# CHINA YUNNAN TIN MINERALS GROUP COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 263)

# ANNUAL REPORT 2011

# Contents



# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

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

### Independent Non-executive Directors

Wong Yun Kuen
Wong Shun Loy
Hu Chao

## AUDIT COMMITTEE

Wong Shun Loy *(Chairman)*
Wong Yun Kuen
Hu Chao

## NOMINATION COMMITTEE

Wong Yun Kuen *(Chairman)*
Wong Shun Loy
Hu Chao
Ng Shin Kwan, Christine

## REMUNERATION COMMITTEE

Hu Chao *(Chairman)*
Wong Yun Kuen
Wong Shun Loy

## COMPANY SECRETARY

Mok Wai Lung, Kenneth

## TRADING OF SHARES

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

## REGISTERED OFFICE

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

## PRINCIPAL BANKERS

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

## PRINCIPAL LEGAL ADVISERS

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

## AUDITORS

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

## SHARE REGISTRARS AND TRANSFER OFFICE

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

## WEBSITE

www.cytmg.com

# Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board"), I am pleased to present the annual report of China Yunnan Tin Minerals Group Company Limited (the "Company"), and its subsidiaries, (collectively referred to as the "Group") for the year ended 31 December 2011.

## BUSINESS REVIEW

Due to the slow recovery of global economy and the spread of European debt crisis, 2011 was the most uncertain and unstable year since the financial turmoil in 2008. Changes in macro- and micro-economic environment had adverse impacts on the industry and the lagging effect of such factors posed challenges to the development of the Company. The iron ore prices in the People's Republic of China (the "PRC") have dropped significantly by approximately 33% throughout the year of 2011 under the dampening effects of global economic conditions. As at 31 December 2011, an impairment loss of mining right of approximately HK$142,000,000 has been recognised (2010: HK$60,000,000) as a result of adverse influence on international markets on iron ore prices.

In addition to the decline in iron ore prices, the minerals business has encountered unprecedented adverse weather conditions throughout the year of 2011. The unexpected heavy rainstorms in the Southern China Region, which led to landslides in the mine area, together with the government road works have seriously hindered the commercial production of the mixed metals mine (the "Mine") which remained at a minimal performance level. For the year ended 31 December 2011, the turnover of the Group came to approximately HK$31,886,000, representing a decline of approximately 13% over last year. The total comprehensive expenses for the year attributable to owners of the Company amounted to approximately HK$438,180,000, representing an increase of approximately 168% over last year.

Minerals operation is one of our principal activities of the Group, recorded a turnover of approximately HK$12,976,000 compared to approximately HK$11,255,000 in 2010. Our Mine locates approximately 39 km south east of the Liannan County Town, which is also approximately 1.6 km south-west of the Baidaitou Village Shanlian Township of Guangdong Province in the PRC covering an area of approximately 0.4197 $km^2$. Based on a geological study prepared by 湖南省地質礦產勘查開發局四零八隊 (literally translated as the Hunan Province Geological Mineral Exploration in Development Bureau Team No. 408) as stated in the technical report, the estimated iron resources within the Mine is approximately 1,627,400 tons with an average grade of around 44.71% to 61.86%. Also, there are small amount of copper, lead and tin resources.

During the year, the Company conducted several fund raising exercises through the rights issue and share placement, in order to broaden the capital base of the Company and to provide extra financial flexibility for the Group's future business developments. On 31 January 2011, the Company completed a rights issue of 4,807,723,376 rights shares of HK$0.05 each at HK$0.10 per rights share on the basis of eight rights share for every one share held. Furthermore, on 20 June 2011, the Company completed a placement of 1,081,737,759 shares at a consideration of HK$0.062 per share to investors. Total net proceeds of approximately HK$533 million were raised as a result of these fund raising exercises in 2011.

# Chairman's Statement

On 18 November 2011, the Board announced that the Company proposed to put forward to shareholders a proposal to effect the capital reorganisation and it became effective on 18 January 2012. Following the capital reorganisation, the Company entered into a placing agreement pursuant to which the placing agent conditionally agreed to place a total of 64,900,000 new shares on a fully underwritten basis and it was completed on 17 February 2012. As a result, further net proceeds of approximately HK$23 million were raised for general working capital of the Group.

Subsequent to year end on 28 February 2012, the disposal of the entire issued share capital of Broadmeadow Investments Limited was completed, which marked completion of the strategic withdrawal from the retail business. The Group streamlined its business focus by concentrating its resources on enhancing portfolio of the minerals operation.

## PROSPECTS

Looking ahead, despite various economic challenges and uncertainties, such as country default risks in Eurozone, decline in iron ore prices, soaring inflation rate and tightened liquidity in the PRC, such impacts are expected to be short-term and the Group remains optimistic on the long-term prospects of the industry. We believe that the Mine will enhance the Group's revenue stream and contribute positively to the Group's performance in the coming years after its optimal production level is achieved.

Eyeing on the current unstable global economy, the Group will actively seek to explore mineral projects that are under-valued and strives to extend our business reach with an aim to maximise our long term return for the shareholders.

## APPRECIATION

I would like to take this opportunity to thank the shareholders and investors for their continuous supports, as well as the management and the staff for their commitment and dedication towards ensuring the success of the Group. My heartfelt gratitude also goes to our customers, suppliers, bankers, business associates and all our stakeholders for their cooperation. Finally, I would also like to record my appreciation to my fellow directors on the Board for their invaluable contribution throughout the year.

**Zhang Guoqing**
*Chairman*

Hong Kong, 30 March 2012

# Management Discussion and Analysis

## BUSINESS REVIEW

Due to the slow recovery of global economy and the spread of European debt crisis, 2011 was the most uncertain and unstable year since the financial turmoil in 2008. During the year under review, the turnover of the Group was down by approximately 13% to approximately HK$31,886,000 (2010: HK$36,618,000) and the gross profit also decreased by approximately 56% to approximately HK$10,407,000 (2010: HK$23,810,000). Such decline was mainly attributable to the unexpected heavy rainstorms in the Southern China Region together with the government road works which have seriously hindered the commercial production of the Mine.

For the year ended 31 December 2011, the Group recorded a loss attributable to equity holders of the Company of approximately HK$436,350,000 (2010: HK$186,794,000), representing an increase of approximately 134% when compared to last year.

## OPERATIONS REVIEW

### Minerals operation

Contribution of the mineral operation to the Group's turnover accounted for approximately HK$12,976,000 (2010: HK$11,255,000), which remained at a low level as in last year. This was primarily due to the effect of persistent rainstorms in the Southern China Region together with the government road works during the year. The mineral operation recorded a loss of approximately HK$245,635,000 (2010: HK$63,478,000) from sales of iron ore extracted from the Mine located in Guangdong Province in the PRC. Furthermore, the PRC's iron ore prices have dropped significantly by approximately 33% throughout the year of 2011 under the dampening effects of global economic conditions. As at 31 December 2011, an impairment loss of mining right of approximately HK$142,000,000 has been recognised (2010: HK$60,000,000) as a result of adverse influence on international markets on iron ore prices.

Since our mine operation was severely hindered, with an aim to utilise our manufacturing facilities, our Group has been horizontally integrated to process purchased iron ores and low grade iron powder from other mine fields into higher grade iron ore powder for sale in the market.

During the year, the Group also entered into a non-legally binding Memorandum of Understanding ("MOU") and three non-legally binding supplemental MOU in relation to the proposed acquisition of 80% of the entire issued share capital in Jointwin Holdings Limited ("Jointwin"), a company indirectly holds 100% interest in a copper, lead and zinc mine located in Inner Mongolia Autonomous Region of the PRC (the "Proposed Acquisition"). However, the parties agreed to terminate discussions relating to the Proposed Acquisition on 30 September 2011, due to a mismatch of expectations in respect of technical work that is required to be undertaken during the due diligence process. Following the termination, earnest money of HK$200,000,000 paid by the Group to Jointwin in relation to the Proposed Acquisition has been fully refunded without interest.

# Management Discussion and Analysis

## Trading operation

During the year under review, the trading operation was inactive and therefore no turnover derived (2010: HK$ Nil). These significant declines were primarily due to the volatility of the iron ore market and the Group has encountered difficulties in finalising trade deals.

## Finance operation

The interest income and operating profit generated by the financing operation were approximately HK$15,958,000 (2010: HK$16,171,000) and approximately HK$16,074,000 (2010: HK$16,162,000) respectively, which remained at a similar level as in last year. It is the Group's policy to regularly review the composition of the loan portfolio and lending rates charged in order to maximise the return of the operation.

## Brokerage and securities investment operation

The turnover of the brokerage and securities investment operation, being mainly the brokerage and commission income of the Group's securities brokerage division, decreased by approximately 68% to approximately HK$2,952,000 (2010: HK$9,192,000). Such sharp decrease was primarily attributed to the lower transaction volume of the securities brokerage activities and commission income received for participation in fund raising activities of our clients. The overall performance of the operation deteriorated in 2011 and posted a loss of approximately HK$181,056,000 (2010: HK$117,487,000). The loss incurred for the operation was primarily attributable to the net loss on investment in securities during the year amounting to approximately HK$172,975,000 (2010: HK$119,099,000), resulting mainly from the decline in the market prices of listed securities held by the group for investment purpose. As of the end of the reporting period, the market value of the Group's listed securities portfolio was approximately HK$402,060,000 (2010: HK$296,348,000).

## Jointly Controlled Entity

Shanghai Hong Qiao Friendship Shopping Center Co., Ltd. ("Hong Qiao"), the Group's 30% owned jointly controlled entity, continued to deliver profitable results in 2011. Hong Qiao operates an upmarket department store in Shanghai, the PRC. Due to the recovery of consumer spending in Shanghai, the turnover of Hong Qiao increased by approximately 9.6% to approximately HK$761,725,000 (2010: HK$695,191,000) for the year and the Group's share of profit of Hong Qiao also slightly increased to approximately HK$11,639,000 (2010: HK$11,553,000).

In order to streamline its business focus by concentrating on the minerals operations, on 12 August 2011, the Company entered into a disposal agreement relating to the disposal of the entire issued share capital of Broadmeadow Investments Limited, which was completed on 28 February 2012. Details of the disposal are further appended in the section headed "Significant events after the reporting period".

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Liquidity, Financial Resources and Capital Structure

At 31 December 2011, the Group had current assets of approximately HK$840,821,000 (2010: HK$765,775,000) and liquid assets comprising bank balances and marketable Hong Kong listed securities totaling approximately HK$489,314,000 (excluding pledged bank balances held under segregated trust accounts) (2010: HK$443,762,000). The Group's current ratio, calculated on the basis of current assets of approximately HK$840,821,000 over current liabilities of approximately HK$33,836,000 was at strong level of approximately 24.8 (2010: 18.7). The Group had no bank and other borrowings (2010: Nil) and no finance lease obligation (2010: HK$383,000) at the end of the reporting period.

The Group issued a total of approximately 5,890 million new shares during the year as a result of rights issue and share placement to investors issued as part of the consideration for the general working capital. At the end of the reporting period, the equity attributable to Company's equity owners amounting to approximately HK$1,464,607,000 (2010: HK$1,369,500,000), representing a slight increase of approximately 7% compared to 2010, which was equivalent to a consolidated net asset value of about approximately HK$0.23 per share of the Company (2010: HK$2.29 per share).

### Foreign Currency Management

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

### Pledge of Asset

At 31 December 2011, the Group has no fixed assets (2010: HK$1,272,000) pledged as security for the Group's finance lease obligation.

### Capital Commitment

At 31 December 2011, the Group has capital commitments of HK$8,300,000 in respect of the acquisition of property, plant and equipment (2010: HK$4,704,000).

### Contingent Liability

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

# Management Discussion and Analysis

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(1) On 5 January 2012, a special resolution approving the capital reorganisation was passed at the extraordinary general meeting of the Company, and the capital reorganisation became effective on 18 January 2012. Details of the capital reorganisation are set out in the circular of the Company dated 5 December 2011.

(2) On 8 February 2012, the Company entered into a placing agreement with Chung Nam Securities Limited (the "Placing Agent") pursuant to which the Placing Agent has conditionally agreed to place a total of 64,900,000 new shares on a fully underwritten basis, to not less than six placees, at a price of HK$0.365 per placing shares and it was completed on 17 February 2012. Details of the transactions are set out in the announcements of the Company dated 8 February 2012 and 17 February 2012.

(3) On 28 February 2012, the disposal of the entire issued share capital of Broadmeadow Investments Limited ("Broadmeadow") was completed, where the balance payment of HK$70,000,000 was fully received on the same date. Following the completion, Broadmeadow ceased to be a subsidiary of the Company.

## EMPLOYEES AND REMUNERATION POLICY

At 31 December 2011, the Group had approximately 97 (2010: 84) employees including executive directors. Total staff costs incurred during the year (including directors' remuneration) was approximately HK$17,586,000 and increased by approximately 11% when compared to approximately HK$15,812,000 in 2010. The increase in staff costs was in line with the increase in number of staff headcounts. The Group generally remunerates its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Benefits offered by the Group to its employees included discretionary bonus, mandatory provident fund scheme, share options, training subsidies as well as medical insurance.

# Biographical Details of Directors and Senior Management

## DIRECTORS

**Dr. Zhang Guoqing**, aged 51, has been Executive Director and Chairman of the Company since November 2010. Dr. Zhang is a material scientist graduated from Northeastern University in the People's Republic of China (the "PRC") and obtained a Ph.D. degree in Material Science from South Central University in the PRC. He is also a recipient of a number of Chinese national awards. Dr. Zhang possesses extensive experience in corporate management, business development, corporate finance and research and development of metal alloys in the PRC and Australia, and was previously the Deputy General Manager of Sino-Platinum Metals Company Limited, a company whose shares are listed on the Shanghai Stock Exchange. Dr. Zhang currently holds various executive positions in Australia and is a general manager of Yunnan Tin Australia Investment Holding Company Pty Ltd. He was also a director of YTC Resources Limited ("YTC", a company whose shares are listed on the Australian Securities Exchange) from February 2008 to November 2011.

**Mr. Chen Shuda**, aged 41, has been Executive Director of the Company since May 2008. Mr. Chen has extensive corporate management experience in property, hotel and industrial businesses in the PRC. Mr. Chen graduated from 軍事經濟學院 (literally translated as Military Economics Academy) in the PRC and specialised in financial management.

**Ms. Ng Shin Kwan, Christine**, aged 43, has been Executive Director of the Company since August 2007. Ms. Ng holds a Bachelor of Economics degree from University of Sydney in Australia and has over 15 years of experience in business development, corporate management and investment fields and held executive positions in various investment and securities companies. Ms. Ng is also a director of YTC.

**Mr. Lee Jalen**, aged 48, has been Executive Director of the Company since January 2010. He has extensive experience in mineral trading and corporate management and development in the PRC and had worked as a consultant of a subsidiary of the Company for providing consultancy services for its mining business in the PRC.

**Mr. Chan Ah Fei**, aged 49, has been Executive Director of the Company since November 2010, Mr. Chan has more than 20 years of experience as key management in electric power supply, telecommunications, geological surveying and mining businesses. He received a geological surveying qualification from 甘肅蘭州礦業學院 (literally translated as Gansu Lanzhou Mining Academy). Mr. Chan has founded 青海創綠投資管理有限公司 (literally translated as Qinghai Chuanglu Investment Management Limited) since 2000, which is principally engaged in provision of consultancy service in relation to mining right, including the mineral exploitation, extraction, processing and production at mines primarily located in the northwestern and southwestern regions of the PRC. Mr. Chan is currently a director of Great Wall Hong Kong Investment Co. Limited, which provides advisory services in relation to geological surveying and mining.

**Mr. Lee Yuk Fat**, aged 39, has been Executive Director of the Company since November 2010. Mr. Lee is a manager of the China division and a member of the investment committee for a subsidiary of the Company. He also holds directorships in various subsidiaries of the Company. Mr. Lee has more than 10 years of experience in the finance and securities industry and is chairman of board of director of Pico Zeman Securities (HK) Limited. He is also a director of Hong Kong Energy and Minerals United Associations, a non-profit making entity aiming to gather congruent power and to increase business opportunities in the energy and minerals sector. Furthermore, Mr. Lee is a member of Jinggang Shan, CPPCC Jiangxi Committee (江西省井岡山政治協商委員會) and Bazhong, CPPCC Sichuan Committee (四川省巴中市政治協商委員會), a director of Pok Oi Hospital and a director of Hong Kong and Industries Association Limited.

# Biographical Details of Directors and Senior Management

**Dr. Wong Yun Kuen**, aged 54, has been Independent Non-executive Director of the Company since September 2004. Dr. Wong received a Ph.D. Degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for more than 10 years, and has considerable experience in corporate finance, investment and derivative products. He is a member of Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited, and the independent non-executive director of Bauhaus International (Holdings) Limited, China Grand Forestry Green Resources Group Limited, Climax International Company Limited, Kingston Financial Group Limited, Harmony Asset Limited, Hua Yi Copper Holdings Limited, Kaisun Energy Group Limited, Kong Sun Holdings Limited, New Island Printing Holdings Limited and ZMAY Holdings Limited. Dr. Wong was also an independent non-executive director of Grand Field Group Holdings Limited from September 2004 to September 2009, China E-Learning Group Limited from August 2007 to June 2010 and Superb Summit International Timber Company Limited till June 2010 and, chairman and executive director of Green Energy Group Limited from December 2009 to May 2010. All these companies mentioned in this paragraph are listed companies in Hong Kong and Harmony Asset Limited is also a company listed on Toronto Stock Exchange.

**Mr. Wong Shun Loy**, aged 47, has been Independent Non-executive Director of the Company since March 2012. Mr. Wong is a Certified Public Accountant (Practising) in Hong Kong and a fellow member of the Hong Kong Institute of Certified Public Accountants. He obtained an Executive Master of Business Administration from Colorado University of Commerce in USA. Mr. Wong has extensive experience in banking, finance and accounting. He is a director of Topex CPA Limited, the proprietor of S.L. Wong & Co. and an independent director of Nanchong City Commercial Bank.

**Mr. Hu Chao**, aged 28, has been Independent Non-executive Director of the Company since March 2012. Mr. Hu obtained a Bachelor Degree in Law from the Hunnan University of Technology (formerly known as Zhuzhou Institute of Technology). He has extensive experience in legal consultation and had been providing consultancy services for various businesses in the PRC.

## SENIOR MANAGEMENT

**Mr. Mok Wai Lung, Kenneth**, aged 32, has been appointed as Finance Manager and the Company Secretary of the Company since February 2012. Mr. Mok holds a Bachelor of Business degree in accounting from Monash University in Australia and is a member of both CPA Australia and Hong Kong Institute of Certified Public Accountants. Mr. Mok has over eight years of experience in accounting and auditing.

# Directors' Report

The directors of the Company present their annual report and the audited consolidated financial statements for the year ended 31 December 2011.

## PRINCIPAL ACTIVITIES

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

## RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 24 of this annual report.

The Company had no distributable reserve at 31 December 2011 and the directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: Nil).

## SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 32 to the consolidated financial statements.

## RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 29 to 30 of this annual report and in note 33 to the consolidated financial statements, respectively.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment approximately HK$6,790,000 for the purpose of expanding the Group's operation. Details of this and other movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

# Directors' Report

## SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated and reclassified as appropriate, is set out on page 94 of this annual report. This summary does not form part of the audited consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers and the largest customer accounted for approximately 63% and 29% of the Group's total turnover for the year, respectively.

The five largest suppliers and the largest supplier accounted for approximately 34% and 19% of the Group's total purchases for the year, respectively.

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

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

### Executive Directors:

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

### Independent Non-executive Directors:

Wong Yun Kuen
Wong Shun Loy (appointed on 1 March 2012)
Hu Chao (appointed on 1 March 2012)
Sun Ka Ziang, Henry (resigned on 1 March 2012)
Kwok Ming Fai (resigned on 1 March 2012)

In accordance with Article 96 and Article 105(A) of the Company's Articles of Association, Mr. Wong Shun Loy, Mr. Hu Chao and Dr. Wong Yun Kuen will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

# Directors' Report

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

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

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2011, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

| Name of director | Capacity | Number of shares | Number of underlying shares | Total interests | Approximate percentage of the issued share capital of the Company |
|---|---|---|---|---|---|
| Chen Shuda | Interest held by controlled corporation | 16,517,600 *(Note 1)* | – | 16,979,200 | 0.26% |
| | Beneficial owner | 461,600 | – | | |
| Ng Shin Kwan, Christine | Beneficial owner | – | 4,229,106 *(Note 2)* | 4,229,106 | 0.07% |
| Sun Ka Ziang, Henry | Beneficial owner | 20,000 | 13,106 *(Note 3)* | 33,106 | 0.00% |
| Kwok Ming Fai | Beneficial owner | – | 63,513 *(Note 4)* | 63,513 | 0.00% |
| Wong Yun Kuen | Beneficial owner | 180,000 | 13,106 *(Note 5)* | 193,106 | 0.00% |

# Directors' Report

*Notes:*

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

2. This represents the interest of Ms. Ng Shin Kwan, Christine in 4,229,106 underlying shares issuable under the share options granted by the Company to her on 3 December 2007 under the share option scheme of the Company adopted by the shareholders of the Company on 8 November 2006 ("Share Option Scheme"). The consideration paid by Ms. Ng Shin Kwan, Christine on acceptance of the share options granted was HK$1.00. The exercise price is HK$4.84 per share and the exercisable period is between 3 December 2007 and 2 December 2017.

3. This represents the interest of Mr. Sun Ka Ziang, Henry in 13,106 underlying shares issuable under the share options granted by the Company to him on 3 December 2007 under the Share Option Scheme. The consideration paid by Mr. Sun Ka Ziang, Henry on acceptance of the share options granted was HK$1.00. The exercise price is HK$4.84 per share and the exercisable period is between 3 December 2007 and 2 December 2017. Mr. Sun Ka Ziang, Henry resigned as a director of the Company on 1 March 2012, 13,106 underlying shares issuable under the Share Option Scheme were lapsed upon his resignation.

4. This represents the interest of Mr. Kwok Ming Fai in 63,513 underlying shares, of which, 50,407 underlying shares issuable under the share options granted by the Company to him on 23 March 2007 and 13,106 underlying shares issuable under the share options granted by the Company to him on 3 December 2007 under the Share Option Scheme. The consideration paid by Mr. Kwok Ming Fai on acceptance of the share options granted was HK$1.00 for each grant of share options. For the 50,407 share options, the exercise price is HK$1.51 per share and the exercisable period is between 23 March 2007 and 22 March 2017. For the remaining 13,106 share options, the exercise price is HK$4.84 per share and the exercisable period is between 3 December 2007 and 2 December 2017. Mr. Kwok Ming Fai resigned as a director of the Company on 1 March 2012, 63,513 underlying shares issuable under the Share Option Scheme were lapsed upon his resignation.

5. This represents the interest of Dr. Wong Yun Kuen in 13,106 underlying shares issuable under the share options granted by the Company to him on 3 December 2007 under the Share Option Scheme. The consideration paid by Dr. Wong Yun Kuen on acceptance of the share options granted was HK$1.00. The exercise price is HK$4.84 per share and the exercisable period is between 3 December 2007 and 2 December 2017.

Save as disclosed above, as at 31 December 2011, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTION SCHEME

Particulars of the share option scheme of the Company and details of movements in the share options of the Company during the year are set out in note 34 to the consolidated financial statements.

# Directors' Report

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2011, the register of interest kept by the Company under section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

| Name of shareholder | Capacity | Number of shares | Total interests | Approximate percentage of the issued share capital of the Company |
|---|---|---|---|---|
| Suen Cho Hung, Paul | Interest held by controlled corporation | 540,000,000 *(Note 1)* | 540,000,000 | 8.32% |
| All Sino Resources Limited | Interest held by controlled corporation | 540,000,000 *(Note 1)* | 540,000,000 | 8.32% |
| Oriental Genesis Limited | Beneficial owner | 540,000,000 | 540,000,000 | 8.32% |

*Notes:*

1. These shares are beneficially owned by Oriental Genesis Limited as to 540,000,000 shares. Oriental Genesis Limited is wholly-owned by All Sino Resources Limited which in turn is wholly-owned by Mr. Suen Cho Hung, Paul. Accordingly, Mr. Suen Cho Hung, Paul and All Sino Resources Limited are deemed to be interested in 540,000,000 shares under the SFO.

Save as disclosed above, the Company had not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2011 as required pursuant to section 336 of the SFO.

# Directors' Report

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

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

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

## CORPORATE GOVERNANCE

The audited financial statements of the Company for the year ended 31 December 2011 had been reviewed by the Audit Committee of the Company before they were duly approved by the Board of Directors under the recommendation of the Audit Committee.

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

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

## EMOLUMENT POLICY

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

# Directors' Report

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

## SUFFICIENCY OF PUBLIC FLOAT

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

## CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$5,000 (2010: HK$5,500).

## EVENTS AFTER THE REPORTING PERIOD

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

## AUDITORS

HLB Hodgson Impey Cheng has resigned as auditors of the Company on 14 December 2009 and Pan-China (H.K.) CPA Limited were appointed as auditors of the Company on 28 December 2009 to fill the casual vacancy. Save as disclosed above, there have been no other changes of auditors in the past three years.

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

On behalf of the Board

**Zhang Guoqing**
*Chairman*

Hong Kong, 30 March 2012

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

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

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

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors of the Company. All directors of the Company have confirmed, following specific enquiry by the Company, that they have fully complied with the required standard set out in the Model Code for the year ended 31 December 2011.

## BOARD OF DIRECTORS

As at the date of this report, the Board comprises six executive directors, namely Dr. Zhang Guoqing (Chairman), Mr. Chen Shuda, Ms. Ng Shin Kwan, Christine, Mr. Lee Jalen, Mr. Chan Ah Fei and Mr. Lee Yuk Fat; and three independent non-executive directors, namely Dr. Wong Yun Kuen, Mr. Wong Shun Loy (appointed on 1 March 2012) and Mr. Hu Chao (appointed on 1 March 2012). The directors' biographical information is set out in Biographical Details of Directors and Senior Management on pages 9 to 10 of this annual report.

A total of four regular board meetings were held during the year ended 31 December 2011 with individual attendance of directors as follows:

| Directors | Attendance |
|---|---|
| Zhang Guoqing | 4/4 |
| Chen Shuda | 0/4 |
| Ng Shin Kwan, Christine | 4/4 |
| Lee Jalen | 4/4 |
| Chan Ah Fei | 4/4 |
| Lee Yuk Fat | 4/4 |
| Wong Yun Kuen | 4/4 |
| Wong Shun Loy (appointed on 1 March 2012) | N/A |
| Hu Chao (appointed on 1 March 2012) | N/A |
| Sun Ka Ziang, Henry (resigned on 1 March 2012) | 4/4 |
| Kwok Ming Fai (resigned on 1 March 2012) | 3/4 |

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

# Corporate Governance Report

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

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

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

## NON-EXECUTIVE DIRECTORS

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

## NOMINATION COMMITTEE

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

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

Subsequent to the end of the year, the nomination committee of the Company (the "Nomination Committee") was established in March 2012. The Nomination Committee consists of four members, namely Dr. Wong Yun Kuen, Mr. Wong Shun Loy, Mr. Hu Chao and Ms. Ng Shin Kwan, Christine. The Chairman of the Nomination Committee is Dr. Wong Yun Kuen. The Nomination Committee shall meet for, inter alia, making recommendations to the Board on the appointment or re-appointment of Directors.

# Corporate Governance Report

## REMUNERATION COMMITTEE

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

The Remuneration Committee held one meeting during the year ended 31 December 2011 to discuss the remuneration of directors of the Company with individual attendance of members as follows:

| Members | Attendance |
|---|---|
| Hu Chao (appointed on 1 March 2012) | N/A |
| Wong Yun Kuen | 1/1 |
| Wong Shun Loy (appointed on 1 March 2012) | N/A |
| Kwok Ming Fai (resigned on 1 March 2012) | 1/1 |
| Sun Ka Ziang, Henry (resigned on 1 March 2012) | 1/1 |

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

## AUDITORS' REMUNERATION

For the year ended 31 December 2011, remuneration paid to the auditors of the Company for providing audit and non-audit services are approximately HK$1,100,000 and approximately HK$616,000, respectively.

## AUDIT COMMITTEE

The Audit Committee of the Company was established with terms of reference as set out in the CG Code. As at the date of this report, the Audit Committee comprises three independent non-executive directors namely Mr. Wong Shun Loy, Dr. Wong Yun Kuen and Mr. Hu Chao. The Chairman of the Audit Committee is Mr. Wong Shun Loy.

The Audit Committee held three meetings during the year ended 31 December 2011 with individual attendance of members as follows:

| Members | Attendance |
|---|---|
| Wong Shun Loy (appointed on 1 March 2012) | N/A |
| Wong Yun Kuen | 3/3 |
| Hu Chao (appointed on 1 March 2012) | N/A |
| Sun Ka Ziang, Henry (resigned on 1 March 2012) | 3/3 |
| Kwok Ming Fai (resigned on 1 March 2012) | 3/3 |

During the year ended 31 December 2011, the Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including review of unaudited interim results and audited annual results of the Group.

# Corporate Governance Report

## DIRECTOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 22 to 23.

## INTERNAL CONTROL

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

# Independent Auditors' Report

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

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

We have audited the consolidated financial statements of China Yunnan Tin Minerals Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 93, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

# Independent Auditors' Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

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

**Lee Ping Kai**
Practising Certificate Number: P02976

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

Hong Kong, 30 March 2012

# Consolidated Income Statement

For the year ended 31 December 2011

| | Notes | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|---|
| Turnover | 7 | **31,886** | 36,618 |
| Cost of sales | | **(21,479)** | (12,808) |
| Gross profit | | **10,407** | 23,810 |
| Net loss on financial assets at fair value through profit or loss | 8 | **(172,975)** | (119,099) |
| Change in fair value of convertible bonds designated at financial assets at fair value through profit or loss | 25 | **–** | 411 |
| Loss on acquisition of convertible bonds | 25 | **–** | (1,629) |
| Gain on early redemption of convertible bonds | 25 | **1,218** | – |
| Impairment loss on mining right | 19 | **(142,000)** | (60,000) |
| Impairment loss on goodwill | 20 | **(90,000)** | – |
| Other income | 8 | **3,185** | 9,002 |
| Administrative expenses | | **(59,911)** | (50,260) |
| Finance costs | 9 | **(97)** | (84) |
| Share of profit of a jointly controlled entity | 15 | **11,639** | 11,553 |
| Loss before taxation | | **(438,534)** | (186,296) |
| Income tax credit/(expense) | 10 | **2,184** | (498) |
| **Loss for the year attributable to owners of the Company** | 8 | **(436,350)** | (186,794) |

| | Notes | **2011** | 2010 (restated) |
|---|---|---|---|
| **Loss per share** | | | |
| – Basic and diluted *(HK$)* | 12 | **(1.56)** | (6.02) |

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

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Loss for the year** | 8 | **(436,350)** | (186,794) |
| **Other comprehensive (expenses)/income** | | | |
| Exchange differences arising on translation of overseas operations | | **209** | 2,181 |
| Share of translation reserve of a jointly controlled entity | | **2,621** | 2,716 |
| Fair value change in available-for-sale financial assets | | **(4,660)** | 18,214 |
| Other comprehensive (expenses)/income for the year (net of tax) | | **(1,830)** | 23,111 |
| **Total comprehensive expenses for the year attributable to owners of the Company** | | **(438,180)** | (163,683) |

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

# Consolidated Statement of Financial Position

As at 31 December 2011

| | Notes | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **11,778** | 8,477 |
| Interest in a jointly controlled entity | 15 | **73,159** | 58,899 |
| Available-for-sale financial assets | 16 | **270,287** | 36,425 |
| Other assets | 17 | **2,205** | 2,230 |
| Trading right | 18 | **–** | – |
| Mining right | 19 | **416,019** | 566,695 |
| Goodwill | 20 | **38,679** | 128,679 |
| | | **812,127** | 801,405 |
| **Current assets** | | | |
| Inventories | 21 | **1,510** | 876 |
| Trade and other receivables | 22 | **38,714** | 45,360 |
| Earnest money | 23 | **190,000** | – |
| Financial assets at fair value through profit or loss | 24 | **402,060** | 296,348 |
| Convertible bonds designated at financial assets at fair value through profit or loss | 25 | **–** | 33,782 |
| Short-term loans receivable | 26 | **110,000** | 221,305 |
| Tax recoverable | | **469** | 1,819 |
| Bank balances held under segregated trust accounts | 27 | **10,814** | 18,871 |
| Bank balances and cash | 27 | **87,254** | 147,414 |
| | | **840,821** | 765,775 |
| **Current liabilities** | | | |
| Trade and other payables | 28 | **24,557** | 30,450 |
| Tax payable | | **29** | 923 |
| Finance lease obligation – due within one year | 29 | **–** | 383 |
| Provision | 30 | **9,250** | 9,250 |
| | | **33,836** | 41,006 |
| **Net current assets** | | **806,985** | 724,769 |
| **Total assets less current liabilities** | | **1,619,112** | 1,526,174 |

# Consolidated Statement of Financial Position

As at 31 December 2011

| | Notes | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred tax liabilities | *31* | **154,505** | 156,674 |
| **Net assets** | | **1,464,607** | 1,369,500 |
| **Capital and reserves** | | | |
| Share capital | *32* | **324,521** | 30,048 |
| Reserves | | **1,140,086** | 1,339,452 |
| **Total equity** | | **1,464,607** | 1,369,500 |

The consolidated financial statements on pages 24 to 93 were approved and authorised for issue by the Board of Directors on 30 March 2012 and are signed on its behalf by:

**Zhang Guoqing**
*Director*

**Ng Shin Kwan, Christine**
*Director*

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

# Statement of Financial Position

As at 31 December 2011

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Interests in subsidiaries | 14 | **1,000** | 310 |
| **Current assets** | | | |
| Other receivables | | **593** | 81 |
| Amounts due from subsidiaries | 14 | **2,040,656** | 1,543,193 |
| Tax recoverable | | **–** | 1,730 |
| Bank balances and cash | 27 | **1,906** | 39,100 |
| | | **2,043,155** | 1,584,104 |
| **Current liabilities** | | | |
| Accruals and other payables | | **10,159** | 688 |
| Amounts due to subsidiaries | 14 | **13,352** | 119,098 |
| | | **23,511** | 119,786 |
| **Net current assets** | | **2,019,644** | 1,464,318 |
| **Net assets** | | **2,020,644** | 1,464,628 |
| **Capital and reserves** | | | |
| Share capital | 32 | **324,521** | 30,048 |
| Reserves | 33 | **1,696,123** | 1,434,580 |
| **Total equity** | | **2,020,644** | 1,464,628 |

**Zhang Guoqing**
*Director*

**Ng Shin Kwan, Christine**
*Director*

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

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

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

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

| | Equity attributable to equity holders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital *HK$'000* | Share premium *HK$'000* | Translation reserve *HK$'000* | Available-for-sale financial assets reserve *HK$'000* | Share option reserve *HK$'000* | Accumulated losses *HK$'000* | Total *HK$'000* |
| At 1 January 2011 | 30,048 | 1,683,812 | 3,894 | (12,418) | 53,105 | (388,941) | 1,369,500 |
| Loss for the year | – | – | – | – | – | (436,350) | (436,350) |
| Exchange differences arising on translation of overseas operations | – | – | 209 | – | – | – | 209 |
| Share of translation reserve of a jointly controlled entity | – | – | 2,621 | – | – | – | 2,621 |
| Fair value change in available-for-sale financial assets | – | – | – | (4,660) | – | – | (4,660) |
| Total comprehensive expenses for the year | – | – | 2,830 | (4,660) | – | (436,350) | (438,180) |
| Issue of shares pursuant to rights issue | 240,386 | 240,386 | – | – | – | – | 480,772 |
| Issue of shares pursuant to placement of shares | 54,087 | 12,981 | – | – | – | – | 67,068 |
| Share issue expenses on rights issue | – | (12,626) | – | – | – | – | (12,626) |
| Share issue expenses on placement of shares | – | (1,927) | – | – | – | – | (1,927) |
| Lapse of share options | – | – | – | – | (88) | 88 | – |
| | 294,473 | 238,814 | – | – | (88) | 88 | 533,287 |
| **At 31 December 2011** | 324,521 | 1,922,626 | 6,724 | (17,078) | 53,017 | (825,203) | 1,464,607 |

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2011

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Loss for the year | **(436,350)** | (186,794) |
| Adjustments for: | | |
| Income tax (credit)/expenses | **(2,184)** | 498 |
| Finance costs | **97** | 84 |
| Share of profit of a jointly controlled entity | **(11,639)** | (11,553) |
| Reversal of impairment losses during the year | **–** | (2) |
| Amortisation of mining right | **8,676** | 1,559 |
| Bank interest income | **(24)** | (48) |
| Depreciation of property, plant and equipment | **3,555** | 3,817 |
| Loss on acquisition of convertible bonds | **–** | 1,629 |
| Gain on early redemption of convertible bonds | **(1,218)** | – |
| Impairment loss on mining right | **142,000** | 60,000 |
| Impairment loss on goodwill | **90,000** | – |
| Unrealised loss on financial assets at fair value through profit or loss | **181,024** | 88,786 |
| Change in fair value of convertible bonds designated at financial assets at fair value through profit or loss | **–** | (411) |
| Gain on disposal of property, plant and equipment | **(29)** | – |
| **Operating cash flows before movements in working capital** | **(26,092)** | (42,435) |
| Increase in inventories | **(634)** | (273) |
| Decrease in trade and other receivables | **6,671** | 143,034 |
| Decrease/(increase) in short-term loans receivable | **111,305** | (82,860) |
| Decrease in bills receivable | **–** | 365 |
| Decrease in bank balances held under segregated trust accounts | **8,057** | 2,128 |
| (Decrease)/increase in trade and other payables | **(5,893)** | 5,975 |
| Decrease in bills payable | **–** | (347) |
| Cash generated from operations | **93,414** | 25,587 |
| Interest paid | **(97)** | (84) |
| Hong Kong profits tax refunded | **1,747** | 139 |
| Hong Kong and PRC tax paid | **(1,276)** | (38) |
| **Net cash generated from operating activities** | **93,788** | 25,604 |
| **Cash flow from investing activities** | | |
| Interest received, other than from investments | **24** | 48 |
| Acquisition of property, plant and equipment | **(6,790)** | (657) |
| Proceeds from disposal of property, plant and equipment | **35** | – |
| Increase in financial assets at fair value through profit or loss | **(286,736)** | (185,775) |
| Acquisition of convertible bonds | **–** | (35,000) |
| Proceeds from early redemption of convertible bonds | **35,000** | – |
| Purchase of available-for-sale financial assets | **(238,701)** | – |
| Earnest money paid | **(200,000)** | – |
| Earnest money refunded | **10,000** | – |
| **Net cash used in investing activities** | **(687,168)** | (221,384) |

# Consolidated Statement of Cash Flows

For the year ended 31 December 2011

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Cash flow from financing activities** | | |
| Repayment of finance lease obligation | **(383)** | (575) |
| Proceeds from issue of shares, net of issue costs | **533,287** | 100,000 |
| **Net cash generated from financing activities** | **532,904** | 99,425 |
| **Net decrease in cash and cash equivalents** | **(60,476)** | (96,355) |
| **Effect of foreign exchange rate changes** | **316** | 409 |
| **Cash and cash equivalents brought forward** | **147,414** | 243,360 |
| **Cash and cash equivalents carried forward, represented by bank balances and cash** | **87,254** | 147,414 |

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 1. GENERAL INFORMATION

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

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

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

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

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

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs 2010 |
| HKFRS 1 (Amendments) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters |
| HKAS 24 (Revised) | Related Party Disclosures |
| HKAS 32 (Amendments) | Classification of Rights Issues |
| HK(IFRIC)-Int 14 (Amendments) | Prepayments of Minimum Funding Requirement |
| HK(IFRIC)-Int 19 | Extinguishing Financial Liabilities with Equity Instruments |

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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

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

| | |
|---|---|
| HKFRS 1 (Amendments) | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1] |
| HKFRS 7 (Amendments) | Disclosures – Transfers of Financial Assets[1] |
| HKFRS 7 (Amendments) | Disclosures – Offsetting Financial Assets and Financial Liabilities[4] |
| HKFRS 7 (Amendments) | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6] |
| HKFRS 9 | Financial Instruments[4] |
| HKFRS 10 | Consolidated Financial Statements[4] |
| HKFRS 11 | Joint Arrangements[4] |
| HKFRS 12 | Disclosure of Interests in Other Entities[4] |
| HKFRS 13 | Fair Value Measurement[4] |
| HKAS 1 (Amendments) | Presentation of Items of Other Comprehensive Income[3] |
| HKAS 12 (Amendments) | Deferred Tax: Recovery of Underlying Assets[2] |
| HKAS 19 (Revised) | Employee Benefits[4] |
| HKAS 27 (Revised) | Separate Financial Statements[4] |
| HKAS 28 (Revised) | Investments in Associates and Joint Ventures[4] |
| HKAS 32 (Amendments) | Offsetting Financial Assets and Financial Liabilities[5] |
| HK (IFRIC)-Int 20 | Stripping Costs in the Production Phase of a Surface Mine[4] |

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

[2] Effective for annual periods beginning on or after 1 January 2012.

[3] Effective for annual periods beginning on or after 1 July 2012.

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

[5] Effective for annual periods beginning on or after 1 January 2014.

[6] Effective for annual periods beginning on or after 1 January 2015.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

### Basis of consolidation

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

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

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

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

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

### Business combinations

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Business combinations *(Continued)*

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

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

### Goodwill

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Mining right

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

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

### Interest in a jointly controlled entity

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

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

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

### Property, plant and equipment

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Property, plant and equipment *(Continued)*

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

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

### Borrowing costs

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

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

### Trading right

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

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

### Inventories

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments

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

### Financial assets

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

*Financial assets at fair value through profit or loss*

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

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

*Loans and receivables*

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

*Available-for-sale financial assets*

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

**Financial assets** *(Continued)*

*Available-for-sale financial assets (Continued)*

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

*Impairment of financial assets*

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

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

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

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

**Financial assets** *(Continued)*

*Impairment of financial assets (Continued)*

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

**Financial liabilities and equity**

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

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

*Financial liabilities*

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

*Equity instruments*

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

**Financial guarantee contracts**

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

**Derecognition**

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

#### Derecognition *(Continued)*

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

### Equity-settled share-based payment transactions

#### Share options granted to employees

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

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

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

#### Share options granted to other participants

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

### Impairment

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Provisions

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

### Contingent liabilities acquired in a business combination

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

### Revenue recognition

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

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

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

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

### Taxation

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Taxation *(Continued)*

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

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

### Foreign currencies

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leasing

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

#### The Group as lessee

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

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

### Retirement benefits costs

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

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### Critical accounting estimates and assumptions

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

#### (a) Income taxes

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

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

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

### Critical accounting estimates and assumptions *(Continued)*

**(b) Impairment of assets**

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

**(c) Impairment of goodwill**

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

The carrying amount of goodwill as at 31 December 2011 was HK$38,679,000 (31 December 2010: HK$128,679,000). Details of the impairment loss calculation are set out in note 20.

**(d) Mining right, mining structures and exploration and evaluation assets**

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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

### Critical accounting estimates and assumptions *(Continued)*

#### (e) Estimate of fair value of financial instruments

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

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

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

– the fair values of other financial assets and financial liabilities are determined using valuation techniques that include inputs based on observable current market transactions.

## 5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

### (a) Categories of financial instruments

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Financial assets** | | |
| Available-for-sale financial assets | **270,287** | 36,425 |
| Financial assets at fair value through profit or loss | | |
| – held for trading | **402,060** | 296,348 |
| – convertible bonds designated at financial assets at fair value through profit or loss | **–** | 33,782 |
| Loan and receivables (including cash and cash equivalents) | | |
| – trade and other receivables | **38,714** | 45,360 |
| – earnest money | **190,000** | – |
| – short-term loans receivable | **110,000** | 221,305 |
| – bank balances held under segregated trust accounts | **10,814** | 18,871 |
| – bank balances and cash | **87,254** | 147,414 |
| **Financial liabilities** | | |
| Amortised cost | | |
| – trade and other payables | **24,557** | 30,450 |
| – finance lease obligation | **–** | 383 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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

### (b) Financial risk management objectives and policies

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

#### Credit risk

The Group's principal financial assets include available-for-sale financial assets, financial assets at fair value through profit or loss, trade and other receivables, earnest money, short-term loans receivable and bank balances and cash. The Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligations as at 31 December 2011 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

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

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

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

| Counterparty | Rating | **2011** ***HK$'000*** | 2010 *HK$'000* |
|---|---|---|---|
| Bank of China (Hong Kong) Limited | *Aa3* | **56,509** | 81,262 |
| Standard Chartered Bank (Hong Kong) Limited | *Aa3* | **23,050** | 33,667 |
| Agricultural Bank of China Limited | *A1* | **3,279** | 1,056 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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

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

**Market risk**

*(i) Foreign currency risk*

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

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Assets** | | |
| Renminbi ("RMB") | **13,210** | 11,206 |
| US Dollars ("US$") | **212** | 62 |
| Australian Dollars ("A$") | **40,302** | 36,425 |
| Others | **22** | 22 |
| **Liabilities** | | |
| Renminbi | **3,214** | 3,769 |
| US Dollars | **–** | – |

*(ii) Price risk*

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

Sensitivity analysis for held for trading investments:

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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

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

**Market risk** *(Continued)*

*(ii) Price risk (Continued)*

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

– net loss for the year ended 31 December 2011 would decrease/increase by approximately HK$20,103,000 (2010: HK$14,817,000). This is mainly due to the changes in fair value of financial assets at fair value through profit or losses; and

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

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

– other equity reserves as at 31 December 2011 would increase/decrease by approximately HK$2,014,000 (2010: HK$1,821,000) as a result of the changes in fair value of available-for-sale financial assets.

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

If fair value of the unlisted securities recognised as available-for-sale financial assets had been 5% higher/lower:

– other equity reserves as at 31 December 2011 would increase/decrease by approximately HK$11,500,000 (2010: Nil) as a result of the changes in fair value of available-for-sale financial assets.

The Group's sensitivity to fair value change has increased from prior year because the Group increased the investments in unlisted securities during the year ended 31 December 2011.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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

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

**Market risk** *(Continued)*

*(iii) Interest rate risk*

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

Sensitivity analysis

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

For the year ended 31 December 2011, no sensitivity analysis was presented as the Group has no variable rate short-term loans receivable.

For the year ended 31 December 2010, if interest rates had been 50 basis points higher/lower and all other variables were held constant:

– net loss would decrease/increase by approximately HK$617,000. This is mainly attributable to the Group's exposure to interest rates on its variable rate short-term loan interest income; and

– other equity reserves would not increase/decrease.

**Liquidity risk**

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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

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

**Liquidity risk** *(Continued)*

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

| | Weighted average effective interest rate % | Less than 1 month *HK$'000* | 1-3 months *HK$'000* | 3 months to 1 year *HK$'000* | 1-5 years *HK$'000* | 5+ years *HK$'000* | Total undiscounted cash flows *HK$'000* | Total carrying amount *HK$'000* |
|---|---|---|---|---|---|---|---|---|
| **As at 31 December 2011** | | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | | |
| Trade and other payables | – | 24,557 | – | – | – | – | 24,557 | 24,557 |

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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

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

**Fair value of financial instruments**

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

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

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

– the fair values of other financial assets and financial liabilities are determined using valuation techniques that include inputs based on observable current market transactions.

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

### (c) Fair value hierarchy

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

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

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

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

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

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

### (c) Fair value hierarchy *(Continued)*

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

| | **Level 1** *HK$'000* | **Level 2** *HK$'000* | **Level 3** *HK$'000* |
|---|---|---|---|
| Financial assets | | | |
| As at 31 December 2011 | | | |
| Available-for-sale financial assets | **40,287** | **230,000** | **–** |
| Financial assets at fair value through profit or loss | | | |
| – Held for trading investments | **402,060** | **–** | **–** |
| Total | **442,347** | **230,000** | **–** |
| Financial assets | | | |
| As at 31 December 2010 | | | |
| Available-for-sale financial assets | 36,425 | – | – |
| Financial assets at fair value through profit or loss | | | |
| – Held for trading investments | 296,348 | – | – |
| – Convertible bonds designated at financial assets at fair value through profit or loss | – | – | 33,782 |
| Total | 332,773 | – | 33,782 |

There were no transfers between Level 1 and 2 in the year ended 31 December 2011 and 2010.

### (d) Capital risk management

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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

### (d) Capital risk management *(Continued)*

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as total borrowings divided by total assets. During the year ended 31 December 2011 and 2010, the Group's strategy was to maintain a reasonable gearing ratio. The gearing ratio at 31 December 2011 and 2010 is as follows:

| | **As at 31 December 2011** *HK$'000* | As at 31 December 2010 *HK$'000* |
|---|---|---|
| Total borrowings | **–** | 383 |
| Total assets | **1,652,948** | 1,567,180 |
| Gearing ratio | **N/A** | 0.02% |

Since the Company has made no borrowings as at 31 December 2011, the calculation of gearing ratio was not applicable.

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

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

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

Segment turnover represents revenue generated from external customers.

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

Segment assets include all tangible and intangible assets and current assets other than interest in a jointly controlled entity and available-for-sale investments.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

### Business segments *(Continued)*

**Segment Turnover and Results**

*For the year ended 31 December 2011*

| | Trading of goods *HK$'000* | Provision of finance *HK$'000* | Brokerage and securities investment *HK$'000* | Exploitation and sales of minerals *HK$'000* | Elimination *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|
| **TURNOVER** | | | | | | |
| External sales | – | 15,958 | 2,952 | 12,976 | – | 31,886 |
| Inter-segment sales* | – | – | 254 | 109 | (363) | – |
| | – | 15,958 | 3,206 | 13,085 | (363) | 31,886 |
| **RESULTS** | | | | | | |
| Segment results | (425) | 16,074 | (181,056) | (245,635) | – | (411,042) |
| Unallocated corporate income | | | | | | 6,703 |
| Unallocated corporate expenses | | | | | | (45,737) |
| Finance costs | | | | | | (97) |
| Share of profit of a jointly controlled entity | | | | | | 11,639 |
| Loss before taxation | | | | | | (438,534) |
| Income tax credit | | | | | | 2,184 |
| Loss for the year | | | | | | (436,350) |

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

### Business segments *(Continued)*

### Segment Assets and Liabilities

*As at 31 December 2011*

| | Trading of goods HK$'000 | Provision of finance HK$'000 | Brokerage and securities investment HK$'000 | Exploitation and sales of minerals HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Segment assets | 131 | 125,971 | 340,970 | 462,228 | 929,300 |
| Interest in a jointly controlled entity | | | | | 73,159 |
| Available-for-sale financial assets | | | | | 270,287 |
| Unallocated corporate assets | | | | | 380,202 |
| Consolidated total assets | | | | | 1,652,948 |
| **LIABILITIES** | | | | | |
| Segment liabilities | 10 | 160 | 1,111 | 12,791 | 14,072 |
| Unallocated corporate liabilities | | | | | 174,269 |
| Consolidated total liabilities | | | | | 188,341 |

### Other Information

*For the year ended 31 December 2011*

| | Trading of goods HK$'000 | Provision of finance HK$'000 | Brokerage and securities investment HK$'000 | Exploitation and sales of minerals HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Capital additions | – | – | 1,107 | 3,229 | 2,454 | 6,790 |
| Depreciation/amortisation of: | | | | | | |
| Property, plant and equipment | – | – | 1,345 | 409 | 1,801 | 3,555 |
| Mining right | – | – | – | 8,676 | – | 8,676 |
| Net loss on financial assets at fair value through profit or loss | – | – | 172,975 | – | – | 172,975 |
| Gain on disposal of property, plant and equipment | – | – | – | – | (29) | (29) |
| Impairment loss on mining right | – | – | – | 142,000 | – | 142,000 |
| Impairment loss on goodwill | – | – | – | 90,000 | – | 90,000 |
| Gain on early redemption of convertible bonds | – | – | (1,218) | – | – | (1,218) |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

### Business segments *(Continued)*

### Segment Turnover and Results

*For the year ended 31 December 2010*

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

### Business segments *(Continued)*

**Segment Assets and Liabilities**

*As at 31 December 2010*

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

**Other Information**

*For the year ended 31 December 2010*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

### Geographical segments

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

**Turnover from external customers**

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| PRC | **12,976** | 11,255 |
| Hong Kong | **18,910** | 25,363 |
| | **31,886** | 36,618 |

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

**Carrying amount of segment assets**

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| PRC | **462,228** | 450,656 |
| Hong Kong | **467,072** | 797,975 |
| | **929,300** | 1,248,631 |

**Capital additions**

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| PRC | **3,229** | 296 |
| Hong Kong | **3,561** | 361 |
| | **6,790** | 657 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

### Geographical segments *(Continued)*

**Information about major customers**

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A | **9,220** | 7,393 |
| Customer B | **4,000** | 4,000 |
| Customer C | **–** | 3,842 |

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

## 7. TURNOVER

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Sales of goods | **12,976** | 11,255 |
| Interest income from provision of finance | **15,958** | 16,171 |
| Commission and brokerage income | **2,952** | 9,192 |
| | **31,886** | 36,618 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 8. LOSS FOR THE YEAR

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Loss for the year has been arrived at after charging:** | | |
| Staff costs including directors' remuneration | **17,120** | 15,369 |
| Retirement benefits schemes contributions | **466** | 443 |
| Total staff costs | **17,586** | 15,812 |
| Amortisation of mining right | **8,676** | 1,559 |
| Auditors' remuneration | | |
| Audit services | **1,100** | 1,000 |
| Non-audit services | **616** | 560 |
| Cost of inventories recognised as an expense | **20,526** | 11,312 |
| Depreciation of property, plant and equipment | **3,555** | 3,817 |
| Share of taxation of a jointly controlled entity (included in share of profit of a jointly controlled entity) | **4,045** | 4,054 |
| Expenses paid in connection with the issue of shares | **14,553** | 3,350 |
| **and after crediting:** | | |
| Other income | | |
| Interest income on: | | |
| Bank deposits | **24** | 48 |
| Other loan and receivables | **2,407** | 2,960 |
| Total interest income | **2,431** | 3,008 |
| Reversal of impairment losses during the year | **–** | 2 |
| Gain on disposal of property, plant and equipment | **29** | – |
| Foreign exchange gain, net | **4** | 14 |
| Claim received from suppliers | **–** | 3,393 |
| Sundry income | **721** | 2,585 |
| | **3,185** | 9,002 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 8. LOSS FOR THE YEAR *(Continued)*

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Other income analysed by category of asset is as follows:** | | |
| Loans and receivables (including bank deposits) | **2,431** | 3,008 |
| Non-financial assets | **754** | 5,994 |
| | **3,185** | 9,002 |
| **Net loss on financial assets at fair value through profit or loss (held for trading investments):** | | |
| Proceeds on sales of investment | **147,924** | 79,727 |
| Less: cost of sales | **(146,445)** | (110,095) |
| Net realised gain/(loss) on financial assets at fair value through profit or loss | **1,479** | (30,368) |
| Unrealised loss on financial assets at fair value through profit or loss | **(181,024)** | (88,786) |
| Dividend income | **6,570** | 55 |
| Net loss on financial assets at fair value through profit or loss | **(172,975)** | (119,099) |

## 9. FINANCE COSTS

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on: | | |
| – Other loans wholly repayable within five years | **51** | 15 |
| – Finance lease obligation | **46** | 69 |
| | **97** | 84 |

# Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

## 10. INCOME TAX (CREDIT)/EXPENSE

Income tax (credit)/expense comprises:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Current tax** | | |
| Hong Kong Profits Tax | **(27)** | 876 |
| PRC Enterprise Income Tax | **12** | 11 |
| | **(15)** | 887 |
| Deferred Tax | **(2,169)** | (389) |
| | **(2,184)** | 498 |

Hong Kong Profits Tax for the year ended 31 December 2011 was calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year.

For the Group's subsidiaries established in the PRC, PRC Enterprise Income Tax is calculated at the rate of 25% (2010: 25%).

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss before taxation | **(438,534)** | (186,296) |
| Tax at the Hong Kong Tax rate of 16.5% (2010: 16.5%) | **(72,358)** | (30,738) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(3)** | (7) |
| Tax effect of share of profit of a jointly controlled entity | **(1,921)** | (1,906) |
| Tax effect of expenses not deductible for tax purpose | **80,727** | 12,010 |
| Tax effect of income not taxable for tax purpose | **(38,518)** | (304) |
| Tax effect of temporary differences not recognised | **(2,070)** | (355) |
| Tax effect of tax losses not recognised | **32,322** | 21,761 |
| Over-provision in prior year | **(363)** | – |
| Others | **–** | 37 |
| | **(2,184)** | 498 |

Details of deferred taxation are set out in note 31.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Directors' emoluments

During the year, emoluments paid or payable to each of the nine directors (2010: 12 directors) were as follows:

| | | Fees | | Salaries and other benefits | | Retirement benefits schemes contributions | | Discretionary bonus | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Executive directors** | | | | | | | | | | | |
| Zhang Guoqing | *ii* | **600** | 50 | **–** | – | **–** | – | **–** | – | **600** | 50 |
| Chen Shuda | | **336** | 336 | **–** | – | **–** | – | **–** | – | **336** | 336 |
| Ng Shin Kwan, Christine | *i* | **–** | – | **780** | 692 | **12** | 12 | **–** | – | **792** | 704 |
| Lee Jalen | *i, iii* | **–** | – | **780** | 553 | **–** | – | **–** | – | **780** | 553 |
| Chan Ah Fei | *iv* | **360** | 30 | **–** | – | **–** | – | **–** | – | **360** | 30 |
| Lee Yuk Fat | *iv* | **360** | 30 | **234** | – | **11** | – | **–** | – | **605** | 30 |
| Sue Ka Lok | *v* | **–** | – | **–** | 25 | **–** | 1 | **–** | – | **–** | 26 |
| Cao Jian An | *vi* | **–** | – | **–** | 40 | **–** | 2 | **–** | – | **–** | 42 |
| Gao Wenxiang | *vii* | **–** | 550 | **–** | – | **–** | – | **–** | – | **–** | 550 |
| **Independent non-executive directors** | | | | | | | | | | | |
| Sun Ka Ziang, Henry | *viii* | **86** | 86 | **–** | – | **–** | – | **–** | – | **86** | 86 |
| Kwok Ming Fai | *viii* | **86** | 86 | **–** | – | **–** | – | **–** | – | **86** | 86 |
| Wong Yun Kuen | | **86** | 86 | **–** | – | **–** | – | **–** | – | **86** | 86 |
| | | **1,914** | 1,254 | **1,794** | 1,310 | **23** | 15 | **–** | – | **3,731** | 2,579 |

*Notes:*

i) During the year ended 31 December 2011 and up to the date of this report, the Company had the following changes in respect of its directors' remuneration:

With effect from 1 January 2011, the emoluments paid to Ms. Ng Shin Kwan, Christine were adjusted from HK$55,000 per month on a 13-month basis to HK$60,000 per month on a 13-month basis and all other employment terms remained unchanged as stated in the letter of appointment entered into between Ms. Ng and the Company on 31 August 2007.

With effect from 1 January 2011, the emoluments paid to Mr. Lee Jalen, were adjusted from HK$45,000 per month to HK$60,000 per month on a 13-month basis and all other employment terms remained unchanged as stated in the letter of appointment entered into between Mr. Lee and the Company on 18 January 2010.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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

### (a) Directors' emoluments *(Continued)*

*Notes: (Continued)*

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

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

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

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

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

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

viii) Mr. Sun Ka Ziang, Henry and Mr. Kwok Ming Fai resigned on 1 March 2012.

### (b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2010: one) were directors of the Company whose emoluments are included in the disclosures set out in note (a) above. The emoluments of the remaining highest paid individuals were as follows:

| | **2011**<br>***HK$'000*** | 2010<br>*HK$'000* |
|---|---|---|
| Salaries and other benefits | **3,703** | 3,210 |
| Retirement benefits schemes contributions | **81** | 80 |
| | **3,784** | 3,290 |

Their emoluments were within the following bands:

| | **2011**<br>***No. of employee*** | 2010<br>*No. of employee* |
|---|---|---|
| Nil to HK$1,000,000 | **1** | 2 |
| HK$1,000,001 to HK$2,000,000 | **2** | 2 |
| HK$2,000,001 to HK$3,000,000 | **–** | – |
| | **3** | 4 |

### (c)

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 12. LOSS PER SHARE

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Loss** | | |
| Loss attributable to the equity holders of the Company | **(436,350)** | (186,794) |

| | **2011** | 2010 |
|---|---|---|
| | ***'000*** | *'000* |
| | | (restated) |
| **Number of shares** | | |
| Weighted average number of shares for the purpose of basic loss per share | **279,984** | 31,029 |

The effects of the bonus element included within the rights issue completed in January 2011 (note 32) and the share consolidation on 18 January 2012 (note 41), have been included in the calculation of basic loss per share. The weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 31 December 2010 had been adjusted accordingly.

Basic and diluted loss per share for the year ended 31 December 2011 and 2010 have been presented as equal because the exercise prices of the Company's share options were higher than the average market price for the year and is therefore considered as anti-dilutive.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 13. PROPERTY, PLANT AND EQUIPMENT

### The Group

| | Leasehold improvements HK$'000 | Furnitures and fixtures HK$'000 | Motor vehicles HK$'000 | Plant and machinery HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **COST** | | | | | |
| At 1 January 2010 | 4,418 | 3,285 | 12,809 | 138 | 20,650 |
| Additions | 16 | 380 | 124 | 137 | 657 |
| Exchange adjustments | – | – | 15 | 7 | 22 |
| At 31 December 2010 and 1 January 2011 | 4,434 | 3,665 | 12,948 | 282 | 21,329 |
| Additions | 1,872 | 1,009 | 3,758 | 151 | 6,790 |
| Disposal | – | (39) | (569) | – | (608) |
| Exchange adjustments | 21 | 17 | 46 | 15 | 99 |
| At 31 December 2011 | 6,327 | 4,652 | 16,183 | 448 | 27,610 |
| **DEPRECIATION AND IMPAIRMENT** | | | | | |
| At 1 January 2010 | 4,114 | 1,513 | 3,407 | – | 9,034 |
| Provided for the year | 303 | 662 | 2,841 | 11 | 3,817 |
| Exchange adjustment | – | – | 1 | – | 1 |
| At 31 December 2010 and 1 January 2011 | 4,417 | 2,175 | 6,249 | 11 | 12,852 |
| Provided for the year | 177 | 723 | 2,562 | 93 | 3,555 |
| Eliminated on disposal | – | (33) | (569) | – | (602) |
| Exchange adjustments | 3 | 2 | 4 | 18 | 27 |
| At 31 December 2011 | 4,597 | 2,867 | 8,246 | 122 | 15,832 |
| **CARRYING VALUES** | | | | | |
| **At 31 December 2011** | **1,730** | **1,785** | **7,937** | **326** | **11,778** |
| At 31 December 2010 | 17 | 1,490 | 6,699 | 271 | 8,477 |

At 31 December 2011, the Group has no fixed assets (2010: HK$1,272,000) pledged as security for the Group's finance lease obligation.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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

| | THE COMPANY | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Cost of unlisted investments | **1,000** | 1,000 |
| Less: Impairment losses recognised | **–** | (690) |
| | **1,000** | 310 |
| Amounts due from subsidiaries | **2,417,530** | 1,943,255 |
| Less: Impairment losses recognised | **(376,874)** | (400,062) |
| | **2,040,656** | 1,543,193 |
| Amounts due to subsidiaries | **(13,352)** | (119,098) |

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Balance at beginning of the year | **690** | 690 |
| Reversed upon disposal during the year | **(690)** | – |
| Balance at end of the year | **–** | 690 |

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Balance at beginning of the year | **400,062** | 400,062 |
| Reversed upon disposal during the year | **(23,188)** | – |
| Balance at end of the year | **376,874** | 400,062 |

The amounts due from/(to) subsidiaries are unsecured and have no fixed terms of repayment. Of the balances, approximately HK$203,053,000 (2010: HK$258,467,000) of the amounts due from subsidiaries bear interest at an effective interest rate of prime rate (2010: prime rate) per annum and the remaining balances are non-interest bearing.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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

Particulars of the Company's principal subsidiaries at 31 December 2011 are as follows:

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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

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

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

** Registered as limited liability companies under the PRC law

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

All the above subsidiaries operate in their respective place of incorporation/registration.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 15. INTEREST IN A JOINTLY CONTROLLED ENTITY

| | THE GROUP | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Cost of unlisted investment in a jointly controlled entity | **49,862** | 49,862 |
| Share of post-acquisition profits and reserves, net of dividends received | **23,297** | 9,037 |
| | **73,159** | 58,899 |

Particulars of the Group's jointly controlled entity at 31 December 2011 are as follows:

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

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Non-current assets | **91,933** | 99,141 |
| Current assets | **332,178** | 264,643 |
| Current liabilities | **(164,631)** | (150,405) |
| Net current assets | **167,547** | 114,238 |
| Non-current liabilities | **(15,617)** | (17,049) |
| Net assets | **243,863** | 196,330 |
| The Group's share of net assets of the jointly controlled entity | **73,159** | 58,899 |
| Income | **761,725** | 695,191 |
| Expenses | **(709,444)** | (643,168) |
| Income tax expense | **(13,483)** | (13,512) |
| Profit for the year | **38,798** | 38,511 |
| The Group's share of profit of the jointly controlled entity for the year | **11,639** | 11,553 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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

On 12 August 2011, the Company and Treasure Smart Limited ("Treasure Smart") entered into a sale and purchase agreement for the sale and purchase of the entire issued share capital in, and shareholders' loan extended to, Broadmeadow Investments Limited ("Broadmeadow"), the wholly-owned subsidiary of the Company, which indirectly holds 30% equity interest in Hong Qiao. Pursuant to the agreement, the Company agreed to sell the Sale Share and the Sale Debt and Treasure Smart agreed to purchase the Sale Share and the Sale Debt for an aggregate consideration of HK$80,000,000. Based on the audited result of Broadmeadow as at 31 December 2011, the gain on disposal of the Broadmeadow and its subsidiaries is approximately HK$6,835,000.

The transaction was completed on 28 February 2012 and Hong Qiao ceased to be a jointly controlled entity of the Group since then. Details of the transaction are set out in the circular of the Company dated 29 September 2011.

## 16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | THE GROUP | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Equity securities: | | |
| – listed securities | **40,287** | 36,425 |
| – unlisted securities | **230,000** | – |
| | **270,287** | 36,425 |

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

The unlisted investments represent the Group's investments in three unlisted equity securities issued by private entities, namely Cordoba Homes Limited ("Cordoba"), Hennabun Capital Group Limited ("Hennabun") and Freeman Securities Limited ("Freeman"), which are held for an identified long term strategic purpose.

On 15 April 2011, Charter Pearl Limited ("Charter Pearl"), an indirect wholly-owned subsidiary of the Company, entered into a conditional agreement with Cordoba, a company incorporated in the British Virgin Islands. Pursuant to the agreement, Cordoba agreed to issue and Charter Pearl agreed to subscribe for 215,000,000 shares of Cordoba, representing approximately 6.41% of the issued share capital of Cordoba as enlarged by the issue of the subscription shares, at the subscription price of HK$129,000,000. Details of the transaction are set out in the announcement of the Company dated 15 April 2011.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 16. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

On initial and subsequent recognition, the investment in Cordoba was measured at fair value and a fair value loss of approximately HK$4,000,000 was recognised in other comprehensive income as at 31 December 2011.

On 4 August 2011, Superb Global Investments Limited ("Superb Global"), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement with Hennabun, a company incorporated in the British Virgin Islands. Pursuant to the agreement, Hennabun agreed to issue and allot and Superb Global agreed to subscribe for 15,000,000 shares of Hennabun, representing approximately 3.88% of the issued share capital of Hennabun as enlarged by the issue of the subscription shares, at the subscription price of HK$90,000,000. Details of the transaction are set out in the announcement of the Company dated 4 August 2011.

On 12 August 2011, Global Wealthy International Limited ("Global Wealthy"), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement with Freeman, a company incorporated in Hong Kong. Pursuant to the agreement, Freeman agreed to issue and allot and Global Wealthy agreed to subscribe for 15,000,000 shares of Freeman, representing approximately 9% of the issued share capital of Freeman as enlarged by the issue of the subscription shares, at the subscription price of HK$15,000,000.

No fair value change was recognised for the investments in Hennabun and Freeman as at 31 December 2011. The fair values of the equity interests in Cordoba, Hennabun and Freeman at 31 December 2011 have been arrived at on the basis of valuations carried out by Malcolm & Associates Appraisal Limited, an independent qualified professional valuer.

The directors of the Company have reviewed the recoverable amount of the available-for-sale financial assets as at 31 December 2011 and considered no further impairment loss should be made.

## 17. OTHER ASSETS

### The Group

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 18. TRADING RIGHT

| | THE GROUP<br>*HK$'000* |
|---|---|
| **COST** | |
| Balance at 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011 | 778 |
| **AMORTISATION AND IMPAIRMENT** | |
| At 1 January 2010 | 778 |
| Amortisation for the year | – |
| At 31 December 2010, 1 January 2011 and 31 December 2011 | 778 |
| **CARRYING VALUES** | |
| At 31 December 2011 | – |
| At 31 December 2010 | – |

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

## 19. MINING RIGHT

| | THE GROUP | |
|---|---|---|
| | **2011**<br>***HK$'000*** | 2010<br>*HK$'000* |
| **COST** | | |
| At beginning and at end of the year | **630,000** | 630,000 |
| **AMORTISATION AND IMPAIRMENT** | | |
| At beginning of the year | **63,305** | 1,746 |
| Amortisation for the year | **8,676** | 1,559 |
| Impairment loss for the year | **142,000** | 60,000 |
| At end of the year | **213,981** | 63,305 |
| **CARRYING VALUES** | | |
| At end of the year | **416,019** | 566,695 |

The mining right as at 31 December 2011 represents the mining right licence of a magnetite iron ore mine situated at the Guangdong Province, the PRC, expiring on 18 May 2013.

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

The fair value of the mining right licence at 31 December 2011 has been arrived at on the basis of a valuation carried out by BMI Appraisals Limited, an independent qualified professional valuer and an impairment loss of HK$142,000,000 was recognised in the consolidated income statement for the year ended 31 December 2011 (2010: HK$60,000,000), under the assumption that the Group can renew the mining right licence indefinitely till all proven reserves have been mined.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 19. MINING RIGHT *(Continued)*

The movement in impairment loss on mining right is set out as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Balance at beginning of the year | **60,000** | – |
| Impairment loss recognised during the year | **142,000** | 60,000 |
| Balance at end of the year | **202,000** | 60,000 |

## 20. GOODWILL

| | **THE GROUP** | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| At beginning of the year | **128,679** | 128,679 |
| Less: Impairment loss recognised | **(90,000)** | – |
| At end of the year | **38,679** | 128,679 |

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

The fair value of goodwill at 31 December 2011 has been arrived at on the basis of a valuation carried out by BMI Appraisals Limited, an independent qualified professional valuer and an impairment loss of HK$90,000,000 was recognised in the consolidated income statement for the year ended 31 December 2011 (2010: HK$Nil).

### Impairment testing of goodwill

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

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation, using cash flow projections based on financial budgets covering a ten-year period to reflect the Group's business strategy. The discount rate applied to the cash flow projections is 18.21%. Cash flows beyond the period of 10 years are extrapolated using a growth rate of 2%.

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

Budgeted gross margins – The basis used to determine the budgeted gross margins is based on a feasibility study prepared by an independent technical advisor in February 2012.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 20. GOODWILL *(Continued)*

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

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Balance at beginning of the year | **–** | – |
| Impairment loss recognised during the year | **90,000** | – |
| Balance at end of the year | **90,000** | – |

## 21. INVENTORIES

| | **THE GROUP** | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Raw materials | **1,032** | 145 |
| Work-in-progress | **–** | – |
| Finished goods | **478** | 731 |
| | **1,510** | 876 |

## 22. TRADE AND OTHER RECEIVABLES

| | **THE GROUP** | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **25,127** | 34,432 |
| Less: Impairment loss recognised | **(1,490)** | (1,490) |
| | **23,637** | 32,942 |
| Other receivables and prepayments | **15,433** | 12,774 |
| Less: Impairment loss recognised, in respect of other receivables | **(356)** | (356) |
| | **15,077** | 12,418 |
| Trade and other receivables | **38,714** | 45,360 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 22. TRADE AND OTHER RECEIVABLES *(Continued)*

| | THE GROUP | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Trade receivables arising from securities dealing business: | | |
| Margin account clients | **17,171** | 15,586 |
| Cash account clients | **5,469** | 7,440 |
| Clearing house | **–** | 3,590 |
| Marks receivables | **–** | 183 |
| Others | **297** | 126 |
| | **22,937** | 26,925 |
| Trade receivables arising from mining business | **2,190** | 7,507 |
| | **25,127** | 34,432 |

For trade receivables arising from securities dealing business, the settlement term is two days after the trade date. Interests are charged on overdue cash account clients and margin account clients at prime rate plus 7% (2010: prime rate plus 7%) per annum and at prime rate plus 4% (2010: prime rate plus 4%) per annum, respectively. Trade receivables arising from securities dealing business, net of impairment loss, were all due within 60 days as at 31 December 2011 and 2010.

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

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 60 days | **92** | 6,473 |
| 61 to 90 days | **–** | – |
| Over 90 days | **2,098** | 1,034 |
| | **2,190** | 7,507 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 23. EARNEST MONEY

### The Group

During the year ended 31 December 2011, the Group entered into a non-legally binding Memorandum of Understanding ("MOU") and three non-legally binding supplemental MOU in relation to the proposed acquisition of 80% of the entire issued share capital in Jointwin Holdings Limited ("Jointwin" and together with its subsidiary, the "Jointwin Group"), a company indirectly holds 100% interest in a copper, lead and zinc mine located in Inner Mongolia Autonomous Region, the PRC (the "Proposed Acquisition").

Earnest money of HK$200,000,000 was paid by the Group to Jointwin in relation to the Proposed Acquisition, and is subject to full refund without interest upon the termination of the Proposed Acquisition.

Pursuant to share charges dated 10 March 2011, share capital of the Jointwin Group were charged by shareholders of the Jointwin Group in favour of the Company.

The Proposed Acquisition was terminated on 30 September 2011 and the HK$200,000,000 earnest money was fully refunded to the Company before the approval date of the financial statements.

Details of the transactions are set out in the Company's announcements dated 14 January 2011, 10 March 2011, 21 March 2011, 8 June 2011 and 30 September 2011.

## 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

### The Group and the Company

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

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

### The Group

| | Debt element<br>*HK$'000* | Conversion option element<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|
| Fair value on acquisition on 9 August 2010 | 33,399 | (28) | 33,371 |
| Change in fair value: | | | |
| – Charged to consolidated income statement | 364 | 47 | 411 |
| Net carrying amounts at 31 December 2010 and 1 January 2011 | 33,763 | 19 | 33,782 |
| Early redemption | (33,763) | (19) | (33,782) |
| Net carrying amounts at 31 December 2011 | – | – | – |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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

### The Group *(Continued)*

During the year ended 31 December 2010, the Group acquired the zero coupon convertible bonds issued by Sinolink Worldwide Holdings Limited ("Sinolink") (Stock Code: 1168), a company listed on the main board of the Stock Exchange of Hong Kong Limited ("Sinolink Convertible Bonds") with a principal amount of HK$35,000,000. The Sinolink Convertible Bonds due on 27 September 2012 is convertible into fully paid ordinary shares of Sinolink with a par value of HK$0.10 each at an initial conversion price of HK$1.10, subject to adjustment on the occurrence of dilutive or concentrative event. The Group can exercise the conversion at anytime until the maturity date, provided that any conversion of the Sinolink Convertible Bonds does not trigger a mandatory offer obligation under The Hong Kong Code on Takeovers and Mergers. The Sinolink Convertible Bonds can be redeemed at 100% of the respective outstanding principal amount at any time during the period from the acquisition date and expiring on the maturity date. The Group has designated the Sinolink Convertible Bonds as financial assets at fair value through profit or loss.

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

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

The Sinolink Convertible Bonds were redeemed by Sinolink at cash consideration of HK$35,000,000 during the year ended 31 December 2011. HK$1,218,000 gain on early redemption was recognised in the consolidated income statement for the year ended 31 December 2011.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 26. SHORT-TERM LOANS RECEIVABLE

| | THE GROUP | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Secured short-term loans receivable | **110,000** | 68,000 |
| Unsecured short-term loans receivable | **–** | 153,305 |
| | **110,000** | 221,305 |

The range of effective interest rates (which are equal to contractual interest rates) on the Group's loans receivable is 8% to 10% (2010: 5% to 14%) per annum.

As at 31 December 2011, the Group has no variable rate short-term loans receivable (2010: HK$123,400,000 short-term loans receivable were carrying interest ranging from prime rate to prime rate plus 5% per annum).

All the short-term loans receivable as at 31 December 2011 and 2010 were neither past due nor impaired, and are related to independent borrowers that have strong financial background. Management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

As at 31 December 2011, HK$80,000,000 secured short-term loans receivable are secured by listed equity shares owned by the borrowers with value of approximately HK$124,300,000 (2010: HK$96,110,000). The remaining HK$30,000,000 secured short-term loans receivable are secured by a corporate guarantee provided by a company incorporated in the PRC, who is a third party independent of the Company and connected persons of the Company.

The settlement term of short-term loans receivable ranges from six months to one year.

## 27. BANK BALANCES HELD UNDER SEGREGATED TRUST ACCOUNTS/BANK BALANCES AND CASH

### The Group and the Company

Bank balances as at 31 December 2011 and 2010 carry interest at floating rates based on daily bank deposit rate.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 28. TRADE AND OTHER PAYABLES

| | THE GROUP | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **11,862** | 26,072 |
| Other payables and accruals | **12,695** | 4,378 |
| Trade and other payables | **24,557** | 30,450 |

Details of trade payables are as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables arising from securities dealing business: | | |
| Cash account clients | **3,945** | 19,400 |
| Clearing house | **128** | 31 |
| Margin account clients | **7,042** | 2,812 |
| Others | **–** | 60 |
| | **11,115** | 22,303 |
| Trade payables arising from mining business: | **747** | 3,769 |
| | **11,862** | 26,072 |

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 60 days | **230** | 3,769 |
| 61 to 90 days | **–** | – |
| over 90 days | **517** | – |
| | **747** | 3,769 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 28. TRADE AND OTHER PAYABLES *(Continued)*

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

Included in trade payables arising from securities dealing business of approximately HK$10,814,000 (2010: HK$18,871,000) was payable to clients and other institutions in respect of the trust bank balances received and held for clients and other institutions in the course of the conduct of the regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed. The deposits placed carry variable commercial interest rates.

Included in other payables is an amount of HK$10,000,000 (2010: Nil) representing a refundable deposit received from Treasure Smart in relation to the disposal of the entire issued share capital of Broadmeadow. Details of the transaction are set out in the circular of the Company dated 29 September 2011.

## 29. FINANCE LEASE OBLIGATION

### The Group

At 31 December 2011, the total future minimum lease payments under the finance lease obligation and their present values, are as follows:

| | **Minimum lease payments** | | **Present value of minimum lease payments** | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Within one year | **–** | 429 | **–** | 383 |
| In the second to fifth years, inclusive | **–** | – | **–** | – |
| | **–** | 429 | **–** | 383 |
| Future finance charges | **–** | (46) | **N/A** | N/A |
| Present value of finance lease obligation | **–** | 383 | **–** | 383 |
| Portion classified as current liabilities | **–** | (383) | **–** | (383) |
| Non-current portion | **–** | – | **–** | – |

At 31 December 2011, the Group has no fixed assets (2010: HK$1,272,000) pledged as security for the Group's finance lease obligation.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 30. PROVISION

### The Group

During the year ended 31 December 2008, a subsidiary of the Company principally engaged in securities brokerage might be found liable to certain third parties for certain irregular transactions allegedly conducted by its former employee involving an aggregate amount of approximately HK$9,250,000. The matters had been first reported to the relevant enforcement agencies by such subsidiary in March 2009 and the former employee was convicted by the High Court of Hong Kong in 2009.

During the year ended 31 December 2011, a writ of summons from the Intermediate Court of Jiangsu Province, the PRC, was issued by an individual against the subsidiary, claiming for RMB1,103,000 (equivalent to HK$1,359,000) plus interest. Legal advice had been sought and the defence was submitted within the prescribed period of time. Based on the information available to the directors, the full amount of the possible claims was provided as at 31 December 2011 and 2010.

Based on a preliminary legal advice, such subsidiary may also be subject to a maximum penalty of HK$10,000,000 to the enforcement agency for the allegedly irregular transactions conducted by the former employee. No penalty against the subsidiary was received during the year. As the investigation of the matters by the enforcement agency is in progress, the directors cannot reasonably predict the outcome of the matters, the possible maximum penalty of HK$10,000,000 is therefore regarded as a contingent liability of the Group as at 31 December 2011 and 2010.

## 31. DEFERRED TAX LIABILITIES

### The Group

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

| | **2011**<br>***HK$'000*** | 2010<br>*HK$'000* |
|---|---|---|
| At beginning of the year | **156,674** | 157,064 |
| Credited to consolidated income statement during the year | **(2,169)** | (390) |
| **At end of the year** | **154,505** | 156,674 |

At 31 December 2011, the Group had unused tax losses of approximately HK$32,381,000 (2010: HK$38,414,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 32. SHARE CAPITAL

| | Notes | Number of shares '000 | Share capital HK$'000 |
|---|---|---|---|
| Authorised: | | | |
| At 1 January 2010, ordinary shares of HK$0.10 each | | 9,000,000 | 900,000 |
| Capital Reduction | b (i) | – | (855,000) |
| Ordinary shares of HK$0.005 each | | 9,000,000 | 45,000 |
| Share Consolidation | b (ii) | (8,100,000) | – |
| Ordinary shares of HK$0.05 each | | 900,000 | 45,000 |
| Increase in authorised share capital | b (iii) | 8,100,000 | 405,000 |
| At 31 December 2010 and 2011, ordinary shares of HK$0.05 each | | 9,000,000 | 450,000 |
| Issued and fully paid: | | | |
| At 1 January 2010, ordinary shares of HK$0.10 each | | 5,009,654 | 500,965 |
| Issue of shares pursuant to placement of shares | a | 1,000,000 | 100,000 |
| Ordinary shares of HK$0.10 each | | 6,009,654 | 600,965 |
| Capital Reduction | b (i) | – | (570,917) |
| Ordinary shares of HK$0.005 each | | 6,009,654 | 30,048 |
| Share Consolidation | b (ii) | (5,408,689) | – |
| At 31 December 2010 and 1 January 2011, ordinary shares of HK$0.05 each | | 600,965 | 30,048 |
| Issue of shares pursuant to rights issue | c | 4,807,723 | 240,386 |
| Issue of shares pursuant to placement of shares | d | 1,081,738 | 54,087 |
| At 31 December 2011, ordinary shares of HK$0.05 each | | 6,490,426 | 324,521 |

*Notes:*

Details of the changes in the Company's share capital for the year ended 31 December 2010 and 2011 are as follows:

(a) Pursuant to the placing and subscription agreements entered into by the Company on 9 August 2010 and 14 October 2010, 600,000,000 and 400,000,000 shares of the Company of HK$0.10 each were newly issued at HK$0.10 per share to not less than six independent investors each time during the year ended 31 December 2010. These shares rank pari passu in all respects with the then existing shares. The issue prices represented discounts of approximately 10.71% and 7.41% to the closing prices per share of HK$0.112 and HK$0.108 respectively as quoted on the Stock Exchange on respective agreement dates. The respective net proceeds of placements of approximately HK$58,000,000 and HK$38,650,000 (equivalent to net prices per share of approximately HK$0.097) were used as general working capital of the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 32. SHARE CAPITAL *(Continued)*

*Notes: (Continued)*

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

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

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

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

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

Details of the above-mentioned events are set out in the circular of the Company dated 8 October 2010.

(c) Pursuant to the underwriting agreement entered into by the Company on 29 November 2010, the Company issued 4,807,723,376 rights shares of HK$0.05 nominal value each on the basis of eight rights shares for every one share held on the record date, 7 January 2011, at a subscription price HK$0.10 per rights share during the year ended 31 December 2011. The new shares issued rank pari passu in all respects with the existing shares. The issue price represented a discount of approximately 87.80% to the closing price of HK$0.82 per share as quoted on the Stock Exchange on the agreement date. Net proceeds of approximately HK$468,146,000 (equivalent to net price per share of approximately HK$0.097) were raised. The Company intended to apply such net proceeds for funding other investment in mining industry and/or other asset investment should such investment opportunities arise and working capital of the Group. Details of the rights issue are set out in the prospectus of the Company dated 10 January 2011.

(d) Pursuant to the placing agreement entered into by the Company on 30 May 2011, 1,081,737,759 shares of the Company of HK$0.05 each were newly issued at HK$0.062 per share to not less than six independent investors during the year ended 31 December 2011. These shares rank pari passu in all respects with the then existing shares. The issue price represented a discount of approximately 19.48% to the closing price per share of HK$0.077 per share as quoted on the Stock Exchange on the agreement date. Net proceeds of approximately HK$65,141,000 (equivalent to net price per share of approximately HK$0.06) were raised. The Company intended to use the net proceeds for the general working capital of the Group, in particular, for the trading of the iron ore. Details of the placement of shares are set out in the announcement of the Company dated 30 May 2011.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 33. RESERVES

### The Company

| | Share premium HK$'000 | Capital reserve HK$'000 | Share options reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 January 2010 | 1,109,308 | 3,547 | 53,176 | (288,626) | 877,405 |
| Capital reduction | 570,917 | – | – | – | 570,917 |
| Lapse of share options | – | – | (71) | 71 | – |
| Loss for the year | – | – | – | (13,742) | (13,742) |
| At 31 December 2010 and 1 January 2011 | 1,680,225 | 3,547 | 53,105 | (302,297) | 1,434,580 |
| Issue of shares pursuant to rights issue | 240,386 | – | – | – | 240,386 |
| Issue of shares pursuant to placement of shares | 12,981 | – | – | – | 12,981 |
| Share issue expenses on rights issue | (12,626) | – | – | – | (12,626) |
| Share issue expenses on placement of shares | (1,927) | – | – | – | (1,927) |
| Lapse of share options | – | – | (88) | 88 | – |
| Profit for the year | – | – | – | 22,729 | 22,729 |
| **At 31 December 2011** | **1,919,039** | **3,547** | **53,017** | **(279,480)** | **1,696,123** |

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

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

The share premium reserve represents share issued at premium. Details of the issue of shares pursuant to placement of shares and rights issue of the Company during the year are stated in note 32.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 34. SHARE OPTION SCHEME

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

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

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

Details of specific categories of share options are as follows:

| **Tranche** | **Date of grant** | **Exercisable period** | **Closing price of the Company's shares immediately before the grant date** | **Exercise price at grant date** | **Exercise price at 31 December 2011** *(note e)* |
|---|---|---|---|---|---|
| | *dd/mm/yyyy* | *dd/mm/yyyy* | *HK$* | *HK$* | *HK$* |
| One *(note a)* | 23/03/2007 | 23/03/2007 to 22/03/2017 | 1.49 | 1.52 | 1.51 |
| Two *(note b)* | 23/05/2007 | 23/05/2007 to 22/05/2017 | 1.34 | 1.52 | 1.52 |
| Three *(note c)* | 03/12/2007 | 03/12/2007 to 02/12/2017 | 1.04 | 1.22 | 4.84 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 34. SHARE OPTION SCHEME *(Continued)*

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

| **Name or category of participant** | **At 1 January 2011** *(note d)* *'000* | **Adjustment** *(note e)* *'000* | **Lapsed during the year** *'000* | **At 31 December 2011** *'000* |
|---|---|---|---|---|
| **Tranche one** | | | | |
| **Director** | | | | |
| Kwok Ming Fai | 20 | 30 | – | 50 |
| **Employees other than directors** | | | | |
| In aggregate | 4 | 6 | (10) | – |
| | 24 | 36 | (10) | 50 |
| **Tranche three** | | | | |
| **Director** | | | | |
| Ng Shin Kwan, Christine | 1,678 | 2,551 | – | 4,229 |
| Sun Ka Ziang, Henry | 5 | 8 | – | 13 |
| Kwok Ming Fai | 5 | 8 | – | 13 |
| Wong Yun Kuen | 5 | 8 | – | 13 |
| **Employees other than directors** | | | | |
| In aggregate | 1,095 | 1,663 | (34) | 2,724 |
| **Other participants** | | | | |
| In aggregate | 7,794 | 11,846 | – | 19,640 |
| | 10,582 | 16,084 | (34) | 26,632 |
| | 10,606 | 16,120 | (44) | 26,682 |
| Exercisable at the end of the year | | | | 26,682 |
| Weighted average exercise price *(HK$)* | 12.18 | | 4.08 | 4.83 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 34. SHARE OPTION SCHEME *(Continued)*

*Notes:*

(a) On 23 March 2007, 3,050,000 and 8,860,000 share options were granted to directors and employees of the Group, respectively. These share options entitle the holders thereof to subscribe for shares of the Company at a subscription price of HK$1.52 per share during the exercisable period from 23 March 2007 to 22 March 2017.

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

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

(d) The exercise price and number of share options outstanding as at 1 January 2011 have been adjusted and reflect the effects of the bonus issue and the share consolidation which became effective in November 2007and November 2010 respectively.

(e) The exercise price and number of share options outstanding as at 31 December 2011 have been adjusted and reflect the effect of the rights issue which became effective in January 2011.

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

(g) There was no share options granted or exercised or cancelled during the year ended 31 December 2011.

(h) No share option granted under Tranche Two was outstanding as at 31 December 2011 and 2010.

(i) The share options outstanding at the end of the year have a weighted average remaining contractual life of 5.92 years (2010: 6.92 years).

As at the date of this report, a total of 1,299,841 shares are available for issue under the Share Option Scheme which represents approximately 0.02% of the issued share capital of the Company as at the date of this report.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 35. OPERATING LEASE ARRANGEMENTS

### The Group as lessee:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Operating lease rentals in respect of land and buildings | **7,916** | 6,594 |

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **9,703** | 5,213 |
| In the second to fifth years inclusive | **7,261** | 622 |
| | **16,964** | 5,835 |

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

## 36. CAPITAL COMMITMENTS

At 31 December 2011, the Group had capital commitments as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Subscription of shares of YTC | **–** | 4,704 |
| Commitments for the acquisition of property, plant and equipment | **8,300** | – |
| | **8,300** | 4,704 |

In October 2010, the Group committed to subscribe for 5.95% of the total number of shares to be issued under the share placement of YTC Resources Limited ("YTC"), whose shares are listed in Australian Securities Exchange, with the subscription amount of A$595,000 (equivalent to approximately HK$4,704,000). The shareholding in YTC will remain unchanged at 5.95% of YTC's ordinary shares on issue. The placement was completed on 1 February 2011.

## 37. PLEDGE OF ASSETS

At 31 December 2011, the Group has no fixed assets (2010: HK$1,272,000) pledged as security for the Group's finance lease obligation.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 38. RETIREMENT BENEFITS SCHEMES

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

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

## 39. CONTINGENT LIABILITIES

Save as disclosed in note 30, no material contingent liabilities of the Group and the Company were noted at 31 December 2011 and 2010.

## 40. MATERIAL RELATED PARTY TRANSACTIONS

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

### Key management personnel remuneration

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

| | **2011**<br>***HK$'000*** | 2010<br>*HK$'000* |
|---|---|---|
| Short term employee benefits | **3,708** | 2,565 |
| Retirement benefits schemes contributions | **23** | 15 |
| | **3,731** | 2,580 |

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 41. EVENTS AFTER THE REPORTING PERIOD

In addition to the subsequent events detailed in note 15, the followings are the significant events took place subsequent to the end of the reporting period:

a) The special resolution approving the capital reorganisation was passed at the extraordinary general meeting of the Company held on 5 January 2012 and the capital reorganisation became effective on 18 January 2012. Details of the capital reorganisation are set out below:

i) every twenty issued and unissued shares of HK$0.05 each were consolidated into one new share of HK$1.00 each (the "Share Consolidation");

ii) the nominal value of all the issued and unissued consolidated shares of the Company was reduced from HK$1.00 to HK$0.01 each (the "Reduced Shares") by cancelling the issued and paid-up capital to the extent of HK$0.99 paid up on each of the issued shares of the Company (the "Capital Reduction");

iii) subsequent to the Share Consolidation and Capital Reduction, the authorised share capital of the Company was increased from HK$4,500,000 dividend into 450,000,000 shares to HK$450,000,000 dividend into 45,000,000,000 consolidated shares by the creation of an additional 44,550,000,000 new consolidated shares; and

iv) credit arising from the Capital Reduction of approximately HK$321,276,000 was entirely credited to the share premium account of the Company.

For further details, please refer to the circular of the Company dated 5 December 2011.

b) The Company completed the placing of 64,900,000 shares of HK$0.05 each issued at HK$0.365 per share on 17 February 2012. Net proceeds of approximately HK$22,520,000 were raised and the Company intends to use the net proceeds for the general working capital of the Group. Details of the transaction are set out in the announcement of the Company dated 8 February 2012.

## 42. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2012.

# Five Year Financial Summary

| | 2007<br>*HK$'000* | 2008<br>*HK$'000* | 2009<br>*HK$'000* | 2010<br>*HK$'000* | **2011**<br>***HK$'000*** |
|---|---|---|---|---|---|
| **RESULTS** | | | | | |
| Turnover | 586,193 | 665,901 | 67,988 | 36,618 | **31,886** |
| (Loss)/profit before taxation | 79,734 | 12,742 | (70,391) | (186,296) | **(438,534)** |
| Income tax credit/(expense) | (6,375) | (304) | 214 | (498) | **2,184** |
| (Loss)/profit for the year | 73,359 | 12,438 | (70,177) | (186,794) | **(436,350)** |
| (Loss)/profit attributable to: | | | | | |
| Equity holders of the Company | 75,319 | 12,915 | (70,177) | (186,794) | **(436,350)** |
| Non-controlling interests | (1,960) | (477) | – | – | **–** |
| | 73,359 | 12,438 | (70,177) | (186,794) | **(436,350)** |
| **ASSETS AND LIABILITIES** | | | | | |
| Total assets | 1,136,063 | 1,175,295 | 1,625,339 | 1,567,180 | **1,652,948** |
| Total liabilities | (160,641) | (52,173) | (192,156) | (197,680) | **(188,341)** |
| | 975,422 | 1,123,122 | 1,433,183 | 1,369,500 | **1,464,607** |
| Equity attributable to equity holders of the Company | 975,422 | 1,123,122 | 1,433,183 | 1,369,500 | **1,464,607** |
| Non-controlling interests | – | – | – | – | **–** |
| | 975,422 | 1,123,122 | 1,433,183 | 1,369,500 | **1,464,607** |

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