833	28,540	66,373
At 30 June 2011 (unaudited)	913,878	3,192,267	684,321	104,396	25,920	46,071	137,732	417,948	37,833	-	(5,272)	(5,082,447)	472,647	99,407	572,054

## Notes:

- (i) According to the relevant rules and regulations in the People's Republic of China ("PRC"), subsidiaries of the Group established in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these subsidiaries. Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.
- (ii) Pursuant to regulations 《高危害企業安全生產費用財務管理暫行辦法》 in the PRC relating to the mining industry, the Group is required to transfer an amount to the capital reserve account. The amount is calculated based on the volume of ores excavated each year and at the applicable rate per tonne of ores ("Appropriation for Mining Company"). The utilisation of the amount in the capital reserve account will be used on modification and maintenance of safety equipment in accordance with the rules in the PRC Companies Law and is not available for distribution to shareholders.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited and restated)
<b>OPERATING ACTIVITIES</b>		
Profit (loss) before tax	<b>34,662</b>	(498,921)
Adjustments for:		
Interest income	<b>(1,572)</b>	(1,246)
Finance costs	<b>15,066</b>	10,991
Depreciation of property, plant and equipment	<b>4,524</b>	3,613
Amortisation of prepaid lease payments	<b>1,981</b>	1,659
Amortisation of other intangible assets	<b>824</b>	540
Gain on disposal of property, plant and equipment	<b>(1,520)</b>	—
Gain on disposal of prepaid lease payments	<b>(37,919)</b>	—
Gain on disposal of a subsidiary	<b>(12,311)</b>	—
Loss on disposal of available-for-sale investments	<b>191</b>	—
Impairment losses on goodwill	—	423,086
Impairment losses on other intangible assets	—	44,091
Share-based payment expenses	—	12,699
Reversal of allowance for inventories	<b>(825)</b>	(834)
Write-off of inventories	—	4,361
Other non-cash items	<b>1,435</b>	(2,751)
Operating cash flows before movements in working capital	<b>4,536</b>	(2,712)
Increase in inventories	<b>(9,668)</b>	(12,823)
(Increase) decrease in trade and other receivables	<b>(70,018)</b>	27,156
Increase in held-for-trading investments	—	(4,362)
Decrease in trade and other payables	<b>(63,046)</b>	(25,660)
Other changes in working capital items	<b>9,691</b>	(6,674)
Cash used in operations	<b>(128,505)</b>	(25,075)
PRC Enterprise Income Tax paid	<b>(4,565)</b>	(1,422)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(133,070)</b>	(26,497)

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
		HK\$'000	HK\$'000
		(unaudited)	(unaudited and restated)
Notes			
<b>INVESTING ACTIVITIES</b>			
	Purchase of property, plant and equipment	(13,468)	(15,033)
	Purchase of intangible assets	(3,902)	—
	Proceeds from disposal of available-for-sale investments	39,260	—
	Proceeds from disposal of prepaid lease payments	37,919	2,274
	Proceeds from disposal of a subsidiary	12,003	—
	Interest received	1,572	1,246
	Proceeds from disposal of property, plant and equipment	1,520	—
	Loans to third parties	—	(15,320)
		74,904	(26,833)
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>			
<b>FINANCING ACTIVITIES</b>			
	Repayment to non-controlling shareholders	(84,127)	—
	Repayment of bank borrowings	(12,041)	(11,432)
	Interest paid	(3,287)	(3,451)
	Settlement of other long term payables	—	(6,302)
	New bank borrowings raised	32,511	11,432
	New other borrowings raised	12,041	—
	Government grants received	3,357	—
		(51,546)	(9,753)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>			
NET DECREASE IN CASH AND CASH EQUIVALENTS		(109,712)	(63,083)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		391,894	531,223
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		746	130
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash		282,928	468,270

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS 34”) *Interim Financial Reporting*.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

- *Improvements to HKFRSs* issued in 2010
- HKAS 24 (as revised in 2009) *Related Party Disclosures*
- Amendments to HKAS 32 *Classification of Rights Issues*
- Amendments to HK(IFRIC) — Int 14 *Prepayments of a Minimum Funding Requirement*
- HK(IFRIC) — Int 19 *Extinguishing Financial Liabilities with Equity Instruments*

The application of the above new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early applied new or revised standards and amendments that have been issued but are not yet effective. The following new or revised standards and amendments have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective.

HKFRS 10	Consolidated Financial Statements <sup>1</sup>
HKFRS 11	Joint Arrangements <sup>1</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>1</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>2</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>1</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>1</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2012

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 3. SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker ("CODM") for the purposes of resource allocation and assessment of performance focuses on type of goods delivered. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions. Specifically, the Group's operating and reportable segments are as follows:

Tea products	—	production and sales of tea
Molybdenum	—	mining, processing and sales of molybdenum
Online video business ("iTV")	—	Online video broadcasting
Others	—	mining, processing and sales of other minerals such as rutile, silicon and iron

The following is an analysis of the Group's revenue and results by operating and reportable segment for the period under review:

### Six months ended 30 June 2011

#### Continuing operations

	Tea products HK\$'000	Molybdenum HK\$'000	iTV HK\$'000	Others HK\$'000	Total HK\$'000
<b>REVENUE</b>					
Segment revenue — external sales	48,156	69,486	—	—	117,642
<b>RESULT</b>					
Segment profit (loss)	12,323	68,263	(2,678)	—	77,908
Unallocated corporate income					10,013
Unallocated corporate expenses					(38,193)
Finance costs					(15,066)
Profit before tax (continuing operations)					34,662

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 3. SEGMENT INFORMATION (Continued)

### Six months ended 30 June 2010 (Restated)

#### Continuing operations

	Tea products	Molybdenum	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>				
Segment revenue – external sales	<u>46,737</u>	<u>29,968</u>	<u>9,849</u>	<u>86,554</u>
<b>RESULT</b>				
Segment profit (loss)	<u>(461,482)</u>	<u>14,445</u>	<u>6,213</u>	(440,824)
Unallocated corporate income				3,154
Unallocated corporate expenses				(47,237)
Finance costs				<u>(10,991)</u>
Loss before tax (continuing operations)				<u>(495,898)</u>

The operating segment of mining, processing and sales of copper and zinc was discontinued in 2010. The segment information reported above does not include any amounts for these discontinued operations, which are described in more detail in Note 7.

Segment result represents the profit (loss) earned by each segment without allocation of central administration costs, directors' salaries, change in fair value of held-for-trading investments, loss on disposal of available-for-sale investments, gain on disposal of property, plant and equipment, interest income, foreign exchange gain (loss) and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of performance focuses on type of goods delivered.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 3. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's assets by operating and reportable segment:

	<b>30 June 2011 HK\$'000 (unaudited)</b>	31 December 2010 HK\$'000 (audited)
Tea products	416,362	417,955
Molybdenum	316,089	291,395
iTV	19,375	11,934
Others	—	17
Unallocated assets	<b>573,072</b>	694,756
	<b>1,324,898</b>	<b>1,416,057</b>

## Other segment information

### Continuing operations

For the six months ended 30 June 2011

	Tea products HK\$'000	Molybdenum HK\$'000	iTV HK\$'000	Others HK\$'000	Sub-total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Depreciation of property, plant and equipment	2,047	1,918	208	—	4,173	351	4,524
Amortisation of prepaid lease payments	1,889	92	—	—	1,981	—	1,981
Amortisation of other intangible assets	—	824	—	—	824	—	824
Gain on disposal of prepaid lease payments	—	(37,919)	—	—	(37,919)	—	(37,919)
Loss (gain) on disposal of property, plant and equipment	—	48	—	(1,568)	(1,520)	—	(1,520)
Gain on disposal of a subsidiary	—	(12,311)	—	—	(12,311)	—	(12,311)
Loss on disposal of available-for-sale investments	—	—	—	—	—	191	191
Reversal of allowance for inventories	—	(825)	—	—	(825)	—	(825)
Impairment loss on trade and other receivables	1,306	262	—	—	1,568	—	1,568

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 3. SEGMENT INFORMATION (Continued)

### Other segment information (Continued)

#### Continuing operations (Continued)

For the six months ended 30 June 2010

	Tea products HK\$'000	Molybdenum HK\$'000	Others HK\$'000	Sub-total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Depreciation of property, plant and equipment	1,796	293	—	2,089	1,524	3,613
Amortisation of prepaid lease payments	1,599	44	16	1,659	—	1,659
Amortisation of other intangible assets	—	540	—	540	—	540
Impairment losses on goodwill	423,086	—	—	423,086	—	423,086
Impairment losses on other intangible assets	44,091	—	—	44,091	—	44,091
Reversal of allowance for inventories	(41)	—	(793)	(834)	—	(834)
Reversal of impairment loss on trade and other receivables	—	(65)	—	(65)	—	(65)
Write-off of inventories	4,361	—	—	4,361	—	4,361

## 4. FINANCE COSTS

### Six months ended 30 June

	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
<b>Continuing operations</b>		
Imputed interest on long term payables and provisions	7,663	7,540
Interest on bank and other borrowings wholly repayable within five years	3,287	3,451
Interest on non-redeemable convertible preference shares	4,116	—
	<b>15,066</b>	<b>10,991</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 5. INCOME TAX CREDIT

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Continuing operations</b>		
Current tax:		
People's Republic of China (the "PRC")		
Enterprise Income Tax	839	1,050
Deferred tax:		
Current period	(1,933)	(10,462)
	<u>(1,094)</u>	<u>(9,412)</u>

No provision for Hong Kong Profits Tax has been made for both periods as the Group had no assessable profit arising in Hong Kong.

For the PRC Enterprise Income Tax, the relevant tax rate for the Group's subsidiaries in the PRC is 25% for both periods, except for the following.

Pursuant to the relevant laws and regulations in the PRC, Wuyi Star Tea Industrial Co., Ltd., a subsidiary of the Company acquired in 2009, is exempted from PRC income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years. That subsidiary of the Company was in its fifth profit-making year in 2011 and hence PRC income tax was calculated at 12.5% which is 50% of the standard tax rate, on the estimated assessable profit of that subsidiary for both periods.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 6. PROFIT (LOSS) FOR THE PERIOD – CONTINUING OPERATIONS

Profit (loss) for the period from continuing operations has been arrived at after charging (crediting) the following items:

	Six months ended 30 June	
	2011 <i>HK\$'000</i> (unaudited)	2010 <i>HK\$'000</i> (unaudited)
Depreciation of property, plant and equipment	4,524	3,613
Amortisation of prepaid lease payments	1,981	1,659
Amortisation of other intangible assets	824	540
Net foreign exchange (gain) loss	(1,268)	677
Impairment loss (reversal of impairment loss) on trade and other receivables	1,568	(65)
Government grants	(3,088)	(6,948)
Interest income	(1,572)	(1,246)
Loss on disposal of available-for-sale investments	191	—
Gain on disposal of prepaid lease payments ( <i>note</i> )	(37,919)	—
Gain on disposal of property, plant and equipment	(1,520)	—
Gain on disposal of a subsidiary	(12,311)	—
Loss (gain) from change in fair value of held-for-trading investments	13,392	(346)
Reversal of allowance for inventories	(825)	(834)
Write-off of inventories	—	4,361

*Note:* The prepaid lease payments related to a piece of land in the city of Harbin of the PRC which was fully impaired in 2008 due to suspension of molybdenum-related products production. The related impairment loss recognised in 2008 was approximately HK\$16,087,000. The land was disposed to an independent third party during the current interim period at a consideration of approximately HK\$37,919,000.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 7. DISCONTINUED OPERATION

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

The comparative figures in the condensed consolidated statement of comprehensive income have been restated to present the results of the mining, processing and sales of copper and zinc operations for the period from 1 January 2010 to 30 June 2010 as loss from discontinued operation, as follows:

	Six months ended 30 June 2010 <i>HK\$'000</i> (Restated)
Revenue	4,124
Cost of sales	<u>(2,999)</u>
Gross profit	1,125
Other income	465
Selling and distribution expenses	(30)
Administrative expenses	<u>(4,583)</u>
Loss for the period from discontinued operation	<u>(3,023)</u>

## 8. DIVIDENDS

No dividends were paid, declared or proposed during the reported period. The directors do not recommend the payment of an interim dividend.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 9. EARNINGS (LOSS) PER SHARE

### From continuing and discontinuing operations

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

	Six months ended 30 June	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited and restated)
<b>Earnings</b>		
Profit (loss) for the purposes of basic and diluted earnings (loss) per share	<u>41,396</u>	<u>(468,417)</u>
<b>Number of shares</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<b>9,138,782</b>	6,394,936
Effect of dilutive potential ordinary shares:		
Non-redeemable convertible preference shares	<u>3,776,190</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<u>12,914,972</u>	<u>6,394,936</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 9. EARNINGS (LOSS) PER SHARE (Continued)

### From continuing operations

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

	Six months ended 30 June	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited and restated)
Profit (loss) for the period attributable to owners of the Company	41,396	(468,417)
Less: Loss for the period from discontinued operation	—	3,023
Profit (loss) for the purposes of basic and diluted earnings (loss) per share from continuing operations	<u>41,396</u>	<u>(465,394)</u>

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

The computation of diluted earnings (loss) per share does not assume the conversion of the Company's outstanding share options for both periods as the exercise prices of these share options are higher than the average market price of the shares of the Company.

### From discontinued operation

Basic and diluted loss per share for discontinued operation for the six months ended 30 June 2010 is HK\$0.05 cent per share, based on the loss for the period from discontinued operation of approximately HK\$3,023,000 and the denominators detailed above for both basic and diluted loss per share.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired property, plant and equipment of approximately HK\$13,468,000 (1 January 2010 to 30 June 2010: approximately HK\$15,033,000).

At 30 June 2011, certain of the Group's buildings with the aggregate carrying amount of HK\$13,593,000 (31 December 2010: HK\$10,872,000) were pledged as security for the Group's bank borrowings (Note 16).

## 11. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill				Other intangible assets							
			Mining rights		Brand name		Network video platform		Total			
	Six months ended	Year ended	Six months ended	Year ended	Six months ended	Year ended	Six months ended	Year ended	Six months ended	Year ended		
	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
At beginning of the period/year	88,295	511,381	105,665	103,000	35,283	79,374	2,594	–	143,542	182,374		
Additions	–	–	–	–	–	–	3,902	1,531	3,902	1,531		
Acquired on acquisition of subsidiaries	–	–	–	–	–	–	–	952	–	952		
Exchange adjustments	–	–	3,470	3,808	–	–	189	111	3,659	3,919		
Amortised to profit or loss	–	–	(824)	(1,143)	–	–	–	–	(824)	(1,143)		
Impairment loss recognised in profit or loss	–	(423,086)	–	–	–	(44,091)	–	–	–	(44,091)		
At end of the period/year	88,295	88,295	108,311	105,665	35,283	35,283	6,685	2,594	150,279	143,542		

The directors of the Company determined that the recoverable amounts of the goodwill and other intangible assets are higher than their carrying values as at 30 June 2011. As a result, no impairment loss in respect of the goodwill and other intangible assets was recognised in the condensed consolidated statement of comprehensive income during the six months ended 30 June 2011.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 12. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2011 <i>HK\$'000</i> (unaudited)	31 December 2010 <i>HK\$'000</i> (audited)
Available-for-sale equity investments listed in an overseas stock exchange	<u>251,505</u>	<u>326,710</u>

## 13. TRADE AND OTHER RECEIVABLES

	30 June 2011 <i>HK\$'000</i> (unaudited)	31 December 2010 <i>HK\$'000</i> (audited)
Trade receivables	124,792	71,789
Less: Allowance for doubtful debts	<u>(6,253)</u>	<u>(6,323)</u>
	<u>118,539</u>	<u>65,466</u>
Other receivables	66,520	77,195
Less: Allowance for doubtful debts	<u>(53,000)</u>	<u>(59,022)</u>
	<u>13,520</u>	<u>18,173</u>
Deposits and prepayments	24,023	12,807
Advances to supplies	<u>9,633</u>	<u>—</u>
Total trade and other receivables	<u>165,715</u>	<u>96,446</u>

The Group normally allows credit period of 90 days to its trade customers. Other receivables are unsecured, non-interest bearing and repayable on demand.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 13. TRADE AND OTHER RECEIVABLES (Continued)

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	<b>30 June 2011 HK\$'000 (unaudited)</b>	<b>31 December 2010 HK\$'000 (audited)</b>
0 – 30 days	<b>25,579</b>	24,194
31 – 60 days	<b>9,306</b>	267
61 – 90 days	<b>14,149</b>	36,586
Over 90 days	<b>69,505</b>	4,419
	<b><u>118,539</u></b>	<u>65,466</u>

## 14. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date:

	<b>30 June 2011 HK\$'000 (unaudited)</b>	<b>31 December 2010 HK\$'000 (audited)</b>
0 – 90 days	<b>17,544</b>	13,261
Over 90 days	<b>5,391</b>	4,349
	<b><u>22,935</u></b>	<u>17,610</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 15. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

The balance as at 31 December 2010 represented amounts due to non-controlling shareholders of Lead Sun Investments Limited (“Lead Sun”), a subsidiary of the Group. The amounts were unsecured, non-interest bearing and repayable on demand. On 5 May 2011, Lead Sun entered into a deed of settlement (“the Deed”) with these non-controlling shareholders, whereby pursuant to the Deed, the Group settled in aggregate amount of HK\$84,127,000 and these non-controlling shareholders unconditionally and irrevocably waived all of their rights and interests on the remaining balances amounting to HK\$66,373,000. The deemed contribution from these non-controlling shareholders which arose from the waiver is recorded in equity.

## 16. BANK AND OTHER BORROWINGS

During the six months ended 30 June 2011, the Group obtained new bank borrowings amounting to HK\$32,511,000 and repaid the bank borrowings amounting to HK\$12,041,000. These new bank borrowings are secured, carry interest at fixed market rate ranging from 6.31% to 6.94% per annum and repayable within one year.

During the six months ended 30 June 2011, the Group obtained new other borrowing amounting to HK\$12,041,000. The loan is unsecured, bears interest at 5% per annum and is repayable after one year.

## 17. PROVISIONS

In accordance with relevant PRC rules and regulations, the Group is obliged to accrue the costs for land reclamation and cavity refill for the Group’s existing mines. The provision for land reclamation and cavity refill costs has been determined by the directors of the Company based on their best estimation and such costs are expected to be incurred during the period from 2011 to 2012.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 17. PROVISIONS (Continued)

The Group provides post-employment benefits to employees. The expected cost of providing these post-employment benefits is actuarially determined and recognised by using projected unit credit method, which involves a number of assumptions and estimates, including inflation rate, discount rate and employees' turnover ratio. In addition, the Group also provides cost of residence benefit to its employees and their families. The cost has been determined by the directors of the Company based on their best estimation and the financial ability of HSC. HSC was a subsidiary of the Group which was disposed in November 2010. The Group does not have further obligation to provide such benefits upon disposal of HSC.

	Provision for land reclamation and cavity refill costs <i>HK\$'000</i>	Provision for post- employment benefits <i>HK\$'000</i>	Provision for cost of residence <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2010, as restated	124,049	69,272	113,501	306,822
Exchange difference	4,693	1,894	2,866	9,453
Addition (reversal) for the year	9,094	4,690	(14,547)	(763)
Utilisation of provision	(6,253)	(2,034)	(21)	(8,308)
Actuarial gain	—	(621)	—	(621)
Disposal of a subsidiary	—	(63,933)	(101,799)	(165,732)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>At 31 December 2010 and 1 January 2011 (audited)</b>	<b>131,583</b>	<b>9,268</b>	<b>—</b>	<b>140,851</b>
Exchange difference	2,490	176	—	2,666
Addition for the period	4,598	986	—	5,584
Utilisation of provision	(4,474)	—	—	(4,474)
Actuarial gain	—	(773)	—	(773)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>At 30 June 2011 (unaudited)</b>	<b>134,197</b>	<b>9,657</b>	<b>—</b>	<b>143,854</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 17. PROVISIONS (Continued)

	<b>30 June 2011 HK\$'000 (unaudited)</b>	31 December 2010 HK\$'000 (audited)
Analysed for reporting purposes as:		
Current liabilities	<b>65,787</b>	64,540
Non-current liabilities	<b>78,067</b>	76,311
	<b>143,854</b>	140,851

## 18. DEFERRED INCOME

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

During the six months ended 30 June 2011, government grants of approximately HK\$133,000 were recognised in profit or loss (For the six months ended 30 June 2010: HK\$127,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 19. OTHER LONG TERM PAYABLES

Other long term payables comprised:

	<b>30 June 2011 HK\$'000 (unaudited)</b>	31 December 2010 HK\$'000 (audited)
Mining right payables	<b>125,809</b>	120,478
Less: Amount shown as current liabilities included under "Trade and other payables"	<b>(48,063)</b>	(27,710)
	<b><u>77,746</u></b>	<u>92,768</u>

Other long term payables comprised mining right payables, pursuant to mining rights premium agreement in 2007 entered into between the Group and the relevant government authority of the PRC in respect of the mining rights of Wudaoling Molybdenum mine amounting to approximately HK\$179,386,000.

The mining right payables in respect of Wudaoling Molybdenum mine are interest free. According to original repayment terms in 2008, they shall be settled in four instalments payable on or before 22 May 2011. In 2009, the repayment term of the mining right payables for Wudaoling Molybdenum mine has been revised and the payables shall be settled in seven instalments payable on or before 22 May 2016.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 20. NON-REDEEMABLE CONVERTIBLE PREFERENCE SHARES

As part of the consideration for the acquisition of a subsidiary during the year ended 31 December 2010, the Company allotted and issued 3,776,190,000 non-redeemable convertible preference shares ("CPS") at HK\$0.195 (market price of ordinary share) per CPS on 14 December 2010. The CPS recognised initially in the statement of financial position is calculated as follows:

	Number of CPS	Equity component <i>HK\$'000</i>	Liability component <i>HK\$'000</i>	Total <i>HK\$'000</i>
Issue of CPS in 2010 and the balance as at 31 December 2010	3,776,190,000	684,321	52,036	736,357

The movement of the liability component of the CPS for the six months ended 30 June 2011 is set out below:

	<b>30 June 2011</b> <i>HK\$'000</i>
Carrying value at the beginning of the period	52,036
Interest charge ( <i>Note 4</i> )	4,116
Interest payable	<u>(3,965)</u>
Carrying value at the end of the period	<u>52,187</u>

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 20. NON-REDEEMABLE CONVERTIBLE PREFERENCE SHARES (Continued)

The principal terms of the CPS are set out below:

- (a) Holders of the CPS shall not be entitled to any dividend payment or any distribution (including bonus issue) of the Company other than interest at the rate of 1% per annum on the Issue Price of HK\$0.21 per share (at date of entering into this agreement), amounting to approximately HK\$7,930,000 per annum, payable on the last day of every six months of the date of issue of the CPS. The CPS does not carry any voting right.
- (b) The CPS is not redeemable.
- (c) The holders of the CPS shall have the right to convert the CPS into ordinary shares at the conversion ratio of one CPS into one ordinary share.
- (d) The CPS shall rank equally among themselves. On a return of capital in liquidation or otherwise, the assets of the Company available for distribution among the members of the Company, holders of the CPS and the ordinary shares shall rank *pari passu* with each other.
- (e) The CPS is freely transferable.
- (f) The CPS has no maturity date.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 21. SHARE CAPITAL

	Six months ended 30 June 2011		Year ended 31 December 2010	
	Number of shares '000 (unaudited)	Nominal value HK\$'000 (unaudited)	Number of shares '000 (audited)	Nominal value HK\$'000 (audited)
Ordinary shares of HK\$0.1 each				
<b>Authorised:</b>				
At beginning and end of the period/year	50,000,000	5,000,000	10,000,000	1,000,000
Increase on 6 December 2010	—	—	40,000,000	4,000,000
At end of year	<u>50,000,000</u>	<u>5,000,000</u>	<u>50,000,000</u>	<u>5,000,000</u>
<b>Issued and fully paid:</b>				
At beginning of the period/year	9,138,782	913,878	6,130,785	613,078
Issued in consideration for the acquisition of subsidiaries	—	—	3,007,997	300,800
At the end of the period/year	<u>9,138,782</u>	<u>913,878</u>	<u>9,138,782</u>	<u>913,878</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 22. DISPOSAL OF A SUBSIDIARY

On 26 April 2011, the Group disposed of a subsidiary, Xinganmeng Songjiang Mining Co. Ltd. (“Xinganmeng”). The net liabilities of Xinganmeng at the date of disposal were as follows:

	<b>26 April 2011</b> <i>HK\$'000</i>
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	1,036
Trade and other receivables	95
Trade and other payables	<u>(1,439)</u>
Net liabilities disposed of	<u>(308)</u>
Gain on disposal of a subsidiary:	
Cash consideration received	12,003
Net liabilities disposed of	<u>308</u>
Gain on disposal	<u>12,311</u>
Cash inflow arising on disposal:	
Cash consideration	<u>12,003</u>

The assets being disposed of also included property, plant and equipment of which impairment loss had been made in prior years. The impact of disposal of Xinganmeng on the Group's results and cash flows in the six months ended 30 June 2011 is insignificant.

## 23. SHARE OPTION SCHEME

The Company has a share option scheme for eligible directors and employees of the Group. During the six months ended 30 June 2011, there are no movements in the number of share options outstanding. There are no share options granted or cancelled in the period.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 24. COMMITMENTS

### Capital commitments

	30 June 2011 <i>HK\$'000</i> (unaudited)	31 December 2010 <i>HK\$'000</i> (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<u>9,842</u>	<u>7,866</u>
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	<u>—</u>	<u>1,258</u>

## 25. RELATED PARTY TRANSACTIONS

Details of the balances with related parties are disclosed in the condensed consolidated statement of financial position on pages 14 and 15.

### Compensation of key management personnel

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

	Six month ended 30 June	
	2011 <i>HK\$'000</i> (unaudited)	2010 <i>HK\$'000</i> (unaudited and restated)
Short-term benefits	3,911	3,864
Post-employment benefits	155	111
Share-based payments	<u>—</u>	<u>9,370</u>
	<u>4,066</u>	<u>13,345</u>

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 26. EVENT AFTER THE END OF THE INTERIM PERIOD

On 26 July 2011, the Company together with Best Tone Holdings Limited (“Best Tone”), a wholly owned subsidiary of the Company, entered into a convertible loan agreement with Majestic Gold Corp. (“Majestic Gold”), a company listed in Toronto Stock Exchange pursuant to which Best Tone agreed to make available a convertible loan in the amount of Canadian Dollars (“CAD”) 10 million (equivalent to approximately HK\$82 million) to Majestic Gold at an interest rate of 7.5% per annum and the Company agreed to guarantee Best Tone’s obligation thereunder. Best Tone shall have the sole and exclusive right and option, at any time during the 12 months following the date on which the convertible loan is advanced to Majestic Gold, to convert the outstanding principal amount of the convertible loan and interest accrued but not yet paid of the convertible loan at the price of CAD0.205 per share of common shares of no par value in the capital of Majestic Gold (“Majestic Gold Shares”). Upon the exercise of the conversion rights in full, Best Tone will have 50,914,634 Majestic Gold Shares representing approximately 10.1% of the existing issued and outstanding share capital of Majestic Gold and approximately 9.1% of the issued and outstanding share capital of Majestic Gold as enlarged by the issue of 50,914,634 Majestic Gold Shares upon the exercise of conversion rights in full. The principal activities of Majestic Gold are acquisition, exploration and mining of precious metals in the PRC. Further details of the transaction are set out in the announcement of the Company dated 26 July 2011.

## 27. COMPARATIVES

As disclosed in the annual consolidated financial statements of the Company for the year ended 31 December 2010, certain errors in the financial statements in respect of prior periods were identified by the directors of the Company. These errors represent (1) understatement of potential liabilities in relation to post-employment benefits and costs of residence and (2) overstatement of book value of goodwill and related impairment losses on goodwill made during the six months ended 30 June 2010. Accordingly, the comparative figures in the condensed consolidated statement of comprehensive income in respect of the six months ended 30 June 2010 have been restated to reflect those matters.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 27. COMPARATIVES (Continued)

The effects of adjustments described above on the loss for the six months ended 30 June 2010 by line items presented in the condensed statement of comprehensive income are as follows:

	Six months ended 30 June 2010 <i>HK\$'000</i> (As originally stated)	Adjustments <i>HK\$'000</i>	Six months ended 30 June 2010 <i>HK\$'000</i> (As restated)
Administrative expenses	45,637	(5,506)	40,131
Impairment losses on goodwill	<u>444,218</u>	<u>(21,132)</u>	<u>423,086</u>
Total effect on loss for the period from continuing operations	<u>489,855</u>	<u>(26,638)</u>	<u>463,217</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 27. COMPARATIVES (Continued)

The effects of adjustments described above on the Group's basic and diluted loss per share for the six months ended 30 June 2010 are as follows:

	Impact on basic and diluted loss per share	
	Six months ended 30 June 2010	
	From continuing and discontinued operations <i>HK cents</i>	From continuing operations <i>HK cents</i>
Figures before adjustments	(7.74)	(7.69)
Adjustments arising from prior year adjustments	<u>0.41</u>	<u>0.41</u>
Figures after adjustments	<u>(7.33)</u>	<u>(7.28)</u>

# Corporate Governance

The Company is committed to comply with its established best practice in corporate governance and is acting in line with those practices as set out in the annual report of the Company for the financial year ended 31 December 2010. The board of directors of the Company (the “Board”) believes that good corporate governance is crucial to enhance the performance of the Group and to safeguard the interests of the shareholders of the Company.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) during the six months ended 30 June 2011.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. Upon specific enquiries, all directors of the Company (“Directors”) confirmed they had complied with the required standard set out in the Model Code during the six months ended 30 June 2011.

## **BOARD OF DIRECTORS**

The Board is responsible for the formulation of the Group’s business strategies and management objective, supervision of the management and evaluation of the effectiveness of management strategies. Implementation of strategies and day-to-day operations are delegated to the management. In order to better understand the respective accountabilities and contributions of the Board and management, the Company has adopted a written terms of reference specifying a schedule of matters which should be reserved to the Board and which should be delegated to management.

## **AUDIT COMMITTEE**

The Audit Committee comprises of three independent non-executive Directors. They are responsible for ensuring the quality and integrity of internal control, conducting review of the Group’s accounting principles and practices, risk management and the Group’s interim and annual accounts.

## **REMUNERATION COMMITTEE**

The Remuneration Committee comprises one executive Director and three independent non-executive Directors. The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy, remuneration packages for the Directors and members of the senior management and on the establishment of a formal and transparent process for approving such remuneration policy.

# Disclosure of Interests and Other Information

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

As at 30 June 2011, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were recorded in the register required to be kept under Section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company were as follows:

### **Interests in underlying shares of the Company – share options**

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



# Disclosure of Interests and Other Information

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

Save as disclosed above, as at 30 June 2011, none of the directors and chief executives of the Company or their respective associates had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

Other than as disclosed in "SHARE OPTION SCHEMES" below, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## **INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS**

So far as is known to any director or chief executive of the Company, as at 30 June 2011, persons (other than directors or chief executives of the Company as disclosed herein) who had interests or short positions in the shares or underlying shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

# Disclosure of Interests and Other Information

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

(Continued)

### Long position in shares of the Company

Name of Shareholders	Capacity	Class of shares of the Company	Number of shares held	% of total issued share capital of the relevant class of shares (Note 1)
Wong Chiu Fung	Interest in controlled corporation	Ordinary	1,633,334,286 (Note 2)	17.87%
	Interest in controlled corporation	Preference	476,190,000 (Note 2)	12.61%
Ho Ping Tanya	Beneficial owner	Preference	3,300,000,000 (Note 3)	87.39%

#### Notes:

1. The percentages are calculated based on the total number of ordinary shares and convertible preference shares (as appropriate) of the Company in issue as at 30 June 2011, which were 9,138,782,211 and 3,776,190,000 respectively.
2. These ordinary and convertible preference shares are held by Double Joy Enterprise Limited which is 100% beneficially owned by Mr. Wong Chiu Fung. Both ordinary and convertible preference shares were allotted and issued to Double Joy Enterprise Limited on 14 December 2010 pursuant to a sale and purchase agreement dated 2 October 2010 entered into among Famous Class Limited, a wholly-owned subsidiary of the Company, Ms. Ho Ping Tanya, Double Joy Enterprise Limited, Skypro Holdings Limited and Mr. Wong Chiu Fung in relation to the acquisition of an aggregate of 70 shares of Year Joy Investments Limited, representing 70% of the total issued share capital of Year Joy Investments Limited, by Famous Class Limited (the "Agreement").
3. The convertible preference shares were allotted and issued to Ms. Ho Ping Tanya on 14 December 2010 pursuant to the Agreement.

# Disclosure of Interests and Other Information

## **INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS**

(Continued)

Save as disclosed above, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as required to be recorded in the register under section 336 of the SFO as at 30 June 2011.

## **SHARE OPTION SCHEMES**

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

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

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

# Disclosure of Interests and Other Information

## **SHARE OPTION SCHEMES** (Continued)

3. As at 29 August 2011, the total number of ordinary shares of HK\$0.10 each in the capital of the Company (“Shares”) available for issue under the New Share Option Scheme was 913,878,221 representing approximately 10% of the issued ordinary share capital of the Company.
4. Unless otherwise approved by shareholders of the Company in general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme to each participant in any 12-month period must not exceed 1% (except for substantial shareholders, as defined in the Listing Rules, or independent non-executive director of the Company, or any of their respective associates, as defined in the Listing Rules, must not exceed 0.1%) of the issued ordinary share capital of the Company from time to time.
5. An option shall be exercised in whole or in part in accordance with the terms of the New Share Option Scheme at any time during a period to be notified by the Board to each grantee, provided that no option shall be exercisable later than 10 years after its date of grant.
6. An option shall be accepted by a participant together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof within 30 days from the date of the offer of grant of the option.
7. The subscription price for Shares under the New Share Option Scheme, subject to any adjustment stipulated therein, shall be a price determined by the Board, but shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange’s daily quotations on the date of grant which must be a business day, (ii) the average closing price of Shares as stated in the Stock Exchange’s daily quotations for the five business days immediately preceding the date of grant and (iii) the nominal value of a Share.
8. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on 26 June 2002.

# Disclosure of Interests and Other Information

## SHARE OPTION SCHEMES (Continued)

Details of movements in the share options held by directors, chief executives, employees and other parties of the Company under the New Share Option Scheme for the period ended 30 June 2011 are as follows:

Name	Date granted	Period during which options are exercisable	No. of options outstanding at 1 January 2011	No. of options granted during the period	No. of options cancelled during the period	No. of shares acquired on exercise of options during the period	No. of options outstanding at 30 June 2011	Exercise price per share	* Market value per share at date of grant of options	* Market value per share on exercise of options
Share option granted in 2008										
<b>Directors</b>										
You Xian Sheng	14 October 2008	(Note 1)	40,000,000	—	—	—	40,000,000	HK\$0.275	HK\$0.275	—
Chen Shou Wu	14 October 2008	(Note 1)	35,000,000	—	—	—	35,000,000	HK\$0.275	HK\$0.275	—
Wang Hui	14 October 2008	(Note 1)	35,000,000	—	—	—	35,000,000	HK\$0.275	HK\$0.275	—
Yeung Kwok Kuen	14 October 2008	(Note 1)	35,000,000	—	—	—	35,000,000	HK\$0.275	HK\$0.275	—
Lam Ming Yung	14 October 2008	(Note 1)	3,000,000	—	—	—	3,000,000	HK\$0.275	HK\$0.275	—
Chan Sze Hon	14 October 2008	(Note 1)	3,000,000	—	—	—	3,000,000	HK\$0.275	HK\$0.275	—
Chu Kang Nam	14 October 2008	(Note 1)	3,000,000	—	—	—	3,000,000	HK\$0.275	HK\$0.275	—
Goh Choo Hwee	14 October 2008	(Note 1)	3,000,000	—	—	—	3,000,000	HK\$0.275	HK\$0.275	—
Lin Xiang Min	14 October 2008	(Note 1)	3,000,000	—	—	—	3,000,000	HK\$0.275	HK\$0.275	—
			<u>160,000,000</u>				<u>160,000,000</u>			
<b>Chief executives</b>										
Yin Guangyuan	14 October 2008	(Note 1)	35,000,000	—	—	—	35,000,000	HK\$0.275	HK\$0.275	—
Qiao Hongbo	14 October 2008	(Note 1)	10,000,000	—	—	—	10,000,000	HK\$0.275	HK\$0.275	—
Qu Yanchun	14 October 2008	(Note 1)	10,000,000	—	—	—	10,000,000	HK\$0.275	HK\$0.275	—
			<u>55,000,000</u>				<u>55,000,000</u>			
<b>Employees</b>										
	14 October 2008	(Note 1)	<u>26,600,000</u>	—	—	—	<u>26,600,000</u>	HK\$0.275	HK\$0.275	—
<b>Others (Note 3)</b>										
	14 October 2008	(Note 1)	<u>50,000,000</u>	—	—	—	<u>50,000,000</u>	HK\$0.275	HK\$0.275	—
			<u>291,600,000</u>	—	—	—	<u>291,600,000</u>			

# Disclosure of Interests and Other Information

## SHARE OPTION SCHEMES (Continued)

Name	Date granted	Period during which options are exercisable	No. of options outstanding at 1 January 2011	No. of options granted during the period	No. of options cancelled during the period	No. of shares acquired on exercise of options during the period	No. of options outstanding at 30 June 2011	Exercise price per share	* Market value per share at date of grant of options	* Market value per share on exercise of options
Share option granted in 2010										
<b>Directors</b>										
You Xian Sheng	29 June 2010	(Note 2)	20,000,000	—	—	—	20,000,000	HK\$0.208	HK\$0.208	—
Chen Shou Wu	29 June 2010	(Note 2)	25,000,000	—	—	—	25,000,000	HK\$0.208	HK\$0.208	—
Wang Hui	29 June 2010	(Note 2)	5,000,000	—	—	—	5,000,000	HK\$0.208	HK\$0.208	—
Yeung Kwok Kuen	29 June 2010	(Note 2)	25,000,000	—	—	—	25,000,000	HK\$0.208	HK\$0.208	—
Lam Ming Yung	29 June 2010	(Note 2)	2,000,000	—	—	—	2,000,000	HK\$0.208	HK\$0.208	—
Chan Sze Hon	29 June 2010	(Note 2)	2,000,000	—	—	—	2,000,000	HK\$0.208	HK\$0.208	—
Chu Kang Nam	29 June 2010	(Note 2)	2,000,000	—	—	—	2,000,000	HK\$0.208	HK\$0.208	—
Goh Choo Hwee	29 June 2010	(Note 2)	2,000,000	—	—	—	2,000,000	HK\$0.208	HK\$0.208	—
Lin Xiang Min	29 June 2010	(Note 2)	2,000,000	—	—	—	2,000,000	HK\$0.208	HK\$0.208	—
			<u>85,000,000</u>				<u>85,000,000</u>			
<b>Chief executives</b>										
Yin Guangyuan	29 June 2010	(Note 2)	5,000,000	—	—	—	5,000,000	HK\$0.208	HK\$0.208	—
Qiao Hongbo	29 June 2010	(Note 2)	2,000,000	—	—	—	2,000,000	HK\$0.208	HK\$0.208	—
Qu Yanchun	29 June 2010	(Note 2)	2,000,000	—	—	—	2,000,000	HK\$0.208	HK\$0.208	—
			<u>9,000,000</u>				<u>9,000,000</u>			
<b>Employees</b>										
	29 June 2010	(Note 2)	<u>33,400,000</u>	—	—	—	<u>33,400,000</u>	HK\$0.208	HK\$0.208	—
			<u>127,400,000</u>	—	—	—	<u>127,400,000</u>			

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

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

# Disclosure of Interests and Other Information

## **SHARE OPTION SCHEMES** (Continued)

Notes:

1. Exercisable from 14 October 2008 to 13 October 2013.
2. Exercisable from 29 June 2010 to 28 June 2015.
3. 50,000,000 share options were granted to a chief adviser of the Company and a consulting company.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

The Company has not redeemed any of its securities during the six months ended 30 June 2011. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the six months ended 30 June 2011.

## **AUDIT COMMITTEE**

The Audit Committee and management have reviewed the accounting principles and policies adopted by the Group and the unaudited interim financial statements for the six months ended 30 June 2011.

## **INTERIM DIVIDEND**

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2011.

By Order of the Board  
**China Mining Resources Group Limited**  
**Chen Shou Wu**  
*Deputy Chairman & Chief Executive Officer*

Hong Kong, 29 August 2011