# 中國礦業資源集團有限公司*

# China Mining Resources Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 340

Annual Report 2011

* *For identification purpose only*

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# CORPORATE INFORMATION

## DIRECTORS

**Executive Directors:**

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

**Independent Non-executive Directors:**

Chong Cha Hwa
Chu Kang Nam
Lin Xiang Min

## COMPANY SECRETARY

Leung Lai Ming

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

## AUDITORS

ZHONGLEI (HK) CPA Company Limited
Suites 313-317, 3/F Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

## PRINCIPAL SHARE REGISTRAR

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

## HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited
18/F Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

## PRINCIPAL BANKERS

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

## STOCK CODE

00340

## COMPANY WEBSITE

www.chinaminingresources.com

I am pleased to present to our shareholders, the annual report of China Mining Resources Group Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 December 2011.

## RESULTS

For the financial year ended 31 December 2011, the Group recorded a revenue of HK$241,649,000 (2010: HK$327,775,000) and gross profit of HK$105,459,000 (2010: HK$118,959,000) from continuing operations, representing a decrease of 26% and 11% respectively as compared with last year. The decrease in revenue was mainly due to decrease of revenue generated from Harbin Songjiang Copper (Group) Company Limited ("Harbin Songjiang") and its subsidiaries ("Harbin Songjiang Group").

The Group's profit attributable to owners of the Company amounted to HK$82,109,000 (2010: loss of HK$1,749,676,000).

## REVIEW OF OPERATIONS

### Harbin Songjiang Group

Harbin Songjiang is based in Harbin, Heilongjiang Province, the People's Republic of China (the "PRC") and specialises in the mining, processing and sale of molybdenum. Harbin Songjiang Group contributed HK$94,004,000 (2010: HK$187,243,000) and HK$3,404,000 (2010: loss of HK$2,328,000) to the Group's revenue and profit respectively for the year ended 31 December 2011. Despite the continuing moderate recovery of the ferro molybdenum market in the PRC, mining business revenue for the year ended 31 December 2011 decreased by 50% to HK$94,004,000 in the year 2011 from HK$187,243,000 in the year 2010. The decrease was mainly attributable to the decrease of sales volume of ferro molybdenum from 1,194 tonnes in the year 2010 to 605 tonnes in the year 2011. Considering the current relative lower market price of ferro molybdenum in oversea market, the management of Harbin Songjiang Group strategically minimised its selling efforts until the market price to be recovered. The cost of sales of Harbin Songjiang Group decreased from HK$145,815,000 in 2010 to HK$72,019,000 in the year 2011. The average gross profit margin was 23% in the year 2011 (2010: 22%).

### King Gold Group

King Gold ("King Gold") and its subsidiaries ("King Gold Group") is principally engaged in cultivation, research, production and sale of Chinese tea products, and its products selling under the brand names of "武夷" and "武夷星" are well-recognised in the PRC as premium tea products and widely distributed throughout the country. King Gold Group contributed HK$147,645,000 (2010: HK$140,532,000) and HK$16,369,000 (2010: loss of HK$435,687,000) to the Group's revenue and profit for the year ended 31 December 2011 respectively. As there is no impairment loss recognised for goodwill and brand name for the year ended 31 December 2011, the tea business recorded a profit in the year of 2011 from its business operations. For the financial year ended 31 December 2011, King Gold Group generated a revenue of HK$147,645,000 (2010: HK$140,532,000). This represented an increase of 5% in revenue when compared with last year as a result of tea market development. The cost of sales of King Gold Group for the year was HK$64,170,000 (2010: HK$63,001,000). The average gross profit margin was 57%, representing a slightly increase of 2% as compared with 55% in last year.

## REVIEW OF OPERATIONS *(CONTINUED)*

### Year Joy Group

Year Joy Investments Limited ("Year Joy") indirectly holds the entire interest in Beijing Nian Yue Technology Co., Ltd. ("Beijing Nian Yue"), a wholly foreign-owned company established in the PRC with limited liability. Beijing Nian Yue owns 100% of the economic benefit from the operation of the iTV business of China iTV Network Co., Ltd. ("China iTV"), a company established in the PRC on 7 September 1998 with limited liability, through an exclusive business operation agreement. China iTV is mainly engaged in online video service which involves an online video platform that offers various contents and delivers various value-added services to the customers of telecommunication operators in the PRC. In July 2011, the pilot program was run on the "WO" platform ("沃門戶") of Unicom Broadband Online Ltd, an internet provider in the PRC. It is expected that the iTV business will start generating revenue in the foreseeable future. Year Joy Group contributed HK$42,543,000 (2010: loss of HK$1,300,238,000) to the Group's profit for the year ended 31 December 2011, which was mainly attributable to the reversal of purchase costs recognised as expenses of approximately HK$50,449,000 recognition of operating expenses, e.g. staff costs, office expenses etc, of the iTV business of approximately partly off set by HK$8,996,000 during the year ended 31 December 2011.

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

The Group invested in several Canada listed mining companies which were held for the purpose of long-term investments and capital gain and dividend income during the year ended 31 December 2011. The investment portfolio of the Group, including available-for-sale investments and held-for-trading investments, had a depreciation during the year ended 31 December 2011. The net decrease in fair value of the investment portfolio during the year was HK$182,393,000 (2010: increase of HK$133,630,000) including decrease in fair value and net loss on disposal.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2011, the Group had total assets and net assets amounted to HK$1,135,415,000 (2010: HK$1,416,057,000) and HK$478,867,000 (2010: HK$499,267,000), respectively. The current ratio was 1.38, as compared to 1.11 as of last year end.

As at 31 December 2011, the Group had bank balances and cash, of HK$152,829,000 (2010: HK$391,894,000), and most of which were denominated in Renminbi and Hong Kong dollars. At the end of the reporting period, the Group had: (i) bank borrowings of HK$32,956,000 (2010: HK$82,645,000) which were interest-bearing at floating rates with reference to the prevailing borrowing rate quoted by the People's Bank of China and (ii) other loans of HK$6,459,000 (2010: HK$20,414,000), of which HK$1,221,000 was interest free and HK$5,238,000 was interest-bearing at 2.55% per annum. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 13.9% (2010: 60.3%).

## FOREIGN EXCHANGE RISK MANAGEMENT

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

## SHARE CAPITAL

As at 31 December 2011, the Company had 9,318,782,211 ordinary shares and 3,776,190,000 non-redeemable convertible preference shares in issue with total shareholders' fund of the Group amounting to approximately HK$1,291,497,000.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no material acquisitions or disposals of subsidiaries during the year ended 31 December 2011.

## CONTINGENT LIABILITIES

As at 31 December 2011, the Group had no contingent liability (2010: Nil).

As disclosed in the announcement of the Company dated 8 November 2011, the Company has received a writ of summons issued by the High Court of HKSAR on 8 November 2011 (the "Writ") pursuant to which Mr. Lin Min and Fujian Yuansheng Foods Industry Co. Ltd. ("Fujian Yuansheng") (named as the plaintiffs in the writ) alleged that, amongst other things, the Company and 27 other co-defendants and/or certain PRC government officials had acted in conspiracy in obtaining ownership and control of certain assets of the plaintiffs and they were claiming for, amongst other things, damages from all 28 defendants jointly and severally in the total amount of RMB1,589,000,000.

As the Company has not obtained any interests in Fujian Yuanshen and is seeking legal advice in response the Writ, in the opinion of the directors, the possible of an outflow of resources embodying economic benefit is remote.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, the Group had approximately 13 and 1,026 employees in Hong Kong and Mainland China respectively.

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

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

## PROSPECTS

The Group has maintained a stable mining production for the year 2011. In view of the relatively low market price of ferro molybdenum in 2011, the sales of ferro molybdenum is strategically slowdown until the market price has recovered. In October 2011, Harbin Songjiang was awarded by the Ministry of Land and Resources of the PRC and the Ministry of Finance as one of top forty consolidated utilisation of mining resources model base(礦產資源綜合利用示範基地).

The tea business maintained a stable growth throughout the year. Under the fierce tea market environment in the PRC, we believe continuous brand-building and retail market development will enlarge our market share and enhance our competitive strengths. Since August 2011, the Group has been promoting its brand national-wide through advertisements on various channels. In addition, the Group is cooperating with a famous PRC literature and art company to launch a new tea brand "Impression Dahongpao tea"("印象大紅袍茶"). In November 2011, the brand name of "武夷星 WUYI STAR及圖" has obtained the accolade of "Famous brand of China"(中國馳名商標)from National Industry and Commerce Bureau Trademark Bureau(國家工商總局商標局). Meanwhile, the Group plans to expand its marketing channels through the establishment of more chain stores in 2012 including flagship stores, own-operated stores and franchised stores, and building the online sale platform, e.g. the Taobao shop etc. Furthermore, the Group will develop new and exclusive tea products, including products under the Impression Dahongpao series, some exclusive types of products for "Diao Yu Tai"("釣魚臺")boutiques and some new types of products for online sale.

## PROSPECTS *(CONTINUED)*

For the online video business, the Group will continue to focus on the cooperation with the major telecommunication operators in the PRC and develop more value-added services, including, but not limited to, online video service, mobile value-added service to the customers of telecommunication operators. Moreover, the Group plans to purchase more popular Japanese animations to enhance its content library and redistribute to other online video companies. The ultimate goal for the online video business is to have a long-term and stable cooperative relationship with the PRC major telecommunication operators and continue to develop relevant internet and mobile value-added service applications to the end-users of the telecommunication operators.

On 7 February 2012, the Company announced that the Independent Commission Against Corruption was conducting an investigation which relates to allegations against certain former director(s) in relation to certain previous transactions of the Company. Trading of the shares of the Company has been suspended since 10:42 a.m. on 11 October 2011. As disclosed in the announcement of the Company dated 7 February 2012, the Board took the view that the aforementioned investigation has no material impact on the Group's operations, assets or financial position. For further details, please refer to the said announcement.

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

## APPRECIATION

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

By Order of the Board
**China Mining Resources Group Limited**

**You Xian Sheng**
*Chairman*

Hong Kong, 30 March 2012

## EXECUTIVE DIRECTORS

### YOU Xian Sheng

Dr. You Xian Sheng ("Dr. You"), aged 57, was appointed as an executive director, chief executive officer and the deputy chairman of the Company on 31 January 2008. Dr. You was re-designated as the chairman of the Company on 5 June 2009 and resigned as the chief executive officer of the Company on the same date.

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

### CHEN Shou Wu

Mr. Chen Shou Wu ("Mr. Chen"), aged 48, was appointed as an executive director of the Company on 21 December 2007 and was subsequently appointed as the deputy chairman and chief executive officer of the Company on 5 June 2009.

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

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

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

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

## EXECUTIVE DIRECTORS *(CONTINUED)*

### WANG Hui

Mr. Wang Hui ("Mr. Wang"), aged 52, was appointed as an executive director of the Company on 5 July 2007. Mr. Wang is also a director of Harbin Songjiang Copper (Group) Company Limited ("Harbin Songjiang"), a subsidiary of the Company.

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

Mr. Wang is also a director of two subsidiaries of the Company.

### YEUNG Kwok Kuen

Mr. Yeung Kwok Kuen ("Mr. Yeung"), aged 39, was appointed as an executive director of the Company on 17 January 2007. Mr. Yeung is also the qualified accountant and chief financial officer of the Company.

Mr. Yeung graduated from The Chinese University of Hong Kong with a bachelor degree in Professional Accountancy and obtained a master degree in Corporate Finance from The Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Yeung has over 16 years of experience in handling accounting and finance matters. From 2004 to 2006, Mr. Yeung was the chief financial officer of a trading and manufacturing group and prior to this, Mr. Yeung was the manager of an international accounting firm.

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

### FANG Yi Quan

Mr. Fang Yi Quan ("Mr. Fang"), aged 62, was appointed as an executive director of the Company on 23 November 2011.

Mr. Fang was graduated from Fujian Medical University in September 1974 and is a senior economist. Mr. Fang joined the PRC Communist Party in 1970 and was promoted as a military officer（軍官）to the Communist Party in the same year. Mr. Fang participated in People's Liberation Army from February 1968 to October 1999 and was honoured with Second Class（二等功）and Third Class（三等功）awards by the government of People's Republic of China. Mr. Fang has over 30 years of experience in management and his management effort has been recognised by the Chinese government over the years. During his service with the People's Liberation Army, Mr. Fang worked in Fujian Mingqing Pharmaceutical Factory（福建閩清製藥廠）of the People's Liberation Army as factory director, Party Secretary（黨委書記）and legal representative（法人代表）. During his service, Fujian Mingqing Pharmaceutical Factory has received a number of awards from the People's Liberation Army General Logistic Department and Nanjun Military Region. From October 1999 to June 2011, Mr. Fang has been working for Fujian Jingxie Group Company（福建經協集團公司）as its group chairman, general manager and Party Secretary（黨委書記）. In 1996, Mr. Fang was awarded the rank of senior colonel by the Central Military Commission.

Mr. Fang is also a director of two subsidiaries of the Company.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### CHONG Cha Hwa

Mr. Chong Cha Hwa ("Mr. Chong"), aged 45, was appointed as an independent non-executive director of the Company on 23 November 2011.

Mr. Chong is a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants. Mr. Chong has obtained a degree of bachelor of management with honours from the University of Science, Malaysia. Prior to joining the Group, Mr. Chong has gained more than 15 years of experience in the accounting and finance area servicing private and publicly listed companies in Hong Kong and the Southern Asia region. He is an independent non-executive director of Longlife Group Holdings Limited (Stock Code: 8037), a company listed on The Growth Enterprise Market Of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the period from 19 October 2006 to 18 August 2011, Mr. Chong was an independent non-executive director of CGN Mining Company Limited (Formerly known as Vital Group Holdings Limited) (Stock Code: 1164), a company listed on the Main Board of the Stock Exchange.

### CHU Kang Nam

Mr. Chu Kang Nam ("Mr. Chu"), aged 55, was appointed as an independent non-executive director of the Company on 16 May 2007.

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

### LIN Xiang Min

Mr. Lin Xiang Min ("Mr. Lin"), aged 64, was appointed as an independent non-executive director of the Company on 31 January 2008.

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

## SENIOR MANAGEMENT

### YIN Guangyuan

Mr. Yin Guangyuan ("Mr. Yin"), aged 48, is a managing director of Harbin Songjiang, a subsidiary of the Company. He graduated from Heilongjiang People's Police School（黑龍江省人民警察學校）in 1982 and graduated from Chinese People's Public Security University（中國公安大學）with a major in Law in 1986. Mr. Yin was appointed as the chairman（處長）of Songjiang Copper Group in 2001, the deputy general manager of Harbin Songjiang in 2005, the general manager in 2007 and has been working at the present position since 2008. Mr. Yin is currently responsible for the overall administration and operation management of Harbin Songjiang Group.

### QIAO Hongbo

Mr. Qiao Hongbo ("Mr. Qiao"), aged 47, is a deputy general manager and director of Harbin Songjiang, a subsidiary of the Company. Mr. Qiao graduated from Inner Mongolia University of Science and Technology with a major in Mining in 1987 and is a senior mining engineer. Mr. Qiao joined Songjiang Copper Mine in 1987 and was appointed as the deputy mine manager of Acheng Xiaoling Iron & Zinc Mine in 1996, the principal of the production division and the deputy general manager assistant of Songjiang Copper Group and the deputy investigation manager of Songjiang Molybdenum Company（松江鉬業公司）in 1998, and has been working at the present position since 2000. Mr. Qiao has 20 years of working experience in mining sites and is an expert in project management and mining project techniques, possessing extensive experience in geology mining, mining sites' management and construction. He is proficient in project management procedures and skill innovation, and was awarded with Heilongjiang Technology Advancement Third Tier Award in Metallurgy System（黑龍江冶金系統科技進步三等獎）. Mr. Qiao is currently responsible for the project management and technical supervision of Harbin Songjiang Group.

### QU Yanchun

Mr. Qu Yanchun ("Mr. Qu"), aged 40, is a deputy general manager and director of Harbin Songjiang, a subsidiary of the Company. Mr. Qu graduated from the Department of Economics and Trading of Heilongjiang Institute of Science in 1994, and is a Chinese Certified Public Accountant and Certified Public Valuer. Mr. Qu was appointed as the officer of the financial division of Songjiang Copper Group in 1996, the director of financial division of Songjiang Copper Group in 1999, the assistant to general manager and director of financial division of Harbin Songjiang in 2004, has been working at the present position since 2007 and was appointed as the director of Harbin Songjiang in 2008. Mr. Qu has 16 years of experience in financial management and is currently responsible for the financial management of Harbin Songjiang Group.

### LEUNG Lai Ming

Ms. Leung Lai Ming ("Ms. Leung"), aged 35, is the company secretary and the accounting manager of the Company.

Ms. Leung graduated from The Hong Kong Polytechnic University with a bachelor degree in Accountancy. Ms. Leung is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries. Ms. Leung has 13 years of experience in handling accounting matters. Ms. Leung joined the Company in July 2007.

## CORPORATE GOVERNANCE PRACTICES

The Company has a policy of seeking to comply with established best practice in corporate governance. The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of its shareholders. For the year ended 31 December 2011, the Company has applied the principles of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Code") and complied with all the applicable code provisions of the Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31 December 2011, and they all confirmed that they had fully complied with the required standards set out in the Model Code.

## BOARD OF DIRECTORS

### Composition

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

***Executive Directors:***

You Xian Sheng,
*Chairman*
Chen Shou Wu,
*Deputy Chairman, Chief Executive Officer and Chief Investment Officer*
Wang Hui
Yeung Kwok Kuen,
*Chief Financial Officer*
Fang Yi Quan *(appointed on 23 November 2011)*

***Non-executive Director:***

Lam Ming Yung *(resigned on 29 December 2011)*

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

Chan Sze Hon *(resigned on 23 November 2011)*
Chong Cha Hwa *(appointed on 23 November 2011)*
Chu Kang Nam
Goh Choo Hwee *(resigned on 23 November 2011)*
Lin Xiang Min

## BOARD OF DIRECTORS *(CONTINUED)*

There is no relationship among the members of the Board.

During the year ended 31 December 2011, the Board had at all times at least three independent non-executive directors of the Company and at least one independent non-executive director of the Company who has appropriate professional qualifications or accounting or related financial management expertise.

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

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

| Name of Director | Number of Board Meetings Attended | Attendance Rate |
|---|---|---|
| You Xian Sheng | 15/15 | 100% |
| Chen Shou Wu | 15/15 | 100% |
| Wang Hui | 15/15 | 100% |
| Yeung Kwok Kuen | 6/15 | 40% |
| Fang Yi Quan | 3/4 | 75% |
| Lam Ming Yung | 14/14 | 100% |
| Chan Sze Hon | 11/11 | 100% |
| Chong Cha Hwa | 3/4 | 75% |
| Chu Kang Nam | 15/15 | 100% |
| Goh Choo Hwee | 9/11 | 82% |
| Lin Xiang Min | 15/15 | 100% |

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

## NON-EXECUTIVE DIRECTORS

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

## REMUNERATION OF DIRECTORS

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

Chong Cha Hwa, *Independent Non-executive Director, Chairman of the Remuneration Committee*
Chu Kang Nam, *Independent Non-executive Director*
Lin Xiang Min, *Independent Non-executive Director*
Yeung Kwok Kuen, *Executive Director*

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

The Remuneration Committee is primarily responsible for the following duties:

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

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

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

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

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

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

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

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

## REMUNERATION OF DIRECTORS *(CONTINUED)*

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

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

| Name of Member | Number of Remuneration Committee Meetings Attended | Attendance Rate |
|---|---|---|
| Chan Sze Hon<br>*(Resigned as member and the Chairman of the Remuneration Committee on 23 November 2011)* | 3/3 | 100% |
| Chong Cha Hwa<br>*(Appointed as member and the Chairman of the Remuneration Committee on 23 November 2011)* | 0/0 | N/A |
| Chu Kang Nam | 3/3 | 100% |
| Goh Choo Hwee<br>*(Resigned as member of the Remuneration Committee on 23 November 2011)* | 3/3 | 100% |
| Lin Xiang Min<br>*(Appointed as member of the Remuneration Committee on 23 November 2011)* | 0/0 | N/A |
| Yeung Kwok Kuen | 2/3 | 67% |

Details of the remuneration of the directors of the Company for the year ended 31 December 2011 are set out in note 13 to the consolidated financial statements.

## NOMINATION OF DIRECTORS

Directors were nominated by members of the Board during the year to fill casual vacancies or as an addition to the existing Board. The nominations were submitted to the Board for decision with reference to criteria which include the candidates' experience, qualifications, professional knowledge, personal ethics and integrity. During the year, one Board meeting was held for approving the nomination and appointment of directors of the Company. Each director of the Company appointed during the year is subject to re-election by shareholders of the Company at the next annual general meeting of the Company after his appointment and every director of the Company (including those appointed for a specific term) is subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company.

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

Individual attendance of each member of the Board of Board meetings in relation to the nomination and appointment of directors of the Company is set out below:

| Name of Directors | Number of Board Meetings Attended | Attendance Rate |
|---|---|---|
| You Xian Sheng | 1/1 | 100% |
| Chen Shou Wu | 1/1 | 100% |
| Wang Hui | 1/1 | 100% |
| Yeung Kwok Kuen | 0/1 | 0% |
| Fang Yi Quan | 0/1 | 0% |
| Lam Ming Yung | 1/1 | 100% |
| Chan Sze Hon | 0/0 | N/A |
| Chong Cha Hwa | 0/1 | 0% |
| Chu Kang Nam | 1/1 | 100% |
| Goh Choo Hwee | 0/0 | N/A |
| Lin Xiang Min | 1/1 | 100% |

## AUDITORS' REMUNERATION

For the year ended 31 December 2011, the Group engaged ZHONGLEI (HK) CPA Company Limited ("ZHONGLEI"), auditors of the Company and Deloitte Touche Tohmatsu ("DTT") to perform audit services and non-audit services. The fees were as follows:

| Nature of services | Name of auditors | Amount<br>*HK$'000* |
|---|---|---|
| Audit services in relation to annual result | ZHONGLEI | 1,500 |
| Review of interim results | DTT | 856 |
| Others | ZHONGLEI | 25 |
| Others | DTT | 171 |
| | | 2,552 |

## AUDIT COMMITTEE

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

Chong Cha Hwa, *Independent Non-executive Director, Chairman of the Audit Committee*
Chu Kang Nam, *Independent Non-executive Director*
Lin Xiang Min, *Independent Non-executive Director*

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

The Audit Committee is primarily responsible for the following duties:

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

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

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

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

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

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

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

## AUDIT COMMITTEE *(CONTINUED)*

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

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

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

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

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

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

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

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

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

| Name of Member | Number of Audit Committee Meetings Attended | Attendance Rate |
|---|---|---|
| Chan Sze Hon<br>*(Resigned as member and the Chairman of the Audit Committee on 23 November 2011)* | 5/5 | 100% |
| Chong Cha Hwa<br>*(Appointed as member and the Chairman of the Audit Committee on 23 November 2011)* | 2/2 | 100% |
| Chu Kang Nam | 7/7 | 100% |
| Goh Choo Hwee<br>*(Resigned as member of the Audit Committee on 23 November 2011)* | 5/5 | 100% |
| Lin Xiang Min<br>*(Appointed as member of the Audit Committee on 23 November 2011)* | 2/2 | 100% |

The financial statements for the year ended 31 December 2011 have been reviewed by the Audit Committee.

## INTERNAL CONTROLS

The Board should maintain a sound and effective internal control system to safeguard the shareholders' investment and the Group's assets. The directors of the Company have reviewed the effectiveness of the internal control system of the Group for the year ended 31 December 2011, which covered financial, operational and compliance controls and risk management functions of the Group.

## DIRECTORS' RESPONSIBILITY STATEMENT

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

On behalf of the Board
**China Mining Resources Group Limited**

**You Xian Sheng**
*Chairman*

Hong Kong, 30 March 2012

The directors of the Company submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 December 2011.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 49 to the consolidated financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (the "Group") during the financial year are set out in note 6 to the consolidated financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2011 and the Group's affairs as at that date are set out in the consolidated financial statements on pages 31 to 117.

The directors of the Company do not recommend the payment of a dividend in respect of the year ended 31 December 2011.

## RESERVES

Movement in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 35 to 36 of this annual report.

## DONATION

Donations made for charitable purposes by the Group during the year amounted to HK$816,000 (2010: HK$1,276,000).

## SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 37 to the consolidated financial statements.

## CONTRIBUTED SURPLUS

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

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

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

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

Movement in the contributed surplus of the Group during the year is set out in the consolidated statement of changes in equity on pages 35 to 36 of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group for the year ended 31 December 2011 are set out in note 15 to the consolidated financial statements.

## DIRECTORS

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

### Executive Directors

You Xian Sheng
*(Chairman)*
Chen Shou Wu
*(Deputy Chairman, Chief Executive Officer and Chief Investment Officer)*
Wang Hui
Yeung Kwok Kuen
*(Chief Financial Officer)*
Fang Yi Quan *(appointed on 23 November 2011)*

### Non-executive Director

Lam Ming Yung *(resigned on 29 December 2011)*

### Independent Non-executive Directors

Chan Sze Hon *(resigned on 23 November 2011)*
Chong Cha Hwa *(appointed on 23 November 2011)*
Chu Kang Nam
Goh Choo Hwee *(resigned on 23 November 2011)*
Lin Xiang Min

Pursuant to Bye-law 86(2) of the Bye-laws of the Company, any director of the Company appointed by the board either to fill casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Thus, Mr. Fang Yi Quan and Mr. Chong Cha Hwa who were appointed as directors of the Company pursuant to Bye-law 86(2) of the Bye-laws of the Company shall retire at the forthcoming annual general meeting of the Company. Each of Mr. Fang Yi Quan and Mr. Chong Cha Hwa, being eligible, have offered themselves for re-election as directors of the Company.

In addition, pursuant to Bye-law 87(1) of the Bye-laws of the Company, at each annual general meeting one-third of the directors of the Company for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. Pursuant to Bye-law 87(2) of the Bye-laws of the Company, any director of the Company appointed pursuant to Bye-law 86(2) of the Bye-laws of the Company shall not be taken into account in determining which particular directors of the Company or the number of the directors of the Company who are to retire by rotation. Accordingly, Mr. Chen Shou Wu and Mr. Wang Hui will retire by rotation at the forthcoming annual general meeting of the Company. Each of Mr. Chen Shou Wu and Mr. Wang Hui being eligible, have offered themselves for re-election.

## DIRECTORS' SERVICE CONTRACTS

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

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

As at 31 December 2011, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were recorded in the register required to be kept under Section 352 of the SFO, or which were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company were as follows:

### Interests in underlying shares of the Company — share options

| Name | Number of share options | % of total issued ordinary shares of the Company |
|---|---|---|
| ***Directors*** | | |
| You Xian Sheng | 90,000,000 | 0.98% |
| Chen Shou Wu | 90,000,000 | 0.98% |
| Wang Hui | 50,000,000 | 0.55% |
| Yeung Kwok Kuen | 90,000,000 | 0.98% |
| Chu Kang Nam | 6,000,000 | 0.07% |
| Lin Xiang Min | 6,000,000 | 0.07% |
| ***Chief executives*** | | |
| Yin Guangyuan | 50,000,000 | 0.55% |
| Qiao Hongbo | 12,000,000 | 0.13% |
| Qu Yanchun | 12,000,000 | 0.13% |

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

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 31 December 2011, persons (other than directors or chief executives of the Company as disclosed above) who had interests or short positions in the shares and underlying shares of equity derivatives of the Company which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

### Long position in shares of the Company

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

*Notes:*

1. The percentages are calculated based on the total number of ordinary shares and convertible preference shares (as appropriate) of the Company in issue as at 31 December 2011, which were 9,138,782,211 and 3,776,190,000 respectively.

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

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

## SHARE OPTION SCHEMES

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

## SHARE OPTION SCHEMES *(CONTINUED)*

Particulars of New Share Option Scheme are set out in note 44 to the consolidated financial statements.

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

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

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

3. As at 30 March 2012, the total number of ordinary shares of HK$0.10 each in the capital of the Company ("Shares") available for issue under the New Share Option Scheme was 913,878,221 (including 788,300,000 Shares that have been granted but not yet lapsed or exercised or cancelled) representing approximately 10% of the issued ordinary share capital of the Company.

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

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

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

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

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

## SHARE OPTION SCHEMES *(CONTINUED)*

Details of movements in the share options held by directors, chief executives, employees and other parties of the Company under the New Share Option Scheme for the year ended 31 December 2011 are as follows:

| Name | Date granted | Period during which options are exercisable | No. of options outstanding at the beginning of the year | No. of options granted during the year | No. of options cancelled during the year | No. of shares acquired on exercise of options during the year | No. of options outstanding at the year end | Exercise price per share | * Market value per share at date of grant of options | * Market value per share on exercise of options |
|---|---|---|---|---|---|---|---|---|---|---|
| Share option granted in 2008 | | | | | | | | | | |
| ***Directors*** | | | | | | | | | | |
| You Xian Sheng | 14 October 2008 | *(Note 1)* | 40,000,000 | – | – | – | 40,000,000 | HK$0.275 | HK$0.275 | – |
| Chen Shou Wu | 14 October 2008 | *(Note 1)* | 35,000,000 | – | – | – | 35,000,000 | HK$0.275 | HK$0.275 | – |
| Wang Hui | 14 October 2008 | *(Note 1)* | 35,000,000 | – | – | – | 35,000,000 | HK$0.275 | HK$0.275 | – |
| Yeung Kwok Kuen | 14 October 2008 | *(Note 1)* | 35,000,000 | – | – | – | 35,000,000 | HK$0.275 | HK$0.275 | – |
| Chu Kang Nam | 14 October 2008 | *(Note 1)* | 3,000,000 | – | – | – | 3,000,000 | HK$0.275 | HK$0.275 | – |
| Lin Xiang Min | 14 October 2008 | *(Note 1)* | 3,000,000 | – | – | – | 3,000,000 | HK$0.275 | HK$0.275 | – |
| | | | 151,000,000 | | | | 151,000,000 | | | |
| ***Chief executives*** | | | | | | | | | | |
| Yin Guangyuan | 14 October 2008 | *(Note 1)* | 35,000,000 | – | – | – | 35,000,000 | HK$0.275 | HK$0.275 | – |
| Qiao Hongbo | 14 October 2008 | *(Note 1)* | 10,000,000 | – | – | – | 10,000,000 | HK$0.275 | HK$0.275 | – |
| Qu Yanchun | 14 October 2008 | *(Note 1)* | 10,000,000 | – | – | – | 10,000,000 | HK$0.275 | HK$0.275 | – |
| | | | 55,000,000 | | | | 55,000,000 | | | |
| ***Employee*** | 14 October 2008 | *(Note 1)* | 26,600,000 | – | – | – | 26,600,000 | HK$0.275 | HK$0.275 | – |
| ***Former directors*** *(Note 4)* | 14 October 2008 | *(Note 1)* | 9,000,000 | – | – | – | 9,000,000 | HK$0.275 | HK$0.275 | – |
| ***Others*** *(Note 5)* | 14 October 2008 | *(Note 1)* | 50,000,000 | – | – | – | 50,000,000 | HK$0.275 | HK$0.275 | – |
| | | | 291,600,000 | – | – | – | 291,600,000 | | | |

## SHARE OPTION SCHEMES *(CONTINUED)*

| Name | Date granted | Period during which options are exercisable | No. of options outstanding at the beginning of the year | No. of options granted during the year | No. of options cancelled during the year | No. of shares acquired on exercise of options during the year | No. of options outstanding at the year end | Exercise price per share | * Market value per share at date of grant of options | * Market value per share on exercise of options |
|---|---|---|---|---|---|---|---|---|---|---|
| Share option granted in 2010 | | | | | | | | | | |
| ***Directors*** | | | | | | | | | | |
| You Xian Sheng | 29 June 2010 | *(Note 2)* | 20,000,000 | – | – | – | 20,000,000 | HK$0.208 | HK$0.208 | – |
| Chen Shou Wu | 29 June 2010 | *(Note 2)* | 25,000,000 | – | – | – | 25,000,000 | HK$0.208 | HK$0.208 | – |
| Wang Hui | 29 June 2010 | *(Note 2)* | 5,000,000 | – | – | – | 5,000,000 | HK$0.208 | HK$0.208 | – |
| Yeung Kwok Kuen | 29 June 2010 | *(Note 2)* | 25,000,000 | – | – | – | 25,000,000 | HK$0.208 | HK$0.208 | – |
| Chu Kang Nam | 29 June 2010 | *(Note 2)* | 2,000,000 | – | – | – | 2,000,000 | HK$0.208 | HK$0.208 | – |
| Lin Xiang Min | 29 June 2010 | *(Note 2)* | 2,000,000 | – | – | – | 2,000,000 | HK$0.208 | HK$0.208 | – |
| | | | 79,000,000 | | | | 79,000,000 | | | |
| ***Chief executives*** | | | | | | | | | | |
| Yin Guangyuan | 29 June 2010 | *(Note 2)* | 5,000,000 | – | – | – | 5,000,000 | HK$0.208 | HK$0.208 | – |
| Qiao Hongbo | 29 June 2010 | *(Note 2)* | 2,000,000 | – | – | – | 2,000,000 | HK$0.208 | HK$0.208 | – |
| Qu Yanchun | 29 June 2010 | *(Note 2)* | 2,000,000 | – | – | – | 2,000,000 | HK$0.208 | HK$0.208 | – |
| | | | 9,000,000 | | | | 9,000,000 | | | |
| ***Employee*** | 29 June 2010 | *(Note 2)* | 33,400,000 | – | – | – | 33,400,000 | HK$0.208 | HK$0.208 | – |
| ***Former directors*** *(Note 6)* | 29 June 2010 | *(Note 2)* | 6,000,000 | – | – | – | 6,000,000 | HK$0.208 | HK$0.208 | – |
| | | | 127,400,000 | – | – | – | 127,400,000 | | | |

## SHARE OPTION SCHEMES *(CONTINUED)*

| Name | Date granted | Period during which options are exercisable | No. of options outstanding at the beginning of the year | No. of options granted during the year | No. of options cancelled during the year | No. of shares acquired on exercise of options during the year | No. of options outstanding at the year end | Exercise price per share | * Market value per share at date of grant of options | * Market value per share on exercise of options |
|---|---|---|---|---|---|---|---|---|---|---|
| Share option granted in 2011 | | | | | | | | | | |
| ***Directors*** | | | | | | | | | | |
| You Xian Sheng | 30 August 2011 | *(Note 3)* | – | 30,000,000 | – | – | 30,000,000 | HK$0.161 | HK$0.161 | – |
| Chen Shou Wu | 30 August 2011 | *(Note 3)* | – | 30,000,000 | – | – | 30,000,000 | HK$0.161 | HK$0.161 | – |
| Wang Hui | 30 August 2011 | *(Note 3)* | – | 10,000,000 | – | – | 10,000,000 | HK$0.161 | HK$0.161 | – |
| Yeung Kwok Kuen | 30 August 2011 | *(Note 3)* | – | 30,000,000 | – | – | 30,000,000 | HK$0.161 | HK$0.161 | – |
| Chu Kang Nam | 30 August 2011 | *(Note 3)* | – | 1,000,000 | – | – | 1,000,000 | HK$0.161 | HK$0.161 | – |
| Lin Xiang Min | 30 August 2011 | *(Note 3)* | – | 1,000,000 | – | – | 1,000,000 | HK$0.161 | HK$0.161 | – |
| | | | – | | | | 102,000,000 | | | |
| ***Chief executive*** | | | | | | | | | | |
| Yin Guangyuan | 30 August 2011 | *(Note 3)* | – | 10,000,000 | – | – | 10,000,000 | HK$0.161 | HK$0.161 | – |
| ***Employee*** | 30 August 2011 | *(Note 3)* | – | 44,300,000 | – | – | 44,300,000 | HK$0.161 | HK$0.161 | – |
| ***Former directors*** *(Note 7)* | 30 August 2011 | *(Note 3)* | – | 3,000,000 | – | – | 3,000,000 | HK$0.161 | HK$0.161 | – |
| ***Others*** *(Note 8)* | 30 August 2011 | *(Note 3)* | – | 210,000,000 | – | – | 210,000,000 | HK$0.161 | HK$0.161 | – |
| | | | – | 369,300,000 | – | – | 369,300,000 | | | |

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

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

*Notes:*

1. Exercisable from 14 October 2008 to 13 October 2013.

2. Exercisable from 29 June 2010 to 28 June 2015.

3. Exercisable from 30 August 2011 to 29 August 2016.

4. (i) 3,000,000 share options was granted to Mr. Lam Ming Yung on 14 October 2008 and Mr. Lam Ming Yung was resigned as a director of the Company on 29 December 2011.

   (ii) 3,000,000 share options was granted to Mr. Chan Sze Hon on 14 October 2008 and Mr. Chan Sze Hon was resigned as a director of the Company on 23 November 2011.

   (iii) 3,000,000 share options was granted to Mr. Goh Choo Hwee on 14 October 2008 and Mr. Goh Choo Hwee was resigned as a director of the Company on 23 November 2011.

## SHARE OPTION SCHEMES *(CONTINUED)*

*Notes: (CONTINUED)*

5. 50,000,000 share options were granted to a chief adviser of the Company and a consulting company.

6. (i) 2,000,000 share options was granted to Mr. Lam Ming Yung on 29 June 2010 and Mr. Lam Ming Yung was resigned as a director of the Company on 29 December 2011.

   (ii) 2,000,000 share options was granted to Mr. Chan Sze Hon on 29 June 2010 and Mr. Chan Sze Hon was resigned as a director of the Company on 23 November 2011.

   (iii) 2,000,000 share options was granted to Mr. Goh Choo Hwee on 29 June 2010 and Mr. Goh Choo Hwee was resigned as a director of the Company on 23 November 2011.

7. (i) 1,000,000 share options was granted to Mr. Lam Ming Yung on 30 August 2011 and Mr. Lam Ming Yung was resigned as a director of the Company on 29 December 2011.

   (ii) 1,000,000 share options was granted to Mr. Chan Sze Hon on 30 August 2011 and Mr. Chan Sze Hon was resigned as a director of the Company on 23 November 2011.

   (iii) 1,000,000 share options was granted to Mr. Goh Choo Hwee on 30 August 2011 and Mr. Goh Choo Hwee was resigned as a director of the Company on 23 November 2011.

8. 210,000,000 share options were granted to the consultancy companies of the Group.

Information on the accounting policy for share options granted and the weighted average value per option is provided in note 44 to the consolidated financial statements respectively.

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

## DIRECTORS' INTERESTS IN CONTRACTS

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

## MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities during the year ended 31 December 2011. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the year.

## CONNECTED TRANSACTION

None of the "Related party transactions" as disclosed in note 47 to the financial statements for the year ended 31 December 2011 constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

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

## MAJOR CUSTOMERS AND SUPPLIERS

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

| | Percentage of the Group's total | |
|---|---|---|
| | Sales | Purchases |
| The largest customer | 33% | |
| Five largest customers in aggregate | 58% | |
| The largest supplier | | 6% |
| Five largest suppliers in aggregate | | 20% |

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

## COMPETING INTEREST

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

## PRE-EMPTIVE RIGHTS

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

## SUFFICIENCY OF PUBLIC FLOAT

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

## BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2011 are set out in notes 30 and 31 to the consolidated financial statements.

## FIVE YEARS SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 118 of this annual report.

## RETIREMENT SCHEMES

Details of the retirement benefit schemes operated by the Group are set out in note 43 to the consolidated financial statements.

## CONFIRMATION OF INDEPENDENCE

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

## POST BALANCE SHEET EVENTS

No significant events occuring after the balance sheet date.

## CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report of the annual report.

## AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2011 have been audited by ZHONGLEI (HK) CPA Company Limited ("ZHONGLEI"). ZHONGLEI were appointed as auditors of the Company on 10 February 2012 for the financial year ended 31 December 2011 upon the resignation of Deloitte Touche Tohmatsu, who have acted as auditors of the Company for the preceding three financial years.

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

By order of the Board
**China Mining Resources Group Limited**

**You Xian Sheng**
*Chairman*

Hong Kong, 30 March 2012

中磊（香港）會計師事務所有限公司
ZHONGLEI (HK) CPA Company Limited

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

We have audited the consolidated financial statements of China Mining Resources Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 117, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

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

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

## OPINION

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

**ZHONGLEI (HK) CPA Company Limited**
*Certified Public Accountants (Practising)*
**Chan Mei Mei**
Practising Certificate Number: P05256
Suites 313-317, 3/F., Shui On Centre,
6-8 Harbour Road,
Wan Chai,
Hong Kong

30 March 2012

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

| | Notes | 2011 HK$'000 | 2010 HK$'000 (Restated) |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 5 | **241,649** | 327,775 |
| Cost of sales | | **(136,190)** | (208,816) |
| Gross profit | | **105,459** | 118,959 |
| Other income | 7 | **11,877** | 14,573 |
| Other gains and losses | 8 | **257,436** | (1,246,530) |
| Selling and distribution expenses | | **(51,275)** | (24,523) |
| Administrative expenses | | **(127,136)** | (115,481) |
| Finance costs | 9 | **(27,476)** | (25,353) |
| Impairment losses recognised in respect of available-for-sale investments | 22 | **(11,781)** | (46,729) |
| Impairment losses recognised in respect of goodwill | 18 | **—** | (423,086) |
| Impairment losses recognised in respect of property, plant and equipment and prepaid lease payments | 21 | **—** | (46,678) |
| Impairment losses recognised in respect of other intangible assets | 19 | **—** | (44,091) |
| Profit (loss) before tax | | **157,104** | (1,838,939) |
| Income tax credit (expense) | 10 | **6,265** | (5,859) |
| Profit (loss) for the year from continuing operations | | **163,369** | (1,844,798) |
| **Discontinued operations** | 11 | | |
| Profit for the year from discontinued operations, net of income tax | | **11,548** | 92,259 |
| Profit (loss) for the year | 12 | **174,917** | (1,752,539) |
| **Other comprehensive (expense) income** | | | |
| Exchange differences arising on translation | | **(2,842)** | (3,541) |
| Fair value (loss) gain on available-for-sale investments | 22 | **(136,129)** | 133,289 |
| Actuarial (loss) gain on defined benefit pension plans | | **(1,479)** | 621 |
| Other comprehensive (expense) income for the year, net of income tax | | **(140,450)** | 130,369 |
| Total comprehensive income (expense) for the year | | **34,467** | (1,622,170) |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

| | Notes | 2011<br>HK$'000 | 2010<br>HK$'000<br>(Restated) |
|---|---|---|---|
| Profit (loss) for the year attributable to: | | | |
| Owners of the Company | | | |
| Profit (loss) for the year from continuing operations | | **70,561** | (1,841,935) |
| Profit for the year from discontinued operations | | **11,548** | 92,259 |
| Profit (loss) for the year attributable to owners of the Company | | **82,109** | (1,749,676) |
| Non-controlling interests | | | |
| Profit (loss) for the year from continuing operations | | **92,808** | (2,863) |
| Profit (loss) for the year | | **174,917** | (1,752,539) |
| Total comprehensive income (expense) attributable to: | | | |
| Owners of the Company | | **(56,650)** | (1,618,250) |
| Non-controlling interests | | **91,117** | (3,920) |
| | | **34,467** | (1,622,170) |
| Earnings (loss) per share | *14* | | |
| From continuing and discontinued operations | | | |
| Basic (HK cents) | | **0.90 cents** | (26.10) cents |
| Diluted (HK cents) | | **0.70 cents** | (26.10) cents |
| From continuing operations | | | |
| Basic (HK cents) | | **0.77 cents** | (27.48) cents |
| Diluted (HK cents) | | **0.61 cents** | (27.48) cents |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **133,919** | 111,685 |
| Prepaid lease payments | 16 | **29,728** | 33,800 |
| Exploration and evaluation assets | 17 | **—** | — |
| Goodwill | 18 | **88,295** | 88,295 |
| Other intangible assets | 19 | **159,032** | 143,542 |
| Biological assets | 20 | **12,264** | — |
| Available-for-sale investments | 22 | **222,092** | 326,710 |
| Deposit for acquisition of tea mountain | 23 | **—** | 20,705 |
| | | **645,330** | 724,737 |
| **Current assets** | | | |
| Inventories | 24 | **182,431** | 164,754 |
| Trade and other receivables | 25 | **135,033** | 96,446 |
| Prepaid lease payments | 16 | **3,562** | 3,873 |
| Held-for-trading investments | 22 | **—** | 34,353 |
| Short-term loan and loan interest receivables | 26 | **16,230** | — |
| Bank balances and cash | 27 | **152,829** | 391,894 |
| | | **490,085** | 691,320 |
| **Current liabilities** | | | |
| Trade and other payables | 28 | **254,446** | 260,593 |
| Amounts due to non-controlling shareholders | 29 | **—** | 150,500 |
| Tax liabilities | | **61,198** | 62,454 |
| Bank borrowings | 30 | **32,956** | 82,645 |
| Other borrowings | 31 | **1,221** | 1,181 |
| Provisions | 32 | **6,428** | 64,540 |
| | | **356,249** | 621,913 |
| **Net current assets** | | **133,836** | 69,407 |
| **Total assets less current liabilities** | | **779,166** | 794,144 |

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred income | 33 | **53,835** | 35,782 |
| Other borrowings | 31 | **5,238** | 19,233 |
| Provisions | 32 | **104,060** | 76,311 |
| Deferred tax liabilities | 34 | **8,303** | 18,747 |
| Other long-term payables | 35 | **76,525** | 92,768 |
| Non-redeemable convertible preference shares | 36 | **52,338** | 52,036 |
| | | **300,299** | 294,877 |
| | | **478,867** | 499,267 |
| **Capital and reserves** | | | |
| Share capital | 37 | **913,878** | 913,878 |
| Share premium and reserves | | **(629,841)** | (493,218) |
| Equity attributable to owners of the Company | | **284,037** | 420,660 |
| Non-controlling interests | | **194,830** | 78,607 |
| | | **478,867** | 499,267 |

The consolidated financial statements on pages 31 to 117 were approved and authorised for issue by the Board of Directors on 30 March 2012 and are signed on its behalf by:

**You Xian Sheng**
*Director*

**Chen Shou Wu**
*Director*

| | Attributable to owners of the Company | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital *HK$'000* | Share premium *HK$'000* | Non-redeemable convertible preference shares *HK$'000* *(Note 36)* | Statutory surplus reserve *HK$'000* | Capital and other reserve *HK$'000* | Share options reserve *HK$'000* *(Note 44)* | Investment revaluation reserve *HK$'000* | Translation reserve *HK$'000* | Issuable shares *HK$'000* | Actuarial reserve *HK$'000* *(Note 32)* | Accumulated losses *HK$'000* | Total *HK$'000* | Non-controlling interests *HK$'000* | Total *HK$'000* |
| At 1 January 2010 | 613,078 | 2,878,111 | – | 101,485 | 19,907 | 58,870 | 23,059 | 420,579 | 157,170 | (6,666) | (3,401,089) | 864,504 | 84,828 | 949,332 |
| Loss for the year | – | – | – | – | – | – | – | – | – | – | (1,749,676) | (1,749,676) | (2,863) | (1,752,539) |
| Exchange difference arising on translation | – | – | – | – | – | – | – | (2,484) | – | – | – | (2,484) | (1,057) | (3,541) |
| Gain on change in fair value of available-for-sale investments | – | – | – | – | – | – | 133,289 | – | – | – | – | 133,289 | – | 133,289 |
| Actuarial gain on defined benefit pension plans | – | – | – | – | – | – | – | – | – | 621 | – | 621 | – | 621 |
| Other comprehensive income (expense) for the year | – | – | – | – | – | – | 133,289 | (2,484) | – | 621 | – | 131,426 | (1,057) | 130,369 |
| Total comprehensive income (expense) for the year | – | – | – | – | – | – | 133,289 | (2,484) | – | 621 | (1,749,676) | (1,618,250) | (3,920) | (1,622,170) |
| Shares issued | 66,038 | 91,132 | – | – | – | – | – | – | (157,170) | – | – | – | – | – |
| Additional shares issued for acquisition of subsidiaries | 234,762 | 223,024 | – | – | – | – | – | – | – | – | – | 457,786 | – | 457,786 |
| Non-redeemable convertible preference shares *(Note 36)* | – | – | 684,321 | – | – | – | – | – | – | – | – | 684,321 | – | 684,321 |
| Recognition of equity-settled share-based payments | – | – | – | – | – | 12,699 | – | – | – | – | – | 12,699 | – | 12,699 |
| Cancellation of share options | – | – | – | – | – | (25,498) | – | – | – | – | 25,498 | – | – | – |
| Acquisition of subsidiaries | – | – | – | – | – | – | – | – | – | – | – | – | (2,301) | (2,301) |
| Transfer *(Notes (a) and (b))* | – | – | – | 2,911 | 2,375 | – | – | – | – | – | (5,286) | – | – | – |
| Impairment losses on available-for-sale investments *(Note 22)* | – | – | – | – | – | – | 19,600 | – | – | – | – | 19,600 | – | 19,600 |
| Disposal of a subsidiary | – | – | – | – | – | – | – | (12,456) | – | – | 12,456 | – | – | – |
| At 31 December 2010 and 1 January 2011 | 913,878 | 3,192,267 | 684,321 | 104,396 | 22,282 | 46,071 | 175,948 | 405,639 | – | (6,045) | (5,118,097) | 420,660 | 78,607 | 499,267 |
| Profit for the year | – | – | – | – | – | – | – | – | – | – | 82,109 | 82,109 | 92,808 | 174,917 |

| | Attributable to owners of the Company | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Non-redeemable convertible preference shares HK$'000 (Note 36) | Statutory surplus reserve HK$'000 | Capital and other reserve HK$'000 | Share options reserve HK$'000 (Note 44) | Investment revaluation reserve HK$'000 | Translation reserve HK$'000 | Issuable shares HK$'000 | Actuarial reserve HK$'000 (Note 32) | Accumulated losses HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| Exchange difference arising on translation | – | – | – | – | – | – | – | (1,506) | – | – | – | (1,506) | (1,336) | (2,842) |
| Fair value loss on available-for-sale investments | – | – | – | – | – | – | (136,129) | – | – | – | – | (136,129) | – | (136,129) |
| Actuarial loss on defined benefit pension plans | – | – | – | – | – | – | – | – | – | (1,124) | – | (1,124) | (355) | (1,479) |
| Other comprehensive expense for the year | – | – | – | – | – | – | (136,129) | (1,506) | – | (1,124) | – | (138,759) | (1,691) | (140,450) |
| Total comprehensive income (expense) for the year | – | – | – | – | – | – | (136,129) | (1,506) | – | (1,124) | 82,109 | (56,650) | 91,117 | 34,467 |
| Recognition of equity-settled share-based payments | – | – | – | – | – | 29,768 | – | – | – | – | – | 29,768 | – | 29,768 |
| Waived loan from non-controlling shareholders | – | – | – | – | 37,833 | – | – | – | – | – | – | 37,833 | 28,540 | 66,373 |
| Disposal of subsidiaries *(Note 39)* | – | – | – | (541) | – | – | – | (147,033) | – | – | – | (147,574) | (3,434) | (151,008) |
| Transfer *(Notes (a) and (b))* | – | – | – | 1,231 | 2,589 | – | – | – | – | – | (3,820) | – | – | – |
| At 31 December 2011 | 913,878 | 3,192,267 | 684,321 | 105,086 | 62,704 | 75,839 | 39,819 | 257,100 | – | (7,169) | (5,039,808) | 284,037 | 194,830 | 478,867 |

*Notes:*

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

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

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit (loss) before tax from continuing operations | | **157,104** | (1,838,939) |
| Profit from discontinued operations | | **11,548** | 92,259 |
| Adjustments for: | | | |
| Interest income | | **(5,920)** | (1,895) |
| Interest expenses | | **27,476** | 25,353 |
| Depreciation of property, plant and equipment | | **17,026** | 7,275 |
| Amortisation of prepaid lease payments | | **5,831** | 3,263 |
| Amortisation of other intangible assets | | **3,104** | 1,143 |
| Waived of loan interest | | **(1,149)** | — |
| Waived of debt of other payables | | **(2,731)** | — |
| (Reversal) recognition of purchase costs as expense | | **(50,449)** | 1,299,511 |
| Gain on changes in fair value less estimated point-of-sales cost for biological assets | | **(184)** | — |
| Gain on disposal of subsidiaries | | **(158,328)** | (100,649) |
| Gain on disposal of property, plant and equipment and prepaid lease payments | | **(38,447)** | (10,783) |
| Loss on disposal of available-for-sale investments | | **191** | — |
| Impairment losses recognised in respect of available-for-sale investments | | **11,781** | 46,729 |
| Loss on disposal of held-for-trading investments | | **34,292** | — |
| Gain on changes of estimation on land reclaimation and cavity refill cost | | **(42,493)** | — |
| Equity-settled share-based payment expenses | | **29,768** | 12,699 |
| Government grants | | **(4,211)** | (235) |
| Impairment losses recognised in respect of trade and other receivables | | **4,131** | 7,379 |
| Impairment losses recognised in respect of goodwill | | **—** | 423,086 |
| Impairment losses recognised in respect of other intangible assets | | **—** | 44,091 |
| Impairment losses recognised in respect of property, plant and equipment and prepaid lease payments | | **—** | 46,678 |
| Reversal of impairment losses in respect of trade and other receivables | | **(3,649)** | (9,424) |
| Reversal of allowance for inventories | | **—** | (553) |
| **Operating cash flows before movements in working capital** | | **(5,309)** | 46,988 |
| (Increase) decrease in inventories | | **(17,677)** | 86,397 |
| Increase in trade and other receivables | | **(44,603)** | (94,226) |
| (Decrease) increase in trade and other payables | | **(17,582)** | 54,844 |
| Increase in held-for-trading investments | | **—** | (27,470) |
| Increase (decrease) in provisions | | **3,595** | (18,164) |
| **Cash (used in) generated from operations** | | **(81,576)** | 48,369 |
| PRC Enterprise Income Tax paid | | **(4,083)** | (4,728) |
| **NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES** | | **(85,659)** | 43,641 |

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **INVESTING ACTIVITIES** | | | |
| Acquisition of subsidiaries | 38 | — | (94,637) |
| Purchase of property, plant and equipment | | (37,529) | (41,407) |
| Deposit paid for acquisition of tea mountain | | — | (20,705) |
| Purchases of prepaid lease payment | | (100) | — |
| Purchases of other intangible assets | | (1,740) | (1,531) |
| Proceeds on other receivable previously written off | 6 | 50,449 | — |
| Purchases of available-for-sale investments | | (85,852) | (450) |
| Proceeds from disposal of subsidiaries | 39 | 12,578 | 11,666 |
| Interest received | | 5,920 | 1,895 |
| Utilisation of provisions | | (3,443) | — |
| Government grants received | 33 | 12,995 | 2,299 |
| Proceeds from disposal of available-for-sale investments | | 39,259 | — |
| Proceeds from disposal of property, plant and equipment and prepaid lease payments | | 38,566 | 11,592 |
| **NET CASH FROM (USED IN) INVESTING ACTIVITIES** | | 31,103 | (131,278) |
| **FINANCING ACTIVITIES** | | | |
| Repayment of bank borrowings | | (82,645) | (53,132) |
| Interest paid | | (14,697) | (10,191) |
| Settlement of other long-term payables | | — | (6,266) |
| Repayment of other borrowings | | (14,169) | (860) |
| New bank borrowings raised | | 32,956 | 11,807 |
| Lend out short-term loan | | (16,230) | — |
| Repayment to non-controlling shareholders | | (84,127) | — |
| **NET CASH USED IN FINANCING ACTIVITIES** | | (178,912) | (58,642) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | (233,468) | (146,279) |
| **CASH AND CASH EQUIVALENTS AT 1 JANUARY** | | 391,894 | 531,223 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | | (5,597) | 6,950 |
| **CASH AND CASH EQUIVALENTS AT 31 DECEMBER,** represented by bank balances and cash | | 152,829 | 391,894 |

## 1. GENERAL

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

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

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are mining, processing and sales of molybdenum, sales of tea products and online video broadcasting. The Group was also engaged in (i) mining, processing and sales of copper and zinc which was discontinued during the year ended 31 December 2010; and (ii) mining, processing and sales of other minerals such as rutiles, silicon and iron which was discontinued during the year ended 31 December 2011 (Note 11).

## 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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2010)**

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the consolidated financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the statement of changes in equity.

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

**Amendments to HK(IFRIC) – Int 14 Prepayments of a Minimum Funding Requirement**

The Interpretation addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of HKAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 7 (Amendments) | Disclosures — Transfers of Financial Assets[1] |
| | Disclosures — Offsetting Financial Assets and Financial Liabilities[2] |
| | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3] |
| HKFRS 9 | Financial Instruments[3] |
| HKFRS 10 | Consolidated Financial Statements[2] |
| HKFRS 11 | Joint Arrangements[2] |
| HKFRS 12 | Disclosure of Interests in Other Entities[2] |
| HKFRS 13 | Fair Value Measurement[2] |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income[5] |
| Amendments to HKAS 12 | Deferred Tax: Recovery of Underlying Assets[4] |
| HKAS 19 (Revised in 2011) | Employee Benefits[2] |
| HKAS 27 (Revised in 2011) | Separate Financial Statements[2] |
| HKAS 28 (Revised in 2011) | Investments in Associates and Joint Ventures[2] |
| Amendments to HKAS 32 | Presentation — Offsetting Financial Assets and Financial Liabilities[6] |
| HK(IFRIC) — Int 20 | Stripping Costs in the Production Phase of a Surface Mine[2] |

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

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

### HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

— HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

### HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

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

### Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

### HKAS 19 (as revised in 2011) Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to HKAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to HKAS 19 may not have impact on amounts reported in respect of the Groups' defined benefit plans as the Group has already recognised all actuarial gains or losses through other comprehensive income.

### HK(IFRIC)-Int 20 Stripping Costs in the Production Phase of a Surface Mine

HK(IFRIC)-Int 20 *Stripping Costs in the Production Phase of a Surface Mine* applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). Under the Interpretation, the costs from this waste removal activity ("stripping") which provide improved access to ore is recognised as a non-current asset ("stripping activity asset") when certain criteria are met, whereas the costs of normal ongoing operational stripping activities are accounted for in accordance with HKAS 2 *Inventories*. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

HK(IFRIC)-Int 20 is effective for annual periods beginning on or after 1 January 2013 with transitional provisions. The directors anticipate that the Interpretation will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The Group expects to adopt the interpretation from 1 January 2013.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

### Basis of consolidation

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

### Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

### Changes in the Group's ownership interests in existing subsidiaries

#### *Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010*

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

### Changes in the Group's ownership interests in existing subsidiaries *(CONTINUED)*

#### *Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010* *(CONTINUED)*

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

#### *Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010*

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

### Business combinations

#### *Business combinations that took place on or after 1 January 2010*

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

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see accounting policy below); and

# 3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

## Business combinations *(CONTINUED)*

### *Business combinations that took place on or after 1 January 2010* *(CONTINUED)*

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

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

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

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

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

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

### Business combinations *(CONTINUED)*

#### *Business combinations that took place on or after 1 January 2010* *(CONTINUED)*

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

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

#### *Business combinations that took place prior to 1 January 2010*

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

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

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

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

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

### Goodwill

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

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

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

### Goodwill *(CONTINUED)*

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

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

### Revenue recognition

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

Revenue from sale of goods is recognised when the goods are delivered and title have passed, at which time all the following conditions are satisfied:

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

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

Service income is recognised when services are provided.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flows to the Group and the amount of revenue can be measured reliably).

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

### Property, plant and equipment

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

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

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

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

### Leasing

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

#### *The Group as lessee*

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

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

#### *Leasehold land and building*

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

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

### Leasing *(CONTINUED)*

#### *Leasehold land and building* *(CONTINUED)*

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

### Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interests as appropriate).

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

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

### Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### Retirement benefit costs

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

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

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

### Taxation

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

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

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

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

### Taxation *(CONTINUED)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### Biological assets

Biological assets are plants managed by the Group which is involved in the agricultural activities of the transformation of biological assets for sale, into agricultural produce, or into additional biological assets. Biological assets are measured at fair value less estimated point-of-sale costs at initial recognition and at each reporting date. The fair value of biological assets is determined based on either the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate or the market price with reference to the species, growing condition, costs incurred and expected yield of the crops.

The agricultural produce is initially measured at fair value less estimated point-of-sale costs at the time of harvest. The fair value of agricultural produce is measured at the market prices in the local market. The fair value less estimated point-of-sale costs at the time of harvest is deemed as the cost of agricultural produce for further processing.

The gain or loss arising on initial recognition of biological asset at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs is recognised in profit or loss for the financial year in which it arises.

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

### Intangible assets

***Intangible assets acquired separately***

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

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

***Intangible assets acquired in a business combination***

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

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

(i) Mining rights

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

(ii) Exploration rights

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

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

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

### Exploration and evaluation assets

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

#### *Impairment of exploration and evaluation assets*

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 *Impairment of Assets* ("HKAS 36") whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; or

- Substantive expenditure incurred on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; or

- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or

- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### 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, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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

### Provisions *(CONTINUED)*

When some of all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

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

### Borrowing costs

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

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

### Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

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

### Financial instruments *(CONTINUED)*

#### *Financial assets*

The Group's financial assets are classified into three categories, including financial assets at FVTPL, loans and receivables and available-for-sales financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of asset within the time frame established by regulation or convention in the marketplace.

*Effective interest method*

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

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

*Financial assets at fair value through profit or loss*

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in Note 22.

*Loans and receivables*

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

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

### Financial instruments *(CONTINUED)*

#### *Financial assets* *(CONTINUED)*

*Available-for-sale financial assets*

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

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

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

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

### Financial instruments *(CONTINUED)*

#### *Financial assets* *(CONTINUED)*

*Impairment of financial assets (CONTINUED)*

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

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

#### *Financial liabilities and equity instruments*

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

*Equity instruments*

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

*Effective interest method*

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

Interest expense is recognised on an effective interest basis.

*Other financial liabilities*

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

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

### Financial instruments *(CONTINUED)*

#### *Financial liabilities and equity instruments* *(CONTINUED)*

*Non-redeemable convertible preference shares contains liability and equity components*

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

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

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

*Equity instruments*

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

#### *Derecognition*

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

On derecognition of a financial asset in its entirely, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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

**Share-based payment transactions**

***Equity-settled share-based payment transactions***

*Share options granted to employees*

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

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Estimated impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The movement of allowance for doubtful debts for trade and other receivables during the year is set out in Note 25.

### Estimated impairment of goodwill

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

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

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

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

### Provisions for land reclamation and cavity refill costs

The provisions for land reclamation and cavity refill costs have been determined by the directors of the Company based on their best estimates. The directors of the Company estimated this liability for land reclamation and cavity refill based upon detailed calculations of the amount and timing of future cash flows spending on the land reclamation and cavity refill, escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability, such that the provision reflects the present value of the costs expected to be required to settle the obligation. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change in the near term. The provision is reviewed regularly to verify that it properly reflects the present value of the obligation arising from the current and past mining activities. The movement of provisions for land reclamation and cavity refill costs during the year is set out in Note 32.

### Provisions for post-employment benefits

The provisions for post-employment benefits have been determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. Various actuarial assumptions are utilised in valuation including, without limitation, the selection of discount rate and employees' turnover rate. The discount rate is based on management's review of local high quality corporate bonds. The employees' turnover rate is based on historical trends of the Group. Where the actual rates are differing from assumed, a material difference on provision may arise. The movement of provisions for post-employment benefits during the year is set out in Note 32.

### Valuation of biological assets

The Group's management determines the fair values less estimate point-of-sale costs of biological assets on initial recognition and at each reporting date with reference to the market-determined prices, cultivation area, species, growing conditions, costs incurred and expected yield of the tea and/or the professional valuation. The details of the valuation model of the biological assets are set out in Note 20.

## 5. REVENUE

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Continuing operations | | |
| Sales of goods | | |
| — tea products | **147,645** | 140,532 |
| — molybdenum | **94,004** | 187,243 |
| | **241,649** | 327,775 |

## 6. SEGMENT INFORMATION

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

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

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

The operating segments of (i) mining, processing and sales of copper and zinc; and (ii) mining, processing and sales of other minerals such as rutile, silicon and iron was discontinued in 2010 and 2011 respectively. The segment information reported on the next pages does not include any amounts for these discontinued operations, which are described in more detail in Note 11.

## 6. SEGMENT INFORMATION *(CONTINUED)*

### Segment revenue and results

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

***For the year ended 31 December 2011***

*Continuing operations*

| | Tea products<br>*HK$'000* | Molybdenum<br>*HK$'000* | iTV<br>*HK$'000*<br>*(Note)* | Total<br>*HK$'000* |
|---|---|---|---|---|
| **REVENUE** | | | | |
| Segment revenue — external sales | **147,645** | **94,004** | **—** | **241,649** |
| **RESULT** | | | | |
| Segment profit | **16,369** | **3,404** | **42,543** | **62,316** |
| Unallocated income | | | | |
| — Interest income on bank deposits | | | | **2,568** |
| — Gain on disposal of subsidiaries | | | | **146,780** |
| — Gain on disposal of property, plant and equipment and prepaid lease payments | | | | **38,447** |
| — Interest income from available-for-sale investment | | | | **3,352** |
| — Waived of debt of other payables | | | | **2,731** |
| — Gain on changes of estimation on land refill cost | | | | **42,493** |
| — Others | | | | **984** |
| Total unallocated income | | | | **237,355** |
| Unallocated expenses | | | | |
| — Central administrative expenses | | | | **(115,091)** |
| Finance costs | | | | **(27,476)** |
| | | | | **(142,567)** |
| Profit before tax (continuing operations) | | | | **157,104** |

## 6. SEGMENT INFORMATION *(CONTINUED)*

### Segment revenue and results *(CONTINUED)*

***For the year ended 31 December 2010 (Restated)***

*Continuing operations*

| | Tea products<br>*HK$'000* | Molybdenum<br>*HK$'000* | iTV<br>*HK$'000*<br>*(Note)* | Total<br>*HK$'000* |
|---|---|---|---|---|
| **REVENUE** | | | | |
| Segment revenue — external sales | 140,532 | 187,243 | — | 327,775 |
| **RESULT** | | | | |
| Segment loss | (435,687) | (2,328) | (1,300,238) | (1,738,253) |
| Unallocated income | | | | |
| — Interest income on bank deposits | | | | 1,895 |
| — Gain on changes in fair value of held-for-trading investments | | | | 27,470 |
| — Gain on disposal of property, plant and equipment and prepaid lease payments | | | | 10,783 |
| — Others | | | | 18,950 |
| Total unallocated income | | | | 59,098 |
| Unallocated expenses | | | | |
| — Central administrative expenses | | | | (134,431) |
| Finance costs | | | | (25,353) |
| | | | | (159,784) |
| Loss before tax (continuing operations) | | | | (1,838,939) |

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit (loss) represent the result from each segment without allocation of central administration costs, directors' salaries, other income (mainly includes interest income on bank deposits and waived of loan interest), interest income from available-for-sale investment, waived of debt of other payables, gain on changes of estimation on land refill cost, gain on disposal of subsidiaries, gain on disposal of property, plant and equipment and prepaid lease payments, gain from changes in fair value of held-for-trading investments and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

*Note:* In determining the segment result of iTV for the year ended 31 December 2010, a "purchase costs recognised as expense" of approximately HK$1,299,511,000 has been included, in which, one of the other receivables of approximately HK$57,935,000 (equivalent to RMB50,000,000) has been provided impairment before calculating that "purchase costs recognised as expense".

As the above-mentioned other receivable has been received by the Group during the year ended 31 December 2011, a reversal of impairment losses on the other receivables of approximately HK$50,449,000 (equivalent to RMB41,950,000) have been included in determining the segment result of iTV for the year ended 31 December 2011 (Note 8).

## 6. SEGMENT INFORMATION *(CONTINUED)*

### Segment assets and liabilities

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

At 31 December 2011

| | Tea products<br>*HK$'000* | Molybdenum<br>*HK$'000* | iTV<br>*HK$'000* | Discontinued operations<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | | | |
| Segment assets | 427,622 | 346,060 | 38,700 | — | 812,382 |
| Unallocated assets | | | | | |
| — Available-for-sale investments | | | | | 222,092 |
| — Bank balances and cash | | | | | 85,924 |
| — Others | | | | | 15,017 |
| Total unallocated assets | | | | | 323,033 |
| Total assets | | | | | 1,135,415 |
| Segment liabilities | 74,300 | 440,954 | 3,451 | — | 518,705 |
| Unallocated liabilities | | | | | |
| — Other payables | | | | | 16,004 |
| — Tax liabilities | | | | | 61,198 |
| — Non-redeemable convertible preference shares | | | | | 52,338 |
| — Deferred tax liabilities | | | | | 8,303 |
| Total unallocated liabilities | | | | | 137,843 |
| Total liabilities | | | | | 656,548 |

## 6. SEGMENT INFORMATION *(CONTINUED)*

### Segment assets and liabilities *(CONTINUED)*

*At 31 December 2010*

| | Tea products HK$'000 | Molybdenum HK$'000 | iTV HK$'000 | Discontinued operations HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | | | |
| Segment assets | 417,955 | 291,395 | 11,934 | 17 | 721,301 |
| Unallocated assets | | | | | |
| — Available-for-sale investments | | | | | 326,710 |
| — Held-for-trading investments | | | | | 34,353 |
| — Bank balances and cash | | | | | 294,290 |
| — Others | | | | | 39,403 |
| Total unallocated assets | | | | | 694,756 |
| Total assets | | | | | 1,416,057 |
| Segment liabilities | 41,512 | 449,694 | 21,555 | 3,602 | 516,363 |
| Unallocated liabilities | | | | | |
| — Other payables | | | | | 116,690 |
| — Amounts due to non-controlling shareholders | | | | | 150,500 |
| — Tax liabilities | | | | | 62,454 |
| — Non-redeemable convertible preference shares | | | | | 52,036 |
| — Deferred tax liabilities | | | | | 18,747 |
| Total unallocated liabilities | | | | | 400,427 |
| Total liabilities | | | | | 916,790 |

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

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

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

## 6. SEGMENT INFORMATION *(CONTINUED)*

### Other segment information

***For the year ended 31 December 2011***

*Continuing operations*

| | Tea products HK$'000 | Molybdenum HK$'000 | iTV HK$'000 | Sub-total HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Amounts included in the measure of segment profit or loss or segment assets:** | | | | | | |
| Additions to non-current assets excluding financial instruments | **35,506** | **22,732** | **2,632** | **60,870** | **40** | **60,910** |
| Depreciation and amortisation | **9,927** | **12,609** | **474** | **23,010** | **2,951** | **25,961** |
| Impairment losses recognised in respect of trade and other receivables | **1,369** | **2,762** | **—** | **4,131** | **—** | **4,131** |
| Reversal of impairment losses recognised in respect of trade and other receivables | **(2,501)** | **—** | **—** | **(2,501)** | **(1,148)** | **(3,649)** |

***For the year ended 31 December 2010***

*Continuing operations*

| | Tea products HK$'000 | Molybdenum HK$'000 | iTV HK$'000 | Sub-total HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Amounts included in the measure of segment profit or loss or segment assets:** | | | | | | |
| Additions to non-current assets excluding financial instruments | 25,955 | 35,838 | 4,802 | 66,595 | 87 | 66,682 |
| Impairment losses recognised in respect of exploration and evaluation assets and other intangible assets | 44,091 | — | — | 44,091 | — | 44,091 |
| Impairment losses recognised in respect of goodwill | 423,086 | — | — | 423,086 | — | 423,086 |
| Depreciation and amortisation | 6,827 | 1,825 | 31 | 8,683 | 2,998 | 11,681 |
| Impairment losses recognised in respect of trade and other receivables | 6,625 | 754 | — | 7,379 | — | 7,379 |
| Impairment losses recognised in respect of property, plant and equipment and prepaid lease payments | — | 46,678 | — | 46,678 | — | 46,678 |
| Reversal of impairment losses recognised in respect of trade and other receivables | — | (9,424) | — | (9,424) | — | (9,424) |
| Reversal of allowance for inventories | (5) | (548) | — | (553) | — | (553) |

## 6. SEGMENT INFORMATION *(CONTINUED)*

### Geographical information

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

Information about the Group's revenue from continuing operations from external customers is presented based on the geographical location of customer. Information about the Group's non-current assets (excluding financial instruments) is presented based on the geographical location of the assets.

***For the year ended 31 December 2011***

| | **The PRC (Country of domicile)** *HK$'000* | **Hong Kong** *HK$'000* | **Europe** *HK$'000* | **Macau** *HK$'000* | **Others** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|---|---|
| Revenue from external customers | **225,066** | **175** | **14,322** | **2,086** | **—** | **241,649** |
| Non-current assets excluding financial instruments | **410,030** | **13,208** | **—** | **—** | **—** | **423,238** |

***For the year ended 31 December 2010 (Restated)***

| | The PRC (Country of domicile) *HK$'000* | Hong Kong *HK$'000* | Europe *HK$'000* | Macau *HK$'000* | Others *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|
| Revenue from external customers | 150,007 | 2,230 | 147,649 | 24,565 | 3,324 | 327,775 |
| Non-current assets excluding financial instruments | 384,143 | 13,884 | — | — | — | 398,027 |

### Information about major customers

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

| | **2011** *HK$'000* | 2010 *HK$'000* |
|---|---|---|
| Customer A[2] | **79,682** | 36,271 |
| Customer B[1] | **47,824** | 38,815 |
| Customer C[2] | **N/A[3]** | 110,889 |

1 Revenue from tea products
2 Revenue from molybdenum products
3 The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective year.

## 7. OTHER INCOME

| | 2011 HK$'000 | 2010 HK$'000 (Restated) |
|---|---|---|
| **Continuing operations** | | |
| Interest income on bank deposits | **2,568** | 1,895 |
| Net income from sale of scrap materials | **51** | 23 |
| Government grants *(Note)* | **4,211** | 12,257 |
| Waived of loan interest | **1,149** | — |
| Interest income from available-for-sale investments | **3,352** | — |
| Others | **546** | 398 |
| | **11,877** | 14,573 |

*Note:* In 2011, government grants received of approximately HK$3,230,000 (2010: HK$12,022,000) were received by the Group from the government as a financial subsidy to the Group. The government grants are recognised directly in other income upon receipt.

## 8. OTHER GAINS AND LOSSES

| | 2011 HK$'000 | 2010 HK$'000 (Restated) |
|---|---|---|
| **Continuing operations** | | |
| Waived of debt of other payables | **2,731** | — |
| Reversal of tax recoverable previously written off | **8,128** | 8,665 |
| Gain on changes of estimation on land refill cost | **42,493** | — |
| Foreign exchange gain | **2,707** | 2,391 |
| Gain on disposal of property, plant and equipment and prepaid lease payments | **38,447** | 10,783 |
| Gain from changes in fair value of held-for-trading investments | **—** | 27,470 |
| Gain from changes in fair value of biological asset | **184** | — |
| Loss on disposal of available-for-sale investments | **(191)** | — |
| Loss on disposal of held-for-trading investments | **(34,292)** | — |
| Gain on disposal of subsidiaries *(Note 39)* | **146,780** | — |
| (Reversal) recognition of purchase costs as expense *(Notes 6 and 38)* | **50,449** | (1,299,511) |
| Others | **—** | 3,672 |
| | **257,436** | (1,246,530) |

## 9. FINANCE COSTS

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| **Continuing operations** | | |
| Imputed interest on long-term payables and provisions | **12,477** | 15,162 |
| Interest on bank borrowings wholly repayable within five years | **5,458** | 10,134 |
| Interest on non-redeemable convertible preference shares | **8,232** | — |
| Interest on other borrowings | **1,309** | 57 |
| | **27,476** | 25,353 |

## 10. INCOME TAX (CREDIT) EXPENSE

| | 2011 HK$'000 | 2010 HK$'000 (Restated) |
|---|---|---|
| **Continuing operations** | | |
| Current tax: | | |
| Hong Kong | 16 | — |
| PRC Enterprise Income Tax | 3,298 | 9,554 |
| | 3,314 | 9,554 |
| Overprovision in prior years: | | |
| PRC Enterprise Income Tax | — | (653) |
| Deferred tax: *(Note 34)* | | |
| Current year | (9,579) | (3,042) |
| Income tax (credit) expense | (6,265) | 5,859 |

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

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

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

The income tax (credit) expense for the years can be reconciled to the profit (loss) before tax from continuing operations per the consolidated statement of comprehensive income as follows:

| | 2011 HK$'000 | 2010 HK$'000 (Restated) |
|---|---|---|
| Profit (loss) before tax: | | |
| (from continuing operations) | 157,104 | (1,838,939) |
| Tax at the domestic income tax rate of 25% | 39,276 | (459,735) |
| Tax effect of expenses not deductible for tax purposes | 45,956 | 467,487 |
| Tax effect of income not taxable for tax purposes | (137,243) | (31,424) |
| Tax effect of tax loss not recognised | 59,428 | 21,972 |
| Tax effect of deductible temporary differences not recognised | (9,741) | 12,627 |
| Income tax on concessionary rate | (3,367) | (5,032) |
| Effect of different tax rate of subsidiaries | (574) | — |
| Others | — | (36) |
| Income tax (credit) expense for the year | (6,265) | 5,859 |

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

## 11. DISCONTINUED OPERATIONS

During the year ended 31 December 2011, the Group entered into a sale agreement to dispose of a subsidiary, Xinganmeng Songjiang Mining Co. Ltd. ("Xinganmeng"), which was engaged in the Group's mining, processing and sales of other minerals such as rutile, silicon and iron operations. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The disposal was completed on 26 April 2011, on which date control of Xinganmeng was passed to the acquirer.

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

The profit for the year from discontinued operations for Xinganmeng and HSC is analysed as follows:

| | **2011**<br>***HK$'000*** | 2010<br>*HK$'000*<br>(Restated) |
|---|---|---|
| Profit of mining, processing and sales of other minerals such as rutile, silicon and iron operations for the year | **—** | 1,343 |
| Gain on disposal of mining, processing and sales of other minerals such as rutile, silicon and iron operations *(Note 39)* | **11,548** | — |
| Loss of mining, processing and sales of copper and zinc operations for the year | **—** | (9,733) |
| Gain on disposal of mining, processing and sales of copper and zinc operations *(Note 39)* | **—** | 100,649 |
| | **11,548** | 92,259 |

The results of the mining, processing and sales of other minerals such as rutile, silicon and iron operations, which have been included in the consolidated statement of comprehensive income, were as follows:

| | **2011**<br>***HK$'000*** | 2010<br>*HK$'000*<br>(Restated) |
|---|---|---|
| Revenue | **—** | 9,957 |
| Cost of sales | **—** | (8,571) |
| Gross profit | **—** | 1,386 |
| Other gains and losses | **—** | 141 |
| Administrative expenses | **—** | (184) |
| Profit for the year | **—** | 1,343 |

The carrying amounts of the assets and liabilities of Xinganmeng at the date of disposal are disclosed in Note 39(i).

## 11. DISCONTINUED OPERATIONS *(CONTINUED)*

The results of the mining, processing and sales of copper and zinc operations, which have been included in the consolidated statement of comprehensive income, were as follows:

| | 2010<br>*HK$'000* |
|---|---|
| Revenue | 4,195 |
| Cost of sales | (3,058) |
| Gross profit | 1,137 |
| Other income | 230 |
| Other gains and losses | 654 |
| Selling and distribution expenses | (30) |
| Administrative expenses | (11,724) |
| Loss for the year | (9,733) |

The discontinued operations contributed to the operating cash flow of the Group are stated as below:

| | **2011**<br>***HK$'000*** | 2010<br>*HK$'000* |
|---|---|---|
| Contributed operating cash flow: | | |
| Net operating cash inflow from Xinganmeng | — | 1,343 |
| Net operating cash outflow from HSC | — | (7,365) |
| | — | (6,022) |

## 12. PROFIT (LOSS) FOR THE YEAR

### Continuing operations

| | 2011 HK$'000 | 2010 HK$'000 (Restated) |
|---|---|---|
| Profit (loss) for the year has been arrived at after charging (crediting): | | |
| Directors' emoluments *(Note 13)* | **16,503** | 31,150 |
| Other staff's salaries, bonus and allowances | **33,727** | 42,689 |
| Other staff's contribution to retirement benefits schemes | **718** | 4,709 |
| Total staff costs | **50,948** | 78,548 |
| Impairment losses recognised in respect of trade and other receivables | **4,131** | 7,379 |
| Reversal of allowance for inventories (included in cost of sales) | **—** | (553) |
| Reversal of impairment losses on trade and other receivables | **(3,649)** | (9,424) |
| Amortisation of other intangible assets | **3,104** | 1,143 |
| Amortisation of prepaid lease payments | **5,831** | 3,263 |
| Auditors' remuneration | **1,500** | 2,600 |
| Costs of inventories recognised as an expense | **136,190** | 208,816 |
| Depreciation of property, plant and equipment | **17,026** | 7,275 |

## 13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### Directors' emoluments

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| Fees | **594** | 600 |
| Other emoluments | | |
| Salaries and other benefits | **5,731** | 5,539 |
| Performance related incentive payments *(Note f)* | **700** | 15,640 |
| Share-based payments | **9,197** | 8,472 |
| Retirement benefits contributions | **281** | 899 |
| | **16,503** | 31,150 |

## 13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

The emoluments paid or payable to each of the eleven (2010: nine) directors were as follows:

### 2011

| | Fees *HK$'000* | Salaries and other benefits *HK$'000* | Performance related incentive payments *HK$'000* *(Note f)* | Share-based payments *HK$'000* | Retirement benefits contributions *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|
| ***Chairman*** | | | | | | |
| You Xian Sheng | — | 1,500 | 200 | 2,627 | 85 | 4,412 |
| ***Executive directors*** | | | | | | |
| Wang Hui | — | 1,193 | — | 876 | 22 | 2,091 |
| Yeung Kwok Kuen | — | 1,500 | 250 | 2,627 | 87 | 4,464 |
| Chen Shou Wu | — | 1,500 | 250 | 2,627 | 87 | 4,464 |
| Fang Yi Quan *(Note a)* | — | 38 | — | — | — | 38 |
| ***Non-executive director*** | | | | | | |
| Lam Ming Yung *(Note b)* | 119 | — | — | 88 | — | 207 |
| ***Independent non-executive directors*** | | | | | | |
| Chan Sze Hon *(Note c)* | 108 | — | — | 88 | — | 196 |
| Goh Choo Hwee *(Note d)* | 108 | — | — | 88 | — | 196 |
| Chu Kang Nam | 120 | — | — | 88 | — | 208 |
| Lin Xiang Min | 120 | — | — | 88 | — | 208 |
| Chong Cha Hwa *(Note e)* | 19 | — | — | — | — | 19 |
| | 594 | 5,731 | 700 | 9,197 | 281 | 16,503 |

## 13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

### 2010

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

*Notes:*

(a) Fang Yi Quan was appointed on 23 November 2011.

(b) Lam Ming Yung was resigned on 29 December 2011.

(c) Chan Sze Hon was resigned on 23 November 2011.

(d) Goh Choo Hwee was resigned on 23 November 2011.

(e) Chong Cha Hwa was appointed on 23 November 2011.

(f) The performance related incentive payments are determined by reference to the financial performance of certain subsidiaries of the Group during the year.

## 13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

### Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2010: four) were directors of the Company whose emoluments are included in the disclosures above for both years. The emoluments of the remaining one individual were as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Salaries and other benefits | **730** | 3,685 |
| Share-based payments | **876** | 498 |
| Retirement benefits contributions | **22** | 18 |
| | **1,628** | 4,201 |

During the two years ended 31 December 2011 and 2010, no emoluments were paid by the Group to the Company's directors or any of the five highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office. None of the directors has waived or agreed to waive any emolument during each of the two years ended 31 December 2011 and 2010.

## 14. EARNINGS (LOSS) PER SHARE

### From continuing and discontinued operations

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Profit (loss) for the year attributable to owners of the Company and earnings (loss) for the purposes of basic earnings (loss) per share | **82,109** | (1,749,676) |
| Effect of dilutive potential ordinary shares: | | |
| Interest on non-redeemable convertible preference shares *(Note)* | **8,232** | — |
| Profit (loss) for the purposes of diluted earnings (loss) per share | **90,341** | (1,749,676) |

| | **Number of shares** | |
|---|---|---|
| | **2011** | 2010 |
| | ***'000*** | *'000* |
| Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share | **9,138,782** | 6,703,295 |
| Effect of dilutive potential ordinary shares: | | |
| Non-redeemable convertible preference shares *(Note)* | **3,776,190** | — |
| Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share | **12,914,972** | 6,703,295 |

## 14. EARNINGS (LOSS) PER SHARE *(CONTINUED)*

### From continuing operations

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

| | 2011 HK$'000 | 2010 HK$'000 (Restated) |
|---|---|---|
| Profit (loss) for the year attributable to owners of the Company | **82,109** | (1,749,676) |
| *Less:* Profit for the year from discontinued operations | **(11,548)** | (92,259) |
| Profit (loss) for the purpose of basic earnings (loss) per share from continuing operations | **70,561** | (1,841,935) |
| Effect of dilutive potential ordinary shares: Interest on non-redeemable convertible preference shares *(Note)* | **8,232** | — |
| Profit (loss) for the purpose of diluted earnings (loss) per share from continuing operations | **78,793** | (1,841,935) |

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

*Note:* The computation of diluted loss per share for the year ended 31 December 2010 does not assume the conversion of the Company's outstanding share options and non-redeemable convertible preference shares since their exercise would result in a decrease in loss per share for the year.

### From discontinued operations

Basic earnings per share for the discontinued operations in 2011 is HK0.13 cents (2010: HK1.38 cents per share) and diluted earnings per share for the discontinued operations in 2011 is HK0.09 cents (2010: HK1.38 cents per share), based on the profit for the year from the discontinued operations of approximately HK$11,548,000 (2010: HK$92,259,000) and the denominators detailed above for both basic and diluted earnings per share.

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Mining structures HK$'000 | Buildings HK$'000 | Plant and machinery HK$'000 | Furniture, fixtures and equipment HK$'000 | Motor vehicles HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | |
| 1 January 2010 | 67,798 | 381,587 | 108,134 | 12,875 | 16,863 | 33,477 | 620,734 |
| Exchange adjustments | 2,365 | 10,851 | 3,677 | 45 | 190 | 32 | 17,160 |
| Additions | 1,246 | 17,626 | 444 | 715 | 3,531 | 17,845 | 41,407 |
| Acquisition of subsidiaries | — | — | — | 1,479 | 608 | — | 2,087 |
| Transfers | — | 16,621 | — | — | — | (16,621) | — |
| Disposal of a subsidiary | — | — | — | — | (37) | — | (37) |
| Disposals | — | (150) | (6,026) | (360) | (7,418) | — | (13,954) |
| At 31 December 2010 and 1 January 2011 | 71,409 | 426,535 | 106,229 | 14,754 | 13,737 | 34,733 | 667,397 |
| Exchange adjustments | 2,417 | 11,810 | 3,607 | 427 | 450 | 167 | 18,878 |
| Additions | — | 21,981 | 4,719 | 653 | 890 | 9,286 | 37,529 |
| Disposal of subsidiaries | — | (28,239) | (23,682) | (38) | — | — | (51,959) |
| Disposals | — | (32,055) | (7) | (46) | (2,569) | — | (34,677) |
| At 31 December 2011 | 73,826 | 400,032 | 90,866 | 15,750 | 12,508 | 44,186 | 637,168 |
| **ACCUMULATED DEPRECIATION AND IMPAIRMENT** | | | | | | | |
| At 1 January 2010 | 60,225 | 290,701 | 98,823 | 5,534 | 10,782 | 33,477 | 499,542 |
| Exchange adjustments | 2,279 | 10,849 | 3,646 | 39 | 125 | — | 16,938 |
| Charge for the year | 1,130 | 2,934 | 1,037 | 1,201 | 973 | — | 7,275 |
| Eliminated on disposal of a subsidiary | — | — | — | — | (4) | — | (4) |
| Eliminated on disposal | — | (139) | (5,262) | (360) | (7,384) | — | (13,145) |
| Impairment loss recognised in profit or loss | 2,169 | 39,221 | 3,716 | — | — | — | 45,106 |
| At 31 December 2010 and 1 January 2011 | 65,803 | 343,566 | 101,960 | 6,414 | 4,492 | 33,477 | 555,712 |
| Exchange adjustments | 2,167 | 9,217 | 3,613 | 645 | 317 | — | 15,959 |
| Charge for the year | 253 | 9,202 | 4,158 | 1,630 | 1,783 | — | 17,026 |
| Eliminated on disposal of subsidiaries | — | (27,611) | (23,682) | (38) | — | — | (51,331) |
| Eliminated on disposal | — | (31,897) | (6) | (33) | (2,181) | — | (34,117) |
| At 31 December 2011 | 68,223 | 302,477 | 86,043 | 8,618 | 4,411 | 33,477 | 503,249 |
| **CARRYING VALUES** | | | | | | | |
| **At 31 December 2011** | **5,603** | **97,555** | **4,823** | **7,132** | **8,097** | **10,709** | **133,919** |
| At 31 December 2010 | 5,606 | 82,969 | 4,269 | 8,340 | 9,245 | 1,256 | 111,685 |

The Group has pledged a building with a carrying value of approximately HK$2,818,000 (2010: Nil) to secure the general banking facilities granted to the Group, for detail, please refer to Note 30.

## 15. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

The carrying values of buildings comprise:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Long-term lease in Hong Kong | **12,876** | 13,700 |
| Medium-term lease in the PRC | **84,679** | 69,269 |
| | **97,555** | 82,969 |

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

| | |
|---|---|
| Mining structures | The units of production on the proven and probable mineral reserves |
| Buildings | Shorter of lease term of land or 8 — 40 years |
| Plant and machinery | 12 — 14 years |
| Furniture, fixtures and equipment | 5 — 10 years |
| Motor vehicles | 5 — 10 years |

Applications for property ownership certificates of certain buildings located in Wuyishan with aggregate carrying values of approximately HK$15,648,000 (2010: HK$29,740,000) and HK$15,101,000 (2010: HK$11,546,000) respectively as of 31 December 2011 and Harbin were still in progress and these property ownership certificates had not been issued to the Group by the relevant government authorities as at 31 December 2011.

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

Due to the decrease in market price of various minerals and the increase in cost of production for molybdenum products, impairment loss was recognised for the year ended 31 December 2010 to write down the carrying amounts of the related property, plant and equipment to their recoverable amounts. The impairment loss was related to the following segments:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Molybdenum products | **—** | 45,106 |

Details of the impairment testing on property, plant and equipment are set out in Note 21 (included in the CGU of mining business of molybdenum).

## 16. PREPAID LEASE PAYMENTS

Analysed for reporting purposes as:

| | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|
| Current asset | **3,562** | 3,873 |
| Non-current asset | **29,728** | 33,800 |
| | **33,290** | 37,673 |

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

The Group has pledged a prepaid lease payment with carrying values of approximately HK$20,117,000 (2010: Nil) to secure general banking facilities granted to the Group, for detail, please refer to Note 30.

Due to the decrease in market price of various minerals and the increase in cost of production for molybdenum products, impairment loss was recognised during the year ended 31 December 2010 to write down the carrying amounts of the related prepaid lease payments to their recoverable amounts. The impairment loss was related to the following segments:

| | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|
| Molybdenum products | **—** | 1,572 |

Details of the impairment testing on prepaid lease payments are set out in Note 21.

## 17. EXPLORATION AND EVALUATION ASSETS

| | HK$'000 |
|---|---|
| **COST** | |
| At 1 January 2010 | 44,564 |
| Exchange adjustments | 1,686 |
| At 31 December 2010 and 1 January 2011 | 46,250 |
| Exchange adjustments | 1,565 |
| **At 31 December 2011** | **47,815** |
| **IMPAIRMENT** | |
| At 1 January 2010 | 44,564 |
| Exchange adjustments | 1,686 |
| At 31 December 2010 and 1 January 2011 | 46,250 |
| Exchange adjustments | 1,565 |
| **At 31 December 2011** | **47,815** |
| **CARRYING VALUES** | |
| **At 31 December 2011** | **—** |
| At 31 December 2010 | — |

In 2009, the management considers that it is not commercially viable to further continue the exploration given the unfavourable economic environment and of the opinion that the carrying amount of the exploration and evaluation assets is unlikely to be recovered, therefore full impairment on the related evaluation and exploration assets had been recongised in 2009.

## 18. GOODWILL

| | HK$'000 |
|---|---|
| **COST** | |
| At 1 January 2010, 31 December 2010 and 31 December 2011 | **511,381** |
| **ACCUMULATED IMPAIRMENT** | |
| At 1 January 2010 | **—** |
| Impairment loss recognised for the year | **423,086** |
| At 31 December 2010 and 31 December 2011 | **423,086** |
| **CARRYING VALUES** | |
| **At 31 December 2011** | **88,295** |
| At 31 December 2010 | **88,295** |

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

## 19. OTHER INTANGIBLE ASSETS

| | Mining rights HK$'000 (Note b and Note 51) (Restated) | Exploration rights HK$'000 | Brand name HK$'000 (Note c) | Network video platform HK$'000 (Note d) | Forest use right HK$'000 (Note e) | Total HK$'000 |
|---|---|---|---|---|---|---|
| **COST** | | | | | | |
| At 1 January 2010 | 3,209,856 | 14,901 | 79,374 | — | — | 3,304,131 |
| Exchange adjustments | 122,028 | 564 | — | 111 | — | 122,703 |
| Acquisition of subsidiaries | — | — | — | 952 | — | 952 |
| Additions | — | — | — | 1,531 | — | 1,531 |
| At 31 December 2010 and 1 January 2011 | 3,331,884 | 15,465 | 79,374 | 2,594 | — | 3,429,317 |
| Exchange adjustments | 117,149 | 523 | 23 | 112 | — | 117,807 |
| Additions | — | — | 186 | 1,554 | 9,641 | 11,381 |
| Disposal of subsidiaries | (4,553) | — | — | — | — | (4,553) |
| At 31 December 2011 | 3,444,480 | 15,988 | 79,583 | 4,260 | 9,641 | 3,553,952 |
| **ACCUMULATED AMORTISATION AND IMPAIRMENT** | | | | | | |
| At 1 January 2010 | 3,106,856 | 14,901 | — | — | — | 3,121,757 |
| Exchange adjustments | 118,220 | 564 | — | — | — | 118,784 |
| Charge for the year | 1,143 | — | — | — | — | 1,143 |
| Impairment loss recognised for the year | — | — | 44,091 | — | — | 44,091 |
| At 31 December 2010 and 1 January 2011 | 3,226,219 | 15,465 | 44,091 | — | — | 3,285,775 |
| Exchange adjustments | 109,054 | 523 | — | 2 | — | 109,579 |
| Charge for the year | 2,945 | — | — | 128 | 31 | 3,104 |
| Eliminated on disposal of subsidiaries | (3,538) | — | — | — | — | (3,538) |
| At 31 December 2011 | 3,334,680 | 15,988 | 44,091 | 130 | 31 | 3,394,920 |
| **CARRYING VALUES** | | | | | | |
| **At 31 December 2011** | **109,800** | **—** | **35,492** | **4,130** | **9,610** | **159,032** |
| At 31 December 2010 | 105,665 | — | 35,283 | 2,594 | — | 143,542 |

## 19. OTHER INTANGIBLE ASSETS *(CONTINUED)*

*Notes:*

**(a)** The above intangible assets other than brand name have finite useful lives. Mining rights are amortised using the units of production method based on the proven and probable mineral reserves and the amortisation rate used in 2011 is 1.60% (2010: 0.02%). Exploration rights are amortised on a straight-line basis over the contractual rights of 2 years (2010: 2 years). Network video platform is amortised on a straight-line basis over its expected useful life of 9 years (2010: 9 years). Forest use right is amortised on a straight-line basis over its expected useful life of 24 years (2010: Nil).

**(b) Mining rights (included in the CGU of mining business of molybdenum)**

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

**(c) Brand name (included in the CGU of tea business)**

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

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

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

The network video platform represents the design and application of the network video platform for providing online video services. At 31 December 2011, the construction of platform has been completed and put in use in 2011. Particulars of the impairment testing are disclosed in Note 21.

**(e) Forest use right (included in the CGU of biological asset)**

The forest use right relates to the favourable aspect of the right to use and operate the tea plantation land, which in substance is an operating right (Note 23). The fair value on acquisition was determined based on a valuation report prepared by an independent professional valuer using discount cash flows method at the date of acquisition and the estimated present value of payments due under the agreement entered into by Wuyi. It will be tested for impairment annually whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in Note 21.

## 20. BIOLOGICAL ASSETS

| | **Tea plantation** *HK$'000* |
|---|---|
| At 31 December 2010 and 1 January 2011 | — |
| Additions | 11,900 |
| Exchange adjustment | 180 |
| Gain on changes in fair value less estimated point-of-sale costs | 184 |
| **At 31 December 2011** | **12,264** |

## 20. BIOLOGICAL ASSETS *(CONTINUED)*

Biological assets at 31 December 2011 are stated at fair values less estimated point-of-sale costs and are analysed as follows:

| | **Tea plantation** *HK$'000* |
|---|---|
| Non-current asset | 12,264 |

The amount represented a tea mountain which located in Fujian Province, Wuyishan City, Wuyi Town, Chishi Village, Du Kou Dao Ban（福建省武夷山市武夷鎮赤石村渡口道班）. In accordance with the valuation report issued by Greater China Appraisal Limited, an independent professional valuer, the fair value less estimated point-of-sale costs of tea plantation is determined with reference to the present value of expected net cash flows from the biological asset discounted at a current market-determined pre-tax rate. No agricultural produce had been harvest during the year ended 31 December 2011.

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

### Impairment testing on tea business

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

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

During that interim period of 2010, there were unexpected natural disasters took place in the area where King Gold Group operates. With shortage of raw materials supplied, the material prices kept increasing, thus adversely affecting the gross margins of the King Gold Group. In addition, there was a loss of two major customers which has contributed significant portion of revenue in the prior years. The projected cash flows were then revised to reflect such factors.

The recoverable amounts of King Gold Group at 31 December 2011 and 2010 were determined on the basis of value in use calculation and based on certain key assumptions. The cash flow projections were prepared from financial budgets approved by the management of the Group covering a five-year period and a discount rate of 12.6% (2010: 12.6%). Cash flows beyond the five-year period were extrapolated using a 3% (2010: 3%) steady growth rate. This growth rate was based on the relevant growth forecasts and does not exceed the average long-term growth rate for the relevant industry. In addition, the cash flow projections were prepared based on the expected gross margins determined based on past performance and management's expectations for the market development.

## 21. IMPAIRMENT TESTING ON GOODWILL, OTHER INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT, PREPAID LEASE PAYMENTS AND BIOLOGICAL ASSETS *(CONTINUED)*

### Impairment testing on tea business *(CONTINUED)*

At 30 June 2010, impairment loss in respect of goodwill of approximately HK$423,086,000 was recognised in the interim period. At 31 December 2011 and 2010, based on the recoverable amount determined on the basis described above, no further impairment loss for goodwill in respect of the year ended 31 December 2010 and 2011 is required. At 31 December 2011 and 2010, a reasonably possible change in any of these assumptions would not cause the carrying amount of King Gold Group to exceed the recoverable amount of King Gold Group.

During the year ended 31 December 2011 and 2010, management appointed an independent professional valuer, BMI Appraisals Limited, to perform a business valuation on King Gold Group. The directors of the Company determine that the recoverable amount of the brand name as at 31 December 2010 was less than its carrying value as at 31 December 2010 due to the loss of two major customers. The recoverable amount of brand name has been determined on the basis of its fair value. Relief-from-royalty method was applied in the valuation of the brand name. In applying the method, an estimate of a reasonable royalty rate was made assuming that the brand name was licensed at a fair rate as a result of arm's length negotiations. Royalty rate of 3% (2010: 3%) was adopted in the valuation of brand name.

As a result of the above, no impairment losses in respect of the goodwill (2010: impairment loss of approximately HK$423,086,000) and brand name (2010: impairment loss of approximately HK$44,091,000) were recognised in the consolidated statement of comprehensive income during the year ended 31 December 2011.

### Impairment testing on mining business of molybdenum

For the year ended 31 December 2010, the impairment losses of other intangible assets of mining rights, property, plant and equipment and prepaid lease payments relating to the mining business of molybdenum ("Mining Unit") is attributable to the increase in production cost in 2010 due to the unfavourable economic environment. The operation of mining, processing and sales of molybdenum products is the CGU for the purpose of impairment testing of the Mining Unit.

During the year ended 31 December 2011, management has appointed an independent professional valuer, Greater China Appraisal Limited, to perform a business valuation on the Mining Unit and no impairment loss (2010: impairment loss of approximately HK$46,678,000) has been made according to the excess of the recoverable amount over aggregate carrying amounts of the Mining Unit (being the CGU to which the Mining Unit has been allocated) based on the valuation report. The value-in-use calculation is based on a discount rate of 23.2% (2010: 21%) and cash flow projections prepared from financial forecasts approved by the management of the Group covering a 5-year period, taking into account of the cavity refill requirement by the PRC government which lowered the maximum annual production of minerals and a longer forecast period for compliance with the tightened government safety requirements. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the Mining Unit's past performance and management's expectations for the market development.

## 21. IMPAIRMENT TESTING ON GOODWILL, OTHER INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT, PREPAID LEASE PAYMENTS AND BIOLOGICAL ASSETS *(CONTINUED)*

### Impairment testing on mining business of molybdenum *(CONTINUED)*

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Property, plant and equipment | — | 45,106 |
| Prepaid lease payments | — | 1,572 |
| | — | 46,678 |

### Impairment testing on iTV business

The network video platform with the carrying value of HK$4,130,000 (equivalent to RMB3,384,000) as at 31 December 2011 recorded by Jiu Zhou Shi Dai Digital Technology Limited(九州時代數碼科技有限公司)should be capitalised as intangible assets in according with the Hong Kong Accounting Standard 38 *"Intangible Assets"*. The network video platform represents the design and application of the network video platform for providing online video services and the expected useful life is 9 years. The directors of the Company determined that comprised a comparison of the carrying amount and recoverable amount of the network video platform and, hence, involved consideration of the value-in-use. The cash flows used in the calculation are consistent with the most up-to-date budgets and plans formally approved by management and are based on reasonable and supportable assumptions. The discount rate used, in the management's view, represents the rate that the market would expect on an investment of equivalent risk. Based on the review of the directors of the Company, they are of the opinion that no impairment is required on the network video platform for the year ended 31 December 2011.

### Impairment testing on biological assets of tea plantation

The biological assets and forest use right represent the right to use and operate of tea plantation in Fujian Province, Wuyishan City, Wuyi Town, Chishi Village, Du Kou Dao Ban(福建省武夷山市武夷鎮赤石村渡口道班)with the useful life of 24 years. The biological assets and forest use right was acquired during the year ended 31 December 2011 for an aggregated consideration of HK$21,541,000 (equivalent to RMB17,536,000) (Note 23). The recoverable amount of the biological asset and forest use right have been determined on the basis of its fair value. The directors of the Company appointed an independent professional valuer, Greater China Appraisals Limited, to perform a valuation on the biological asset and forest use right. Based on the valuation report dated 23 March 2012, the fair value of the biological asset and forest use right were approximately HK$12,265,000 (equivalent to RMB10,048,000) and approximately HK$9,641,000 (equivalent to RMB7,652,000) as at 31 December 2011 based on the discount rate of 13.0% and 5.3% respectively, which is higher than the respective carrying values. Therefore, the director of the Company are of the opinion that no impairment is required on the biological assets and forest use right for the year ended 31 December 2011.

## 22. AVAILABLE-FOR-SALE INVESTMENTS/HELD-FOR-TRADING INVESTMENTS

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Available-for-sale investments listed in overseas stock exchange equity securities | **222,092** | 326,710 |
| Held-for-trading investments | | |
| Listed warrants at fair value | **—** | 34,353 |

The available-for-sale investments represent investments in the listed entities as at 31 December 2011 as details stated as follow:

| **Name of the investees** | **Place of incorporation** | **Carrying value as at 31 December 2011** | **Fair value loss to reserve during 2011** | **Impairment loss during 2011** | **Equity interest attributable to the Group as at 31 December 2011** |
|---|---|---|---|---|---|
| | | *(HK$'000)* | *(HK$'000)* | *(HK$'000)* | |
| Selwyn Resources Ltd | Canada | 70,222 | (10,857) | — | 11.24% |
| Fortune Minerals Ltd | Canada | 84,004 | (119,618) | — | 13.08% |
| Majestic Gold Corporation | Canada | 67,866 | (5,654) | (11,781) | 8.25% |
| Total | | 222,092 | (136,129) | (11,781) | |

The available-for-sale investments represent investments in the listed entities as at 31 December 2010 as details stated as follow:

| **Name of the investees** | **Place of incorporation** | **Carrying value as at 31 December 2010** | **Fair value gain to reserve during 2010** | **Impairment loss during 2010** | **Equity interest attributable to the Group as at 31 December 2010** |
|---|---|---|---|---|---|
| | | *(HK$'000)* | *(HK$'000)* | *(HK$'000)* | |
| Selwyn Resources Ltd | Canada | 82,010 | 5,182 | — | 13.68% |
| Fortune Minerals Ltd | Canada | 205,072 | 128,107 | — | 14.33% |
| United States Natural Gas Fund | United States | 39,628 | — | (46,729) | Less than 5% |
| Total | | 326,710 | 133,289 | (46,729) | |

During the year ended 31 December 2011, the decline in fair value of this investment amounting to HK$136,129,000 is recognised in investment revaluation reserve under other comprehensive income because such decline is expected for short period.

## 22. AVAILABLE-FOR-SALE INVESTMENTS/HELD-FOR-TRADING INVESTMENTS *(CONTINUED)*

During the year ended 31 December 2011, there are impairment losses of available-of-sale investments amounting to HK$11,781,000 which is contributed from Majestic Gold Corporation ("Majestic Gold"). The Group had subscribed the convertible notes of Majestic Gold in July 2011 and subsequently converted into ordinary shares of Majestic Gold in October and November 2011. As the fair value of the ordinary shares of Majestic Gold at the dates of conversion were lower than the nominal value of the convertible notes, and the different represented the significant and prolonged decline in fair value of an investment below its cost. Total decline in fair value is recognised as impairment losses for the current year.

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

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

At 31 December 2010, the fair value measurement of the listed warrants is derived from quoted prices in an active market. The warrants are listed in TSE. During the year ended 31 December 2011, the listed warrants were expired without execution. The loss amounting to approximately HK$34,292,000 is recognised in profit or loss in the year ended 31 December 2011.

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

## 23. DEPOSIT FOR ACQUISITION OF TEA MOUNTAIN

On 15 December 2010, a subsidiary of the Group, Wuyi entered into agreement with third parties, pursuant to which Wuyi has agreed to acquire the tea mountain which located in Fujian Province, Wuyishan City, Wuyi Town, Chishi Village, Du Kou Dao Ban,（福建省武夷山市武夷鎮赤石村渡口道班）for an aggregate consideration of HK$20,705,000 (equivalent to RMB17,536,000). This transaction will be completed upon forest use right certificate（林權證）of the tea mountain is transferred to Wuyi. At 31 December 2010, it represented a deposit of HK$20,750,000 (equivalent to RMB17,536,000) paid by Wuyi for acquisition of the tea mountain. As the ownership of the tea mountain has been transferred to Wuyi on 28 November 2011, the amount has been reclassified as biological assets (Note 20) and the amount of other intangible assets of forest use right (Note 19) has been transferred during the year ended 31 December 2011 .

## 24. INVENTORIES

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Raw materials | **56,973** | 18,831 |
| Work in progress | **58,224** | 72,211 |
| Finished goods | **67,234** | 73,712 |
| | **182,431** | 164,754 |

During the year ended 31 December 2010, as the net realisable value of some impaired finished goods has been increased, a reversal of provision of finished goods amounting to approximately HK$553,000 has been recognised and included in cost of sales in the year ended 31 December 2010.

## 25. TRADE AND OTHER RECEIVABLES

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| Trade receivables | **102,840** | 71,789 |
| *Less:* Allowance for doubtful debts | **(6,646)** | (6,323) |
| | **96,194** | 65,466 |
| Other receivables (Restated) | **78,879** | 79,651 |
| *Less:* Allowance for doubtful debts (Restated) | **(59,381)** | (61,478) |
| | **19,498** | 18,173 |
| Deposits and prepayments | **19,341** | 12,807 |
| Total trade and other receivables | **135,033** | 96,446 |

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

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| 0 — 30 days | **34,432** | 24,194 |
| 31 — 60 days | **3,954** | 267 |
| 61 — 90 days | **16,964** | 36,586 |
| Over 90 days | **40,844** | 4,419 |
| | **96,194** | 65,466 |

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed once a year. At 31 December 2011, approximately 39% (2010: 85%) of the trade receivables that are neither past due nor impaired.

Included in the Group's trade receivables balance as at 31 December 2011 are debtors with aggregate carrying amount of approximately HK$56,049,000 (2010: HK$4,419,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered to be recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 105 days (2010: 90 days).

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

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| 31 — 90 days | **15,205** | — |
| Over 90 days | **40,844** | 4,419 |
| | **56,049** | 4,419 |

At 31 December 2011, included in the Group's trade receivables past due but not impaired are receivable from one of the major customers of mining, processing and sales of molybdenum segment with approximately HK$39,627,000. This customer was a stated owned enterprise located in the PRC and has long term business relationship with the Group. The Group allows credit period of 30 days to this customer. In view of the past repayment records and the high credit rating of this customer, the directors of the Company are in the opinion that no impairment on this customer is required.

## 25. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Movement in the allowance for doubtful debts for trade receivables:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At beginning of the year | **6,323** | 4,612 |
| Exchange adjustments | **216** | 225 |
| Impairment losses reversal | **(1,148)** | (130) |
| Impairment losses recognised | **1,255** | 1,616 |
| At the end of the year | **6,646** | 6,323 |

Movement in the allowance for doubtful debts for other receivables:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At beginning of the year | **61,478** | 64,257 |
| Exchange adjustments | **1,470** | 752 |
| Disposal of subsidiaries | **(3,942)** | — |
| Impairment losses reversal | **(2,501)** | (9,294) |
| Impairment losses recognised | **2,876** | 5,763 |
| At the end of the year | **59,381** | 61,478 |

Included in the Group's allowance for doubtful debts are individually impaired trade receivables and other receivables with an aggregate balances of approximately HK$6,646,000 (2010: HK$6,323,000) and HK$59,381,000 (2010: HK$61,478,000) respectively in which the directors of the Company consider that the Group is unlikely to recover these debts as they are long outstanding over one year. The Group does not hold any collateral over these balances.

## 26. SHORT-TERM LOAN AND LOAN INTEREST RECEIVABLES

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loan receivables | **15,868** | — |
| Loan interest receivables | **362** | — |
| | **16,230** | — |
| Analysed for reporting purposes as: | | |
| Current assets | **16,230** | — |

The short-term loan carries interest at 5% per annum, unsecured and matured within one year.

## 27. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates ranging from 0.02% to 3.1% (2010: 0.36% to 0.72%) per annum at 31 December 2011.

## 28. TRADE AND OTHER PAYABLES

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| Trade payables | **17,759** | 17,610 |
| Other payables and accruals *(Note)* | **236,687** | 242,983 |
| | **254,446** | 260,593 |

*Note:* The amount includes approximately HK$37,216,000 (2010: HK$27,710,000) mining right payables to be settled in the next twelve months from the end of the reporting period. For details, please refer to Note 35.

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

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| 0 — 90 days | **14,024** | 13,261 |
| 91 — 180 days | **266** | 44 |
| 181 — 365 days | **368** | 504 |
| Over 1 year | **3,101** | 3,801 |
| | **17,759** | 17,610 |

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

## 29. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

The amounts due to non-controlling shareholders are unsecured, interest-free and repayable on demand. During the year ended 31 December 2011, the non-controlling shareholders agreed to waive partial of the amounts due to them amounting to approximately HK$66,373,000, and the remaining balances have been fully settled in cash during the current year.

## 30. BANK BORROWINGS

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| Bank borrowings — unsecured | **—** | 82,645 |
| Bank borrowings — secured | **32,956** | — |
| | **32,956** | 82,645 |
| Carrying amount payable: | | |
| On demand or within one year show under current liabilities | **32,956** | 82,645 |

The Group has pledged a building and a prepaid lease payment with carrying values of approximately HK$2,818,000 (2010: Nil) and HK$20,117,000 (2010: Nil) respectively to secure general banking facilities grant to the Group.

All the bank borrowings are variable-rate borrowings for 2011 and 2010. The ranges of effective interest rates on the Group's bank borrowings are as follows:

| | 2011 | 2010 |
|---|---|---|
| Variable-rate borrowings (with reference to the lending rate of The People's Bank of China ("PBOC")) | **5.84%-6.94%** | 5.40%-5.94% |

## 31. OTHER BORROWINGS

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| Analysed for reporting purposes as: | | | |
| Current liabilities | (a) | **1,221** | 1,181 |
| Non-current liabilities | (b) | **5,238** | 19,233 |
| | | **6,459** | 20,414 |

*Notes:*

(a) As at 31 December 2011, included in the Group's current liabilities of other borrowings is a loan with a principal amount of approximately HK$1,221,000 (equivalent to RMB1,000,000) (2010: HK$1,181,000) was provided by the Industry Development Fund（工業發展基金）of the Harbin Finance Bureau in 1998. The amount is unsecured, interest-free and repayable on demand.

(b) (i) A loan with a principal amount of approximately HK$5,238,000 (equivalent to RMB4,290,000) (2010: HK$5,064,000) was provided by the Harbin Finance Bureau in 2007. The amount is unsecured, interest bearing with a fixed rate of 2.55% per annum and the repayment terms are as follows.

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| Within one year | **—** | — |
| More than one year, but not more than two years | **524** | — |
| More than two years, but not more than five years | **1,571** | 1,612 |
| More than five years (up to 2022) | **3,143** | 3,452 |
| | **5,238** | 5,064 |

(ii) At 31 December 2010, an unsecured loan with principal amount of approximately HK$14,169,000 (equivalent to RMB12,000,000 was acquired through the acquisition of a subsidiary (Note 38(i)). The loan was granted in June 2010 and it bears interest at 5% per annum and the repayment terms are as follows:

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| More than one year, but not more than two years | **—** | 14,169 |

## 32. PROVISIONS

In accordance with relevant PRC rules and regulations, the Group is obliged to accrue the costs for land reclamation and cavity refill for the Group's existing mines. The provision for land reclamation and cavity refill costs has been determined by the directors of the Company based on their best estimation and such costs are expected to be incurred during the period from 2011 to 2020 (2010: 2011 to 2012). Anticipated expenditure for 2012 is HK$6,428,000, and the remaining expenditure of HK$89,327,000 is expected to be incurred after 2012.

In addition to the provision of land reclamation and cavity refill costs, the Group also provides post-employment benefits to employees. The expected cost of providing these post-employment benefits is actuarially determined and recognised by using projected unit credit method, which involves a number of assumptions and estimates, including inflation rate, work injury rate, discount rate and employees' turnover ratio (Note 43). In addition, the Group also provides cost of residence benefit to its employees and their families. The cost has been determined by the directors of the Company based on their best estimation. Anticipated expenditure in respect of post-employment benefit amounting HK$14,733,000 to be incurred after 2012.

| | **Provision for land reclamation and cavity refill cost** *HK$'000* | **Provision for post-employment benefits** *HK$'000* | **Provision for cost of residence** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| At 1 January 2010 | 124,049 | 69,272 | 113,501 | 306,822 |
| Exchange adjustment | 4,693 | 1,894 | 2,866 | 9,453 |
| Addition (reversal) for the year | 9,094 | 4,690 | (14,547) | (763) |
| Utilisation of provision | (6,253) | (2,034) | (21) | (8,308) |
| Actuarial loss | — | (621) | — | (621) |
| Disposal of a subsidiary *(Note 39(ii))* | — | (63,933) | (101,799) | (165,732) |
| At 31 December 2010 and 1 January 2011 | 131,583 | 9,268 | — | 140,851 |
| Exchange adjustment | 2,240 | 390 | — | 2,630 |
| Gain on change of estimation *(Note)* | (42,493) | — | — | (42,493) |
| Addition for the year | 7,868 | 3,596 | — | 11,464 |
| Utilisation of provision | (3,443) | — | — | (3,443) |
| Actuarial gain | — | 1,479 | — | 1,479 |
| At 31 December 2011 | 95,755 | 14,733 | — | 110,488 |

| | **2011** *HK$'000* | 2010 *HK$'000* |
|---|---|---|
| Analysed for reporting purposes as: | | |
| Current liabilities | **6,428** | 64,540 |
| Non-current liabilities | **104,060** | 76,311 |
| | **110,488** | 140,851 |

*Note:*

During the year ended 31 December 2011, in view of the current applicable certain circumstance, the directors of the Company have revised their estimation on i) the period of the reclamation and cavity refill costs expected to be required to settle the obligation from 4 years to 12 years; and ii) discount rate that reflects current market assessments of the time value of money and the risks specific to the liability to 8.34%. As a result, a gain on change of estimation of approximately HK$42,493,000 has been recognsied in current year.

## 33. DEFERRED INCOME

Deferred income represents government grants received by the Group at the end of the reporting period in respect of acquisition of property, plant and equipment and prepaid lease payments. which can only be recognised when the relevant mines subsidised by the government commence operations, which is a condition set out by the government. Such government grants are recognised as deferred income initially and recognised in profit or loss as other income over the useful lives of the assets.

Movements of government grants during the year are as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At beginning of the year | **35,782** | 32,435 |
| Exchange difference | **2,495** | 1,283 |
| Received during the year | **16,539** | 2,299 |
| Recognised in profit or loss for the year | **(981)** | (235) |
| At end of the year | **53,835** | 35,782 |

## 34. DEFERRED TAX LIABILITIES

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

| | **Accelerated tax depreciation** | **Other intangible assets** | **Provisions** | **Others** | **Total** |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 January 2010 | 7,452 | 19,844 | (1,363) | (863) | 25,070 |
| (Credit) charge to profit or loss for the year | (3,385) | (895) | 1,416 | (178) | (3,042) |
| Disposal of a subsidiary *(Note 39(ii))* | (3,001) | — | — | — | (3,001) |
| Exchange adjustments | 168 | — | (53) | (395) | (280) |
| At 31 December 2010 and 1 January 2011 | 1,234 | 18,949 | — | (1,436) | 18,747 |
| (Credit) charge to profit or loss for the year | (9,665) | — | — | 86 | (9,579) |
| Exchange adjustments | (867) | — | — | 2 | (865) |
| **At 31 December 2011** | **(9,298)** | **18,949** | **—** | **(1,348)** | **8,303** |

## 34. DEFERRED TAX LIABILITIES *(CONTINUED)*

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$701,708,000 (2010: HK$740,672,000) mainly arising from impairment of assets, including exploration and evaluation assets, other intangible assets, property, plant and equipment and prepaid lease payments. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the end of the reporting period, the Group has unused tax losses of approximately HK$340,300,000 (2010: HK$102,588,000). No deferred tax asset has been recognised in relation to such tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$17,987,000 (2010: HK$30,641,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 35. OTHER LONG-TERM PAYABLES

Other long-term payables comprised of:

| | **2011**<br>***HK$'000*** | 2010<br>*HK$'000* |
|---|---|---|
| Mining right payables | **113,741** | 120,478 |
| *Less:* Amounts included under "Trade and other payables" *(Note 28)* | **(37,216)** | (27,710) |
| | **76,525** | 92,768 |

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

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

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

## 36. NON-REDEEMABLE CONVERTIBLE PREFERENCE SHARES

As part of the consideration for the acquisition of Year Joy Investments Limited ("Year Joy") as mentioned in Note 38, the Company allotted and issued 3,776,190,000 non-redeemable convertible preference shares ("CPS") at HK$0.195 (market price of ordinary share) per CPS on 14 December 2010. The CPS recognised in the consolidated statement of financial position is calculated as follows:

| | Number of CPS | Equity component *HK$'000* | Liability component *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| **As at 31 December 2011** | | | | |
| Issue of CPS during the year ended 31 December 2010 | 3,776,190,000 | 684,321 | 52,338 | 736,659 |
| **As at 31 December 2010** | | | | |
| Issue of CPS during the year ended 31 December 2010 | 3,776,190,000 | 684,321 | 52,036 | 736,357 |

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

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

The non-redeemable convertible preference shares contain two components, liability and equity component. The equity element is presented in equity heading "Non-redeemable convertible preference shares". The liability component represents the Group's contractual obligation of interest payment to the holders of CPS. For the fair value of the liability component of the CPS at initial recognition, effective interest rate method is adopted in the valuation. The effective interest rate used in the valuation is 15.82%.

The principal terms of the CPS are set out below:

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

(b) The CPS is not redeemable.

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

## 36. NON-REDEEMABLE CONVERTIBLE PREFERENCE SHARES *(CONTINUED)*

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

(e) The CPS is freely transferable.

(f) The CPS has no maturity date.

The movement of the liability component of the non-redeemable convertible preference shares for the year ended 31 December 2011 is set out below.

| | **2011** |
|---|---|
| | ***HK$'000*** |
| At beginning of the year | **52,036** |
| Interest charge *(Note 9)* | **8,232** |
| Interest paid | **(7,930)** |
| At the end of the year | **52,338** |

Number of non-redeemable convertible preference shares issued and fully paid is as follows:

| | **Number of shares** |
|---|---|
| Increased on 14 December 2010 | 3,776,190 |
| At 31 December 2010 and 31 December 2011 | 3,776,190 |

## 37. SHARE CAPITAL

| | Number of shares | | Share capital | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | ***'000*** | *'000* | ***HK$'000*** | *HK$'000* |
| Ordinary shares of HK$0.1 each | | | | |
| Authorised: | | | | |
| At beginning of the year | **46,223,810** | 10,000,000 | **4,622,381** | 1,000,000 |
| Increased on 30 September 2010 | **—** | 36,223,810 | **—** | 3,622,381 |
| At end of the year | **46,223,810** | 46,223,810 | **4,622,381** | 4,622,381 |
| Issued and fully paid: | | | | |
| At beginning of the year | **9,138,782** | 6,130,785 | **913,878** | 613,078 |
| Issued in consideration for the acquisition of King Gold Group *(Note)* | **—** | 660,377 | **—** | 66,038 |
| Issued in consideration for the acquisition of Year Joy Group *(Note 38)* | **—** | 2,347,620 | **—** | 234,762 |
| At end of the year | **9,138,782** | 9,138,782 | **913,878** | 913,878 |

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

## 38. ACQUISITION OF SUBSIDIARIES

### Acquisition of assets and liabilities through acquisition of subsidiaries

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

## 38. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

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

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

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

### Purchase consideration transferred

| | *HK$'000* |
|---|---|
| Cash | 100,000 |
| Ordinary shares | 457,786 |
| Non-redeemable convertible preference shares *(Note 36)* | 736,357 |
| Total | 1,294,143 |

As part of the purchase consideration for the acquisition of Year Joy Group, 2,347,620,000 ordinary shares of the Company with par value of HK$0.1 each were issued. The fair value of the ordinary shares of the Company, determined using the published price available at the date of consideration transferred, amounted to approximately HK$457,786,000. As part of the consideration for the acquisition, 3,776,190,000 non-redeemable convertible preference shares of the Company were issued as set out in Note 36.

Acquisition-related costs amounting to HK$3,098,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2010, within the administrative expense line item in the consolidated statement of comprehensive income.

## 38. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

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

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

There is excess between purchase consideration paid and assets and liabilities acquired from Year Joy amounting to HK$1,299,511,000. This excess amount is charged to profit or loss during the year ended 31 December 2010 as in the opinion of directors, this excess amount is purchase cost paid by the Group for the contractual relationships between China iTV, Unicom Broadband Online Ltd. and several television program content providers. However, such relationships are not exclusive to China iTV and do not meet the definition of intangible assets under HKAS 38 *"Intangible assets"*. According, the full amount is recognised as an expense in the consolidated statement of comprehensive income during the year ended 31 December 2010.

### Net cash outflow on acquisition of Year Joy Group

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

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

## 39. DISPOSAL OF SUBSIDIARIES

### (i) Year ended 31 December 2011

***Disposal of Xinganmeng, Harbin Xiaoling Iron & Zinc Co. Ltd. ("Harbin Xiaoling"), Ejinaqi Qiaolun Engeci Quartz Production Co. Ltd. ("Ejinaqi Qiaolun") and Shanxi Shenli Aerospace Titanium Company Limited ("Shanxi Shenli")***

During the year ended 31 December 2011, the Group had discontinued its mining, processing and sales of other minerals such as rutile, silicon and iron operations by disposing of its subsidiaries, Xinganmeng, Harbin Xiaoling, Ejinaqi Qiaolun and Shanxi Shenli (collectively known as the "Disposal Subsidiaries"). The net liabilities of Disposal Subsidiaries at the date of disposal were as follow:

| | Disposal of subsidiaries | | | | Discountinued operation | |
|---|---|---|---|---|---|---|
| | Harbin Xiaoling | Ejinaqi Qiaolun | Shanxi Shenli | Sub Total | Xinganmeng | Total |
| **Disposal date** | **1.7.2011** | **28.7.2011** | **11.3.2011** | | **26.4.2011** | |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Analysis of assets and liabilities over which control was lost: | | | | | | |
| Tax liabilities | (1,353) | — | — | (1,353) | — | (1,353) |
| Trade and other receivables | 12 | 58 | — | 70 | 955 | 1,025 |
| Trade and other payables | (217) | — | (710) | (927) | — | (927) |
| Other intangible assets | — | — | — | — | 1,015 | 1,015 |
| Prepaid lease payments | 360 | — | — | 360 | — | 360 |
| Other current asset | 4,510 | — | — | 4,510 | — | 4,510 |
| Property, plant and equipment | — | — | — | — | 628 | 628 |
| Translation reserve | (409) | — | (144,546) | (144,955) | (2,078) | (147,033) |
| Statutory surplus reserve | (541) | — | — | (541) | — | (541) |
| Non-controlling interests | — | — | (3,434) | (3,434) | — | (3,434) |
| Net assets (liabilities) disposed of | 2,362 | 58 | (148,690) | (146,270) | 520 | (145,750) |
| Gain on disposal of a subsidiary: | | | | | | |
| Cash consideration received | — | 510 | — | 510 | 12,068 | 12,578 |
| Net (assets) liabilities disposed of | (2,362) | (58) | 148,690 | 146,270 | (520) | 145,750 |
| (Loss) gain on disposal | (2,362) | 452 | 148,690 | 146,780 | 11,548 | 158,328 |
| Net cash inflow arising on disposal: | | | | | | |
| Cash consideration | — | 510 | — | 510 | 12,068 | 12,578 |

## 39. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

### (ii) Year ended 31 December 2010

***Disposal of HSC***

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

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

The assets being disposed of included property, plant and equipment of which impairment loss had been made in prior years. The impact of HSC on the Group's results and cash flows in the current and prior periods is disclosed in Note 11.

## 40. MAJOR NON-CASH TRANSACTIONS

The Group's major non-cash transaction is set out in Note 38.

## 41. OPERATING LEASES

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Minimum lease payments in respect of premises and tea plantation under operating leases during the year | **9,002** | 3,496 |

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **7,948** | 3,870 |
| In the second to fifth years inclusive | **21,187** | 15,080 |
| Over fifth years | **15,095** | — |
| | **44,230** | 18,950 |

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

## 42. CAPITAL COMMITMENTS

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements | **3,924** | 7,866 |
| Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for | **—** | 1,258 |

## 43. RETIREMENT BENEFITS PLANS

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

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

The contributions paid/payable to the scheme by the Group at rates specified in the rules of the schemes are included in staff costs and disclosed in Notes 12 and 13 for employees and directors respectively.

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

The actuarial valuations of the retirement benefit plan were carried out as at 29 November 2010 (date of disposal of HSC) and 31 December 2010 and 31 December 2011 by Towers Watson, Fellow of the Institute of Actuaries.

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

| | Valuation at | | |
|---|---|---|---|
| | **31.12.2011** | 31.12.2010 | 29.11.2010 |
| Discount rate | **4.25%** | 4.50% | 4.25% |
| Post-employment allowance and social insurance contribution annual increase rate for injured workers | **5.00%** | 5.00% | 5.00% |
| Heating allowance annual increase rate | **6.00%** | 6.00% | 6.00% |
| Post-retirement medical contribution annual increase rate | **6.00%** | 6.00% | 6.00% |
| Medical reimbursement annual increase rate for injured workers | **8.00%** | 8.00% | 8.00% |
| Allowance annual increase rate for beneficiaries | **4.50%** | 4.50% | 4.50% |
| Annual turnover rate for active employees | **1.50%** | 1.50% | 1.50% |

## 44. SHARE OPTION SCHEME

### 2002 Option Scheme

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

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

**2011**

| | | | | Number of options | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Category of grantee | Date of grant | Exercise price per share | Expiry date | Balance as at 1.1.2011 | Granted during the year | Exercised during the year | Reallocation *(Note c)* | Cancelled during the year | Balance as at 31.12.2011 |
| Directors | 30.08.2011 | HK$0.161 | 29.08.2016 | — | 105,000,000 | — | (3,000,000) | — | 102,000,000 |
| | 29.06.2010 | HK$0.208 | 28.06.2015 | 85,000,000 | — | — | (6,000,000) | — | 79,000,000 |
| | 14.10.2008 | HK$0.275 | 13.10.2013 | 160,000,000 | — | — | (9,000,000) | — | 151,000,000 |
| Employees | 30.08.2011 | HK$0.161 | 29.08.2016 | — | 204,300,000 | — | — | — | 204,300,000 |
| | 29.06.2010 | HK$0.208 | 28.06.2015 | 42,400,000 | — | — | — | — | 42,400,000 |
| | 14.10.2008 | HK$0.275 | 13.10.2013 | 81,600,000 | — | — | — | — | 81,600,000 |
| Other *(Note a)* | 30.08.2011 | HK$0.161 | 29.08.2016 | — | 60,000,000 | — | 3,000,000 | — | 63,000,000 |
| | 29.06.2010 | HK$0.208 | 28.06.2015 | — | — | — | 6,000,000 | — | 6,000,000 |
| | 14.10.2008 | HK$0.275 | 13.10.2013 | 50,000,000 | — | — | 9,000,000 | — | 59,000,000 |
| | | | | 419,000,000 | 369,300,000 | — | — | — | 788,300,000 |
| Exercisable at the end of the year | | | | | | | | | 788,300,000 |
| Weighted average exercise price | | | | 0.255 | 0.161 | — | — | — | 0.211 |

**2010**

| | | | | Number of options | | | | |
|---|---|---|---|---|---|---|---|---|
| Category of grantee | Date of grant | Exercise price per share | Expiry date | Balance as at 1.1.2010 | Granted during the year | Exercised during the year | Cancelled during the year *(Note b)* | Balance as at 31.12.2010 |
| Directors | 29.06.2010 | HK$0.208 | 28.06.2015 | — | 85,000,000 | — | — | 85,000,000 |
| | 18.09.2009 | HK$0.358 | 17.09.2014 | 85,000,000 | — | — | (85,000,000) | — |
| | 14.10.2008 | HK$0.275 | 13.10.2013 | 160,000,000 | — | — | — | 160,000,000 |
| Employees | 29.06.2010 | HK$0.208 | 28.06.2015 | — | 42,400,000 | — | — | 42,400,000 |
| | 18.09.2009 | HK$0.358 | 17.09.2014 | 42,400,000 | — | — | (42,400,000) | — |
| | 14.10.2008 | HK$0.275 | 13.10.2013 | 81,600,000 | — | — | — | 81,600,000 |
| Other *(Note a)* | 14.10.2008 | HK$0.275 | 13.10.2013 | 50,000,000 | — | — | — | 50,000,000 |
| | | | | 419,000,000 | 127,400,000 | — | (127,400,000) | 419,000,000 |
| Exercisable at the end of the year | | | | | | | | 419,000,000 |
| Weighted average exercise price | | | | 0.300 | 0.208 | — | 0.358 | 0.255 |

## 44. SHARE OPTION SCHEME *(CONTINUED)*

### 2002 Option Scheme *(CONTINUED)*

*Notes:*

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

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

(c) There were 3 directors resigned in 2011 and their options had been transferred to "Other" in 2011 *(Note 13)*.

During the year ended 31 December 2011, options were granted on 30 August 2011. The estimated fair values of the options granted on 30 August 2011 are approximately HK$29,768,000. During the year ended 31 December 2010, options were granted on 29 June 2010. The estimated fair values of the options granted on those dates are approximately HK$12,699,000.

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

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

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

| Grant date | 14 October 2008 | 18 September 2009 | 29 June 2010 | 30 August 2011 |
|---|---|---|---|---|
| Valuation date | 14 October 2008 | 18 September 2009 | 29 June 2010 | 30 August 2011 |
| Share price | HK$0.275 | HK$0.355 | HK$0.200 | HK$0.161 |
| Exercise price | HK$0.275 | HK$0.358 | HK$0.208 | HK$0.161 |
| Expected volatility | 67.12% | 89.89% | 86.88% | 73.94% |
| Risk-free rate | 1.54% | 1.731% | 1.613% | 0.79% |
| Expected dividend yield | — | — | — | — |
| Exercisable period | 5 years | 5 years | 5 years | 5 years |
| Fair value per option | HK$0.1144 | HK$0.2001 | HK$0.0997 | HK$0.0806 |

The details of the fair value per option for options granted during the year ended 31 December 2011 were set out below:

| | Exercise multiple | Number of options | Per option value *HK$* | Total option value *HK$'000* |
|---|---|---|---|---|
| Lot 1 | 2.2 | 115,000,000 | 0.08759 | 10,073 |
| Lot 2 | 2.8 | 254,300,000 | 0.07745 | 19,695 |
| | | 369,300,000 | | 29,768 |

## 44. SHARE OPTION SCHEME *(CONTINUED)*

### 2002 Option Scheme *(CONTINUED)*

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

The Group recognised the total expenses of approximately HK$29,768,000 (2010: HK$12,699,000) for the year ended 31 December 2011 in relation to share options granted under the 2002 Option Scheme.

## 45. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes amounts due to non-controlling shareholders, bank borrowings and other borrowings disclosed in Notes 29, 30 and 31 respectively and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

## 46. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Financial assets** | | |
| Held-for-trading investments | **—** | 34,353 |
| Available-for-sale investments | **222,092** | 326,710 |
| Loans and receivables (including cash and cash equivalents) | **284,751** | 475,534 |
| **Financial liabilities** | | |
| Financial liabilities at amortised cost | **360,353** | 513,538 |

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

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

## 46. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

***Market risk***

***(i) Currency risk***

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

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

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| United States dollars ("USD") | **—** | — | **2,622** | 98,809 |
| Hong Kong dollars ("HK$") | **7,924** | 214,348 | **24,018** | 129,952 |
| Canadian dollars ("CAD") | **—** | — | **222,094** | 321,735 |
| Pound Sterling ("GBP") | **12** | 12 | **—** | — |

*Sensitivity analysis*

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

The following table details the Group's sensitivity to a 5% (2010: 5%) increase and decrease in RMB against the relevant foreign currencies. A 5% (2010: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2010: 5%) change in foreign currency rates.

A negative number (i.e. in bracket)/positive number below indicate an increase/decrease in pre-tax loss where RMB strengthen 5% (2010: 5%) against the relevant currency. For a 5% (2010: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss.

| | USD Impact | | HK$ Impact | | CAD Impact | |
|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Increase in pre-tax (loss) profit | **(131)** | (4,941) | **(805)** | 4,220 | **(11,105)** | (16,087) |

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

## 46. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

***Market risk*** *(CONTINUED)*

#### *(ii) Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate other borrowings (see Note 31 for details of these borrowings) and non-redeemable convertible preference shares (see Note 36 for details of these shares). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see Note 30 for details of these borrowings). It is the Group's policy to maintain an appropriate level between its fixed-rate and variable-rate borrowings so as to balance the fair value and cash flow interest rate risk.

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

*Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate borrowings at the end of each reporting period. The analysis is prepared assuming these borrowings outstanding at the end of reporting period were outstanding for the whole year. A 50 basis point (2010: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

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

If interest rates had been 50 basis points (2010: 50 basis points) higher/lower and all other variables were held constant, the Group's pre-tax profit for the year ended 31 December 2011 would increase/decrease by approximately HK$165,000 (Pre-tax loss for 2010: HK$1,546,000).

#### *(iii) Other price risk*

The Group is exposed to equity price risk through its investments in listed equity securities, listed and unlisted warrants. The Group's equity price risk is mainly concentrated on equity instruments issued by three entities listed in TSE and NYSE for both year ended 2011 and 2010. In addition, the Group will monitor the price risk and will consider hedging the risk exposure should the need arise.

*Sensitivity analysis*

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

If the prices of the respective equity instruments had been 5% (2010: 5%) higher/lower:

- pre-tax profit for the year ended 31 December 2011 would decrease/increase by approximately HK$Nil (Pre-tax loss for 2010: HK$1,718,000) as a result of the changes in fair value of held-for-trading investments; and
- investment valuation reserve would increase/decrease by approximately HK$11,104,000 (2010: HK$16,336,000) for the Group as a result of the changes in fair value of available-for-sale investments.

## 46. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

***Credit risk***

At 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has reviewed the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made to irrecoverable amounts.

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

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

***Liquidity risk***

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

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

## 46. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

***Liquidity risk*** *(CONTINUED)*

*Liquidity tables*

| | Weighted average interest rate % | Repayable on demand or within 1 year *HK$'000* | 1-2 years *HK$'000* | 2-5 years *HK$'000* | More than 5 years *HK$'000* | Total undiscounted cash flows *HK$'000* | Carrying amount *HK$'000* |
|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | |
| Trade and other payables | – | 244,413 | – | – | – | 244,413 | 244,413 |
| Other long-term payables | 7.05 | 8,019 | 60,792 | 29,681 | – | 98,492 | 76,525 |
| Bank borrowings | 6.94 | 32,956 | – | – | – | 32,956 | 32,956 |
| Other borrowings | 2.55 | 1,889 | 657 | 1,891 | 3,422 | 7,859 | 6,459 |
| | | 287,277 | 61,449 | 31,572 | 3,422 | 383,720 | 360,353 |

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

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

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

## 46. FINANCIAL INSTRUMENTS *(CONTINUED)*

### (c) Fair value

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

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

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

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

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

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

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

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

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

| | At 31 December 2011 | | | |
|---|---|---|---|---|
| | **Level 1** *HK$'000* | **Level 2** *HK$'000* | **Level 3** *HK$'000* | **Total** *HK$'000* |
| **Available-for-sale investments** | | | | |
| Listed equity securities | **222,092** | — | — | **222,092** |

## 46. FINANCIAL INSTRUMENTS *(CONTINUED)*

### (c) Fair value *(CONTINUED)*

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

| | At 31 December 2010 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Held-for-trading investment** | | | | |
| Listed warrants | 34,353 | — | — | 34,353 |
| **Available-for-sale investments** | | | | |
| Listed equity securities | 326,710 | — | — | 326,710 |
| Total | 361,063 | — | — | 361,063 |

There were no transfers between Level 1, 2 or 3 for both years.

**Reconciliation of Level 3 fair value measurements of financial liabilities**

| | **Unlisted warrants** |
|---|---|
| | *HK$'000* |
| At 1 January 2011 | — |
| Total loss included in "other gains or losses" | — |
| **At 31 December 2011** | — |
| At 1 January 2010 | 1,365 |
| Total loss included in "other gains or losses" | (1,365) |
| At 31 December 2010 | — |

## 47. RELATED PARTY TRANSACTIONS

### (i) Compensation of key management personnel

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

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Short-term benefits | **9,077** | 26,372 |
| Post-employment benefits | **346** | 953 |
| Share-based payments | **10,073** | 9,370 |
| | **19,496** | 36,695 |

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

**(ii)** Subsequent to the investment in Fortune Minerals Ltd, Mr. Chen Shou Wu, the director of the Company has appointed as the director of Fortune Minerals Ltd on 6 April 2010 (Note 22).

## 48. LITIGATION

As disclosed in the announcement of the Company dated 8 November 2011, the Company has received a writ of summons issued by the High Court of HKSAR on 8 November 2011 (the "Writ") pursuant to which Mr. Lin Min and Fujian Yuansheng Foods Industry Co. Ltd. ("Fujian Yuansheng") (named as the plaintiffs in the writ) alleged that, amongst other things, the Company and 27 other co-defendants and/or certain PRC government officials had acted in conspiracy in obtaining ownership and control of certain assets of the plaintiffs and they were claiming for, amongst other things, damages from all 28 defendants jointly and severally in the total amount of RMB1,589,000,000.

As the Company has not obtained any interests in Fujian Yuanshen and is seeking legal advice in response the Writ, in the opinion of the directors of the Company, the possible of an outflow of resources embodying economic benefit is remote.

## 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE GROUP

Details of the Group's principal subsidiaries as at 31 December 2011 and 2010 are set as follows:

| | | | Proportion of ownership interest | | | |
|---|---|---|---|---|---|---|
| Name of company | Place of incorporation/ operation | Particulars of issued and paid up capital | Group's effective interest % | Held by the Company % | Held by a subsidiary % | Principal activities |
| Biogrowth Assets Limited* | British Virgin Islands/ Hong Kong | 1 share of US$1 | 100 | 100 | — | Inactive |
| Lead Sun Investments Limited | British Virgin Islands/ Hong Kong | 1,000 shares of US$1 each | 57 | 57 | — | Investment holding |
| New Legend International Group Limited | Hong Kong/ Hong Kong | 1 share of HK$1 | 100 | 100 | — | Provision of administrative support to group companies |
| Shanxi Shenli Aerospace Titanium Company Limited#+ (山西神利航天鈦業有限公司) | The PRC/ The PRC | Registered capital RMB184,800,000 | 51.3 | — | 90 | Inactive |
| Titanspeed Investments Limited | British Virgin Islands/ Hong Kong | 1 share of US$1 | 100 | 100 | — | Inactive |
| Top Rank International Group Limited | British Virgin Islands/ Hong Kong | 50,000 shares of US$1 each | 57 | — | 100 | Investment holding |
| Saxony Goal Limited* | Hong Kong/ Hong Kong | 10,000 shares of HK$1 each | 100 | 100 | — | Inactive |
| Best Tone Holdings Limited | British Virgin Islands/ Hong Kong | 1 share of US$1 | 100 | 100 | — | Investment holding |
| Will Win Group Limited | Hong Kong/ Hong Kong | 1 share of HK$1 | 100 | 100 | — | Investment holding |
| Harbin Songjiang Copper (Group) Company Limited# (哈爾濱松江銅業(集團)有限公司) | The PRC/ The PRC | RMB240,788,100 | 75.08 | 75.08 | — | Sales of copper, zinc, molybdenum and other nonferrous metals |
| Harbin Xiaoling Iron & Zinc Co. Ltd.#+ (哈爾濱市小嶺鐵鋅有限公司) | The PRC/ The PRC | RMB3,866,000 | 75.08 | — | 100 | Processing of molybdenum and iron |
| Harbin Songjiang Copper Enterprise Co. Ltd.#* (哈爾濱松江銅業實業有限公司) | The PRC/ The PRC | RMB50,962,500 | 75.08 | — | 100 | Mining, processing and sales of copper and zinc |
| Harbin Songjiang Molybdenum Ltd.# (哈爾濱松江鉬業有限公司) | The PRC/ The PRC | RMB128,782,900 | 75.08 | — | 100 | Mining, processing and sales of molybdenum |
| Xinganmeng Songjiang Mining Co. Ltd.#+ (興安盟松江礦業有限責任公司) | The PRC | RMB10,000,000 | 75.08 | — | 100 | Under construction of smelting and mining plant |

## 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE GROUP *(CONTINUED)*

| Name of company | Place of incorporation/ operation | Particulars of issued and paid up capital | Proportion of ownership interest: Group's effective interest % | Held by the Company % | Held by a subsidiary % | Principal activities |
|---|---|---|---|---|---|---|
| Shangzhi Zhuhe Mining Co. Ltd.# (尚志市珠河礦業有限公司) | The PRC/ The PRC | RMB50,000,000 | 75.08 | — | 100 | Processing of molybdenum |
| Ejinaqi Qiaolun Engeci Quartz Production Co. Ltd.#+ (額濟納旗喬倫恩格茨石英有限公司) | The PRC | RMB500,000 | 75.08 | — | 100 | Not yet commenced business |
| New Victor Investment Limited | Hong Kong/ Hong Kong | 10,000 shares of HK$1 each | 100 | — | 100 | Inactive |
| King Gold Investments Limited | British Virgin Islands/ Hong Kong | 100 shares of US$1 each | 80 | 80 | — | Investment holding |
| Desire Star Hong Kong Limited | Hong Kong/ Hong Kong | 100 shares of HK$1 each | 80 | — | 100 | Investment holding |
| Wuyi Star Tea Industrial Co., Ltd.# (武夷星茶業有限公司) | The PRC/ The PRC | RMB109,000,000 | 80 | — | 100 | Production and sales of tea products |
| China Dahongpao Tea Industrial Company Limited | Hong Kong/ Hong Kong | 10,000 shares of HK$1 each | 80 | — | 100 | Inactive |
| Fortune Sharp Limited | British Virgin Islands/ Hong Kong | 1 share of US$1 | 80 | — | 100 | Trading of tea products |
| Famous Class Limited^ | British Virgin Islands/ Hong Kong | 50,000 shares of US$1 each | 100 | 100 | — | Investment holding |
| Year Joy Investments Limited^ | British Virgin Islands/ Hong Kong | 100 shares of US$1 each | 70 | — | 70 | Investment holding |
| Top Delight Investments Limited^ | Hong Kong/ Hong Kong | 1 share of HK$1 | 70 | — | 100 | Investment holding |
| Beijing Nian Yue Technology Co., Ltd.#^ (北京年悅科技有限公司) | The PRC/ The PRC | RMB1,000,000 | 70 | — | 100 | Provision of technical support and consulting services and yet start business |
| China iTV Network Co., Ltd.# (九州時代數碼科技有限公司) | The PRC/ The PRC | RMB50,000,000 | Note | — | — | Provision of online video services and yet start business |
| Power Crown Limited^ | Hong Kong/ Hong Kong | 10,000 shares of HK$1 each | 80 | — | 100 | Inactive |

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

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

*Note:* The Group hold 70% of controlling interest in this subsidiary through special arrangements as set out in note 38.

\# A limited liability company established in the PRC
* Disposed of during 2010
^ Acquired during 2010
\+ Disposed of during 2011

## 50. FINANCIAL SUMMARY OF THE COMPANY

### ASSETS AND LIABILITIES

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Non-current assets** | | |
| Investments in subsidiaries | **329,390** | 329,390 |
| Amount due from a subsidiary | **696,956** | 696,956 |
| Property, plant and equipment | **135** | 184 |
| | **1,026,481** | 1,026,530 |
| **Current assets** | | |
| Amounts due from subsidiaries | **185,696** | 200,433 |
| Other receivables | **1,428** | 2,222 |
| Bank balances and cash | **77,619** | 38,099 |
| | **264,743** | 240,754 |
| **Current liabilities** | | |
| Other payables | **10,107** | 4,289 |
| Amount due to a subsidiary | **47,381** | 317 |
| | **57,488** | 4,606 |
| Net current assets | **207,255** | 236,148 |
| Total assets less current liabilities | **1,233,736** | 1,262,678 |
| **Non-current liability** | | |
| Non-redeemable convertible preference shares | **52,338** | 52,036 |
| | **1,181,398** | 1,210,642 |
| **Capital and reserves** | | |
| Share capital | **913,878** | 913,878 |
| Reserves | **267,520** | 296,764 |
| | **1,181,398** | 1,210,642 |

## 51. COMPARATIVE FIGURES

In order to conform with the current year presentation, certain items in consolidated statement of comprehensive income for the year ended 31 December 2010 and consolidated statement of financial position as at 31 December 2010 and 1 January 2010 has been reclassified. Reclassification adjustment is made to reclassify the other intangible assets-cost amounting to approximately HK$1,926,573,000, the other intangible assets-accumulated amortisation and impairment amounting to approximately HK$1,926,573,000, the other receivables amounting to approximately HK$2,456,000 and allowance for doubtful debts amounting to approximately HK$2,456,000. In addition, reclassification adjustments have been made in respect of other gains and losses amounting to approximately HK$8,665,000, administrative expenses amounting to approximately HK$8,665,000 and such reclassification has no impact on the Group's profit for the year ended 31 December 2010.

Details of the restatement are provided as follows:

| | Amount original stated *HK$'000* | Restatement/ Reclassification *HK$'000* | Amount as restated *HK$'000* |
|---|---|---|---|
| **Items on consolidated statement of comprehensive income for the year ended 31 December 2010** | | | |
| Other gains and losses | (1,255,054) | 8,665 | (1,246,389) |
| Administrative expenses | (107,000) | (8,665) | (115,665) |
| **Items on consolidated statement of financial position at 31 December 2010** | | | |
| Other intangible assets — cost | 5,355,890 | (1,926,573) | 3,429,317 |
| Other intangible assets — accumulated amortisation and impairment | (5,212,348) | 1,926,573 | (3,285,775) |
| Other receivables | 77,195 | 2,456 | 79,651 |
| Other receivables — allowance for doubtful debts | (59,022) | (2,456) | (61,478) |

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2011** | 2010 | 2009 | 2008 | 2007 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | (Restated) | (Restated) | (Restated) | (Restated) |
| **RESULTS** | | | | | |
| Revenue | | | | | |
| Continuing operations | **241,649** | 327,775 | 218,626 | 493,767 | 674,955 |
| Discontinued operations | **—** | 14,152 | 31,477 | 25,037 | 21,461 |
| | **241,649** | 341,927 | 250,103 | 518,804 | 696,416 |
| Profit (loss) for the year attributable to: | | | | | |
| Owners of the Company | **82,109** | (1,749,676) | (321,876) | (3,243,986) | 174,917 |
| Non-controlling interests | **92,808** | (2,863) | (79,479) | (1,571,489) | 12,095 |
| | **174,917** | (1,752,539) | (401,355) | (4,815,475) | 187,012 |

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2011** | 2010 | 2009 | 2008 | 2007 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | (Restated) | (Restated) | (Restated) |
| **ASSETS AND LIABILITIES** | | | | | |
| Total assets | **1,135,415** | 1,416,057 | 1,969,445 | 2,360,299 | 7,439,339 |
| Total liabilities | **(656,548)** | (916,790) | (1,020,113) | (1,287,844) | (1,845,140) |
| | **478,867** | 499,267 | 949,332 | 1,072,455 | 5,594,199 |
| Represented by: | | | | | |
| Equity attributable to owners of the Company | **284,037** | 420,660 | 864,504 | 947,140 | 3,934,057 |
| Non-controlling interests | **194,830** | 78,607 | 84,828 | 125,315 | 1,660,142 |
| | **478,867** | 499,267 | 949,332 | 1,072,455 | 5,594,199 |