中國大冶有色金屬礦業有限公司

China Daye Non-Ferrous Metals Mining Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00661)

Annual Report 2011

Contents

	Page(s)
CORPORATE INFORMATION	2
CHAIRMAN'S STATEMENT	3
MANAGEMENT DISCUSSION AND ANALYSIS	8
REPORT OF THE DIRECTORS	18
CORPORATE GOVERNANCE REPORT	30
INDEPENDENT AUDITORS' REPORT	35
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	37
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	39
STATEMENT OF FINANCIAL POSITION	41
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	42
CONSOLIDATED STATEMENT OF CASH FLOWS	43
NOTES TO THE FINANCIAL STATEMENTS	45
FINANCIAL SUMMARY	124

Corporate Information

Board of Directors

Executive Directors:

Zhang Lin *(Chairman)*
Long Zhong Sheng *(Chief Executive Officer)*
Zhai Baojin
Tan Yaoyu
Wan Bi Qi

Independent Non-executive Directors:

Wang Guoqi
Wang Qihong
Qiu Guanzhou

Audit Committee/ Remuneration Committee

Wang Guoqi *(Chairman)*
Wang Qihong
Qiu Guanzhou

Nomination Committee

Zhang Lin *(Chairman)*
Wang Guoqi
Wang Qihong
Qiu Guanzhou

Company Secretary

Chan Yim Kum

Solicitors

As to Bermuda law:
Conyers, Dill & Pearman

As to Hong Kong law:
Keith Lam Lau & Chan

Auditors

PAN-CHINA (H.K.) CPA LIMITED

Banker

Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Bank of Communications Co., Limited

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

Unit 2001, World Wide House,
19 Des Voeux Road Central,
Hong Kong

Principal Registrar

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

Hong Kong Branch Registrar

TRICOR INVESTOR SERVICES LIMITED
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Stock Codes

Ordinary shares: 661
Preference shares: 421

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of China Daye Non-Ferrous Metals Mining Limited (the "Company") and its subsidiaries (the "Group"), I am pleased to present the annual results of the Group for the financial year ended 31 December 2011.

Financial Review

During the year under review, the Group recorded a revenue of approximately HK$50.3 million (2010: approximately HK$954.3 million), representing an decrease of approximately 94.7% against the prior year. Net loss attributable to owners of the Company amounted to approximately HK$257.9 million (2010: approximately HK$23.1 million). During the year, the Group recognized an impairment loss on mining right of approximately HK$723.8 million (2010: impairment of mining right written back of approximately HK$14.0 million).

During the year, the Group did not buy or sell any marketable securities.

As compared to previous corresponding year, the Group's revenue was decreased because there was a significant decrease in the trading of non-ferrous metals recorded in a subsidiary of the Company.

As compared to previous financial year, the Group's net loss was enlarged significantly. The reasons were mainly attributable to (i) the decrease in the gross profit of the Group of approximately HK$15.4 million; (ii) an impairment loss on mining right of approximately HK$723.8 million was recognized in the income statement as contrary to an impairment of mining right written back recognized in previous year; (iii) the increase in legal and professional fee of approximately HK$43 million as a result of the very substantial transaction occurred during the year; (iv) the increase in the interest expenses on convertible notes of approximately HK$8.1 million; (v) the increase in staff costs of the Group of approximately HK$2 million; and (vi) an impairment of property, plant and equipment of approximately HK$19 million recognised during the year.

Business Review and Prospect

Business Review

The Group is principally engaged in corporate investment and trading in securities, minerals exploitation and trading in non-ferrous metals.

Given the continuing economic growth and accelerated industrialization and urbanization in the PRC, natural resources are in demand at all times and the Board considers that the demand for natural resources will maintain its growth momentum.

Chairman's Statement

Mining and related businesses

In view of the prospects of the natural resources business, during the year, the Company achieved the following developments as part of the Group's strategy to broaden its business scope and earning base:

Project in Philippines

On 6 January 2011, the Company signed a cooperation agreement (the "Cooperation Agreement") with 菲律賓友邦礦業國際有限公司 (Phil. Youbang Mining Int'l Corp.) ("PYMIC") for the exploration and mining of iron-copper ore in the Mati Region of Davao Province, Philippines (the "Core Mining Area") and its periphery.

According to the Cooperation Agreement, if after conducting the risk exploration works, it is confirmed that the Core Mining Area contains not less than 100,000 tons of copper reserves or not less than 10,000,000 tons of iron reserves, the parties will set up a joint venture company in Philippines (the "Project Company") for conducting development works in the Core Mining Area within 60 days after the amount of reserves in the Core Mining Area has been confirmed. The shareholding in the Project Company will be held as to 40% by the Company and as to 60% by PYMIC.

After the initial stage of risk exploration works in the Core Mining Area is completed, the Company and PYMIC will inject capital to the Project Company according to the following formula:

Amount of Capital Injection = (Value of Core Mining Area agreed between the Company and PYMIC at RMB120,000,000 x 30%) – Amount of expenses related to the initial stage of risk exploration works in the Core Mining Area paid by the Company.

If the above "Amount of Capital Injection" is a positive figure, then the capital injection will be paid by the Company, and if the above "Amount of Capital Injection" is a negative figure, then the capital injection will be paid by PYMIC. The aforesaid capital injection will not alter the proportion of shareholding in the Project Company to be held by the Company and PYMIC.

Also, according to the Cooperation Agreement, the Company will be responsible for:

(i) payment of the expenses (in an amount to be agreed between the Company and PYMIC) related to the initial stage of risk exploration works in the Core Mining Area;

(ii) the overall planning and implementation of the exploration and mining works for the Core Mining Area; and

(iii) the construction, production and operation in the Core Mining Area.

PYMIC will be responsible for:

(i) the incorporation of the Project Company (and payment of the related expenses, which will be reimbursed to PYMIC by the Project Company after it has been incorporated); and

(ii) assigning and transferring all its interest in the Core Mining Area (including the mining right) to the Project Company at nil consideration within 30 days after the Project Company is incorporated.

During the initial period, neither party to the Cooperation Agreement shall terminate the Cooperation Agreement or transfer its shareholding in the Project Company, otherwise the capital injection paid by such party (and the related interest of such party) will be forfeited.

The Cooperation Agreement shall supersede the letter of intent dated 11 July 2010 signed between the Company and PYMIC, and therefore, the Company no longer intends to subscribe for or purchase any shares in PYMIC.

The Board believes that the cooperation with PYMIC in the exploration of iron-copper ore in Philippines can geographically diversify the mining business of the Company and its subsidiaries and that the mining business in the new market such as Philippines is prosperous and therefore will be beneficial to the Company and its shareholders as a whole.

The Board considers that the cost for acquisition of mining resources through the abovementioned risk exploration method is relatively low, and can substantially reduce the risk of such kind of investment. The Board believes that such acquisition method is a new and viable avenue for the Company's other possible investments in mining resources.

Project with the Parent Company

On 23 January 2011, the Company, the Parent Company and the Vendors (China Times Development Limited, 中國信達資產管理股份有限公司 (China Cinda Assets Management Co., Ltd.) and 華融資產管理公司 (China Huarong Asset Management Corporation) ("Huarong") entered into the Acquisition Agreement (as supplemented and amended by the Supplemental Agreement dated 31 January 2011), pursuant to which, (a) among other things, the Company has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Sale Shares (the China Times Sale Shares, Cinda Sale Shares and Huarong Sale Shares) at a total consideration of RMB6,100,000,000 or HK$7,207,334,940 (based on the exchange rate of HK1: RMB0.84636), which will be satisfied by the allotment and issue to the Vendors of an aggregate of 12,406,997,784 Ordinary Shares at the Issue Price of HK$0.50 per Consideration Share and (to China Times only) the issue of the China Times Convertible Notes.

Chairman's Statement

In October 2011, the Company has been informed by Huarong that it was not able to obtain the regulatory and other approvals required in connection with the Huarong Reorganisation, and hence, as provided in the Reorganisation Agreement, the Huarong Reorganisation will not proceed, and the sale by Huarong of the Huarong Sale Shares to the Company and Huarong Completion will not take place in accordance with the Acquisition Agreement. Completion of the sale and purchase of the remaining Sale Shares, which comprise the China Times Sale Shares and the Cinda Sale Shares, remains subject to the fulfillment of the conditions set out in the Acquisition Agreement. Details of the above was disclosed in the announcement of the Company dated 14 October 2011.

On 23 December 2011, the Company, the Parent Company, China Times and Cinda entered into the Second Supplemental Agreement, pursuant to which (i) the parties agreed to extend the Long Stop Date to 30 June 2012; and (ii) the Non-competition Undertaking given by the Parent Company to the Company was amended. Details of the Second Supplemental Agreement are set out in the announcement of the Company dated 23 December 2011.

The proposed Acquisition is to eventually acquire the equity interest in 大冶有色金屬有限責任公司 (Daye Nonferrous Metals Co., Limited) ("Daye Nonferrous") and its subsidiaries and branches (hereafter collectively "Daye Metal Group") which owns various valuable mines in PRC. Details of the acquisition and definitions, including the mines held by Daye Non-Ferrous, are set out in the announcement, circular and supplementary circular of the Company dated 1 February 2011, 29 December 2011 and 17 February 2012 respectively.

The Acquisition was approved in the extraordinary general meeting of the Company held on 5 March 2012 and was completed on 7 March 2012.

Prospect

Daye Metal Group, an operating enterprise integrated of ore mining and smelting businesses, joined the Group and therefore enabled the Group to process actual business activities which will generate stable revenue for the Group and will definitely improve the Group's business results effectively. Currently, Daye Metal Group is still in its progress of revamping the production facilities of its mines, aiming to further amplify the production capacity of the mines and increase its profitability in the near future. Upon completion of the Acquisition, through identifying suitable opportunities to acquire new mines and continuing exploration of new mineral resources and reserves at the mines currently operated by the Daye Metal Group and the Group, the Group will continue to expand its portfolio of mining assets, upgrade its production facilities, build on its research and development capabilities, improve its production technology and diversify its product portfolio by expanding its mining business. By centralizing the management of the Daye Metal Group and the Group, it is expected that the Group will be benefited from its improvement in operational efficiency. The Directors believe that the Group will be able to enhance its core competitiveness, strengthen and enlarge its upstream production of copper ore and increase its sales of products, so as to optimise the value and the return to the shareholders of the Company.

Chairman's Statement

Given the continuing economic growth in China, the Board expects that there will be an increase in the demand and application of resources of molybdenum, wolfram, silver and copper and, the Company is confident that the investment in mining and related businesses will produce considerable return to the Company in the future.

Looking ahead, the Group will continue to strengthen development of its internal resources and fortify its foundation while keeping its eyes on cooperation opportunities conduction to its development in order to build a portfolio of strong mining business with an emphasis on high value added products.

APPRECIATION

I would like to express my greatest appreciation to the entire staff of the Group for their hard work and efforts. I would also like to extend my gratitude to the investors, business partners, and shareholders for their support and confidence in the Group over the past years. I am highly confident that the Group will continue to grow and create significant value to the consumers of our services, which shall generate significant shareholder value. I look forward to sharing with you more positive developments in the years to come.

Zhang Lin
Chairman
Hong Kong, 30 March 2012

Management Discussion and Analysis

Financial and Operating Highlights

- Revenue of the Group for the year ended 31 December 2011 was approximately HK$50.3 million, representing a decrease of approximately HK$904.0 million (or approximately 94.7%) over the year ended 31 December 2010.

- Loss attributable to the owners of the Company for the year ended 31 December 2011 was approximately HK$257.9 million, representing an increase of approximately HK$234.8 million (or approximately 1,017.7%) over the year ended 31 December 2010.

- Basic loss per share for the year ended 31 December 2011 was HK cents 4.61, representing an increase of HK cents 4.2 (or approximately 1,024.4%) over the year ended 31 December 2010.

- Total assets decreased from approximately HK$2,656.4 million to approximately HK$1,844.0 million.

Corporate investment and trading in securities

During the year, the Group did not record any revenue from corporate investment and trading in securities (2010: HK$7.2 million).

Mineral exploitation

During the year, the Group recorded a revenue of approximately HK$0.9 million from mineral exploitation (2010: HK$0.3 million), representing an increase of approximately 206% against the prior year.

Trading in non-ferrous metals

During the year, the Group recorded a revenue of approximately HK$49.3 million from trading in non-ferrous metals (2010: HK$946.5 million), representing a decrease of approximately 94.8% against the prior year.

Management Discussion and Analysis

Mineral Resources and Ore Reserves

Before the completion of the acquisition (the "Acquisition") of 大冶有色金屬有限責任公司 (Daye Nonferrous Metals Co., Limited) ("Daye Metal") on 7 March 2012, the Group holds the mining or exploration rights to two copper mines in Xinjiang, namely, the Sareke Mine and the Hami Mine, one molybdenum mine in Mongolia, namely, the Aleinuer Mine, and two wolfram mines in Mongolia, namely the Burentsogt Mine and the Sala Mine.

Given the insignificant amount of the wolfram deposits in the Burentsogt Mine and the Sala Mine, the Company does not consider it economical to incur substantial costs in the construction of infrastructure facilities to develop those mines. As such, it is not the Company's intention to develop those mines. Currently, the Company is actively exploring opportunities for the disposal of the Burentsogt Mine and the Sala Mine.

Management Discussion and Analysis

The Sareke Mine

As at 30 June 2011, the Sareke Mine had copper mineral resources and probable copper ore reserves of approximately 12.71 million and 7.96 million tonnes, respectively. The Sareke Mine has yet to commence commercial production.

The following tables set out (i) a summary of the mineral resources, and (ii) a summary of the ore reserves, of the Sareke Mine as at 30 June 2011:

Summary of the mineral resources of the Sareke Mine:

Resource statement of Sareke copper deposit at cut-off of 0.3%TCu as at 30 June 2011				
Zone	**Classification**	**Resource tonnage (t)**	**Average grade**	**Copper metal (t)**
			TCu (%)	
North	Indicated	8,398,000	1.03	86,000
	Inferred	4,315,000	0.77	33,300

Summary of the ore reserves of the Sareke Mine:

Elevation (m)	**Probable**	
	Tonnage (kt)	**Cu (%)**
>=2820	870	0.76
2730~2820	2,127	0.97
2640~2730	4,648	1.03
<=2640	311	0.53
Total	7,956	0.96

Notes:

(1) In the above tables, t, m and TCu mean tonne, metre and total copper, respectively. The terms "Indicated" and "Inferred" have the meanings ascribed to them under the JORC Code.

(2) Mineral resources and ore reserves are estimated at a copper cut-off grade of 0.3%.

(3) Mineral resources and ore reserves are estimated using a long-term copper price of RMB42,500 per metric tonne.

(4) A minimum zone width of 2 metres was used for estimating the mineral resources and ore reserves.

(5) The mineral resources set out in the mineral resource table above are inclusive of the ore reserves set out in the ore reserve table above.

(6) The technical adviser of the Company confirms that there is no material change between the resources and reserves of the Sareke Mine as at 31 December 2011 and those as at 30 June 2011.

Management Discussion and Analysis

The Hami Mine

As at 31 July 2011, the Haimi Mine had copper mineral resources of approximately 22.34 million tonnes (excluding resources located in areas subject to the right of way granted for railway operations). The Hami Mine has yet to commence commercial production.

The following table sets out a summary of the mineral resources of the Hami Mine (excluding resources located in areas subject to the right of way granted for railway operations) as at 31 July 2011:

	Indicated Resources				Inferred Resources			
Location	**Tonnes (Mt)**	**Grade (% Cu)**	**Copper content (Mlb)**	**Copper content (tonnes)**	**Tonnes (Mt)**	**Grade (% Cu)**	**Copper content (Mlb)**	**Copper content (tonnes)**
Main Lens	14.15	0.75	234	106,000	7.79	0.72	124	56,200
Other Lenses					0.4	0.61	5	2,300
TOTAL	14.15	0.75	234	106,000	8.19	0.71	129	58,500

Notes:

(1) In the above table, the terms Mt, Cu, Mlb mean million tonnes, copper and million pounds, respectively and National Instrument 43-101 (NI43-101) and CIM (Canadian Institute of Mining, Metallurgy and Petroleum) definitions are followed for Mineral Resources, Indicated Resources and Inferred Resources.

(2) As mineralisation is present in four separate lenses in the Hami Mine, the largest lens or zone of mineralisation where the majority of the mineral resources are contained is described as the “Main Lens”, and the three other lenses are collectively described as the “Other Lenses” in the above table.

(3) Mineral Resources are estimated at a cut-off grade of 0.5% copper within a mineralized envelope defined at 0.3% copper.

(4) Mineral Resources are estimated using an average long-term copper price of US$2.50 per pound, and a US$ to Canadian dollar exchange rate of 1.04.

(5) A minimum zone width of 5 metres was used.

The Aleinuer Mine

As at 1 July 2011, the Aleinuer Mine had inferred molybdenum mineral resources of approximately 10 million tonnes (based on an assumed long-term molybdenum price of US$15 per pound and a 0.06% of molybdenum content cutoff). The Aleinuer Mine has yet to commence commercial production.

The following table sets out a summary of the inferred mineral resources of the Aleinuer Mine as at 1 July 2011:

Concentrate selling price (Note 1) ($/t)	Market price ($/lb Mo)	Cut-off (% Mo)	Mineralization (t-000)	Average grade (% Mo)	Contained metal (t Mo)	Waste (t-000)	Stripping ratio (Note 2) (t/t)
8,500	10.00	0.097	78	0.210	200	551	7.10
11,100	12.50	0.074	2,553	0.110	2,900	7,640	2.99
13,800	15.00	0.060	10,039	0.090	8,900	20,413	2.03
16,400	17.50	0.050	20,278	0.080	15,400	34,906	1.72
19,000	20.00	0.043	31,454	0.070	21,300	46,669	1.48
21,700	22.50	0.038	38,772	0.060	24,500	52,721	1.36
24,300	25.00	0.034	49,610	0.060	29,500	80,065	1.61
27,000	27.50	0.030	55,075	0.060	31,500	86,344	1.57
29,600	30.00	0.028	59,132	0.060	32,800	88,893	1.50
32,300	32.50	0.025	62,777	0.050	33,900	94,429	1.50
34,900	35.00	0.023	65,804	0.050	34,800	97,546	1.48
37,600	37.50	0.022	69,478	0.050	35,800	104,606	1.51
40,200	40.00	0.020	71,904	0.050	36,400	110,160	1.53

Notes:

(1) 48% molybdenum is contained in molybdenum sulfide found in the molybdenum concentrate at the Aleinuer Mine.

(2) Stripping ratio refers to the average mass of waste rock required to be removed for each tonne of ore mined.

(3) In the above table, Mo, t, t-000, lb mean molybdenum, tonne, thousand tonnes and pounds, respectively and all market prices of molybdenum are expressed in terms of US Dollars. The term mineralization means inferred mineral resources, which has the meaning ascribed to it under the JORC Code.

(4) Mineral resources are estimated at selected molybdenum cut-off grades ranging from 0.020% molybdenum to 0.097% molybdenum within a mineralized envelop defined at 0.02% molybdenum.

(5) Mineral resources are estimated using a long-term molybdenum price ranging from US$10 to US$40 per pound. By way of illustration, at a long-term molybdenum price of US$15 per pound, there is an inferred mineral resources of approximately 10 million tonnes.

(6) The technical adviser of the Company confirms that there is no material change between the resources of the Aleinuer Mine as at 31 December 2011 and those as at 1 July 2011.

Management Discussion and Analysis

After the completion of the Acquisition, the Company holds, through Daye Metal, the mining licences to the four mines (the "Four Mines"), namely the Tongshankou Mine, the Chimashan Mine, the Tonglvshan Mine and the Fengshan Mine, which are located in the Hubei Province of the PRC. The primary mineral deposit at the Four Mines is copper, with associated deposits of gold and silver.

The following table sets out a summary of the copper, iron and molybdenum mineral resources of the Four Mines as at 30 September 2011:

Mine	Cut off grade	JORC classification	Quantity	Cu	Fe	Mo	Metal tonnes Cu	Metal tonnes Fe	Metal tonnes Mo
			Mt	*%*	*%*	*%*	*t*	*Mt*	*t*
Tonglvshan Mine	In licence	Indicated	16.37	1.16	27.21		189,200	4.45	
		Inferred	15.05	1.08	29.47		162,000	4.44	
	CuEq >0.3%	**Total**	**31.42**	**1.12**	**28.30**		**351,300**	**8.89**	
Fengshan Mine	In licence	Indicated	12.72	0.82		0.005	104,200		630
		Inferred	14.50	0.73		0.008	106,300		1,230
	CuEq >0.3%	**Total**	**27.22**	**0.77**		**0.007**	**210,400**		**1,860**
Tongshankou Mine	In licence open cut area	Indicated	13.36	0.58		0.011	76,800		1,470
		Inferred	0.24	0.54		0.004	1,300		10
	CuEq >0.2%	Sub-Total	13.60	0.57		0.011	78,100		1,480
	In licence underground area	Indicated	24.68	0.66		0.007	163,200		1,770
		Inferred	20.32	0.57		0.019	115,200		3,850
	CuEq >0.3%	Sub-Total	45.00	0.62		0.012	278,300		5,620
	Out of licence underground area	Indicated	0.05	0.40		0.034	200		20
		Inferred	2.68	0.45		0.034	12,100		900
	CuEq >0.3%	Sub-Total	2.73	0.45		0.034	12,300		920
	Total open cut and underground area in and out of licence	Indicated	38.09	0.63		0.009	240,200		3,270
		Inferred	23.23	0.55		0.020	128,600		4,760
		Total	**61.32**	**0.60**		**0.013**	**368,800**		**8,030**
Chimashan Mine	In licence	Indicated	0.12	0.72		0.001	830		1
		Inferred	0.01	0.58		0.004	20		-
	CuEq >0.3%	Sub-Total	0.12	0.71		0.001	850		1
	Out of licence	Indicated	0.19	0.49		0.001	900		2
		Inferred	0.20	0.84		0.020	1,700		40
	CuEq >0.3%	Sub-Total	0.38	0.67		0.011	2,600		41
	Total in and out of licence	Indicated	0.30	0.58		0.001	1,730		2
		Inferred	0.20	0.84		0.020	1,720		40
		Total	**0.50**	**0.68**		**0.008**	**3,450**		**42**

Management Discussion and Analysis

The following table sets out a summary of the gold and silver mineral resources of the Tonglvshan Mine as at 30 September 2011:

Mine	Cut off grade	JORC classification	Quantity (Mt)	Au (g/t)	Ag (g/t)	Metal Au Oz	Metal Ag k Oz
Tonglvshan Mine	**In licence**	**Indicated**	13.22	0.63	4.76	265,000	2,020
		Inferred	11.23	0.66	7.06	237,000	2,540
	CuEq>0.3%	**Sub-Total**	24.45	0.64	5.81	502,000	4,560

The following table sets out a summary of the copper, iron, gold and silver ore reserves of the Tonglvshan Mine as at 30 September 2011:

JORC classification	Ore quantity (kt)	Cu (%)	TFe (%)	Au (g/t)	Ag (g/t)	Cu metal (t)	Fe metal (kt)	Au metal (kg)	Ag metal (kg)
Probable (in mining licence)	10,360	1.21	23.78	0.46	3.31	125,100	2,464	4,800	34,300
Probable (in exploration licence)	2,380	0.68	34.18	0.46	6.24	16,200	815	1,100	14,900
Total Probable	12,750	1.11	25.72	0.46	3.86	141,300	3,279	5,900	49,200

The following table sets out a summary of the copper and molybdenum ore reserves of the Fengshan Mine, the Tongshankou Mine and the Chimashan Mine as at 30 September 2011:

Mine	JORC classification	Ore quantity *(kt)*	Cu *(%)*	Mo *(%)*	Cu metal *(t)*	Mo metal *(t)*
Fengshan Mine	**Probable**	4,560	1.01	0.004	45,800	190
Tongshankou Mine	**Probable (open pit)**	10,340	0.63	0.010	64,600	980
	Probable (underground)	6,200	0.87	0.006	54,000	360
	Total Probable	16,540	0.72	0.008	118,600	1,330
Chimashan Mine	**Probable**	35	0.77	0	270	0

Notes:

(1) In the above tables, Cu, Fe, TFe, Mo, CuEq, Au and Ag mean copper, iron, total iron, molybdenum, copper equivalent, gold and silver, respectively, and t, Kt, Mt, kg, g/t, Oz, and k Oz mean tonne, thousand tonne, million tonne, kilogram, gram per tonne, troy ounce and thousand troy ounce, respectively. The terms "Indicated", "Inferred" and "Probable" have the meanings ascribed to them under the JORC Code.

(2) Mineral resources and ore reserves described as "out of licence" refers to the discovery of mineral resources or ore reserves outside of the permitted level of mining depth prescribed in the mining licence of the relevant mine. However, no mining or exploration in respect of such mineral resources has been conducted by the Group. Mineral resources and ore reserves described as "in licence" or "in mining licence" refer to the discovery of mineral resources or ore reserves within the permitted level of mining depth prescribed in the mining licence of the relevant mine.

(3) These mineral resource and ore reserve numbers have been prepared in accordance with the JORC Code.

(4) Mineral resources were defined within a mineralized envelop above 0.2% copper, and reported at a cut-off grade of 0.3% copper equivalent for underground operations and 0.2% copper equivalent for open pit operations.

(5) Ore reserves are estimated using minimum cut-off grades of 0.68%, 0.40%, 0.36%, 0.45%, and 0.60% copper equivalent for the Tonglvshan Mine, the Fengshan Mine, the open pit mining at the Tongshankou Mine, the underground mining at the Tongshankou Mine and the Chimashan Mine, respectively.

(6) Copper equivalence was calculated for the Tonglvshan Mine, the Fengshan Mine and the Tongshankou Mine using forecast processing plant recoveries and long-term forecast prices of RMB32,987 per tonne of copper, RMB180 per kilogram of molybdenum, RMB1,124 per tonne of iron concentrate, RMB185.90 per gram of gold, and RMB3.22 per gram of silver; and at the Chimashan Mine using forecast processing plant recoveries and long-term forecast price of RMB57,571 per tonne of copper and RMB244 per kilogram of molybdenum.

(7) Copper and iron mineral resources at the Tonglvshan Mine are inclusive of the gold and silver mineral resources at the Tonglvshan Mine and gold and silver mineral resources at the Tonglvshan Mine are inclusive of the copper and iron mineral resources at the Tonglvshan Mine. Such mineral resources should not be added together.

(8) A minimum mining width of 2 metres was used for estimating the underground ore reserves at each of the Four Mines.

(9) The mineral resources set out in the mineral resources tables above are inclusive of, and not in addition to, the mineral resources modified to produce the ore reserves set out in the ore reserves tables above.

Management Discussion and Analysis

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011.

Equity

The Company's issued and fully paid share capital as at 31 December 2011 amounted to approximately HK$279,560,000 divided into 5,591,195,552 ordinary shares of HK$0.05 each.

Liquidity and Financial Resources

As at 31 December 2011, the Group's current ratio was 9.2, based on the current assets of approximately HK$331.6 million and current liabilities of approximately HK$36.2 million. The Group's gearing ratio was approximately 37.0%, based on the total liabilities of approximately HK$498.1 million and total equity of approximately HK$1,345.9 million.

As at 31 December 2011, the Group was in a net cash position and has sufficient funding to pay off all the outstanding liabilities, and meet its working capital requirement.

During the year, the Group incurred capital expenditure of approximately HK$42.8 million for exploration activities.

Bank Borrowings and Pledge of Assets

As at 31 December 2011, the Group had neither bank borrowing nor asset pledged to fund/loan providers.

Management Discussion and Analysis

Foreign Exchange Exposure

The Group has transactional currency exposures as the sales and purchases, certain trade and other receivables, cash and bank balances, and trade and other payables of the Group are mainly transacted in Renminbi ("RMB"), Mongolia Tugrugs ("T"), United States Dollars ("USD") and Hong Kong Dollars ("HKD").

The exchange rate of RMB and T are comparatively volatile.

At 31 December 2011, the Group had not hedged any foreign currency to reduce such foreign currency risk. The management will monitor this risk, if the exchange rates of these foreign currencies have continuous fluctuation, the management will consider using forward currency contracts to reduce these risks.

Material Acquisitions and Disposal of Subsidiaries

Save as those disclosed in this report, the Group has not made any material acquisition or disposal of subsidiaries during the year ended 31 December 2011.

Contingent Liabilities

As at 31 December 2011, the Group had no contingent liabilities.

Employees, Remuneration Policy and Share Option Scheme

As at 31 December 2011, the Group had 62 employees (2010: 59). The Group's total staff cost for the year were approximately HK$12.0 million (2010: approximately HK$10.0 million). The remuneration package consists of basic salary, mandatory provident fund, insurances and other benefits considered as appropriate. The Company adopted a share option scheme on 13 October 2003 to enable the Company to grant options to selected participants, including employees and directors of the Group, as incentive or rewards for their contribution to the Group.

Report of the Directors

Principal Activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are corporate investment and trading in securities, minerals exploitation and trading in non-ferrous metals.

An analysis of the Group's revenue and loss for the year by principal activities for the year ended 31 December 2011 is set out in notes 6 to 8 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 37.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: Nil). No interim dividend was declared during the year (2010: Nil).

Details of the preference dividend payable during the year are set out in note 13 to the financial statements.

Property, Plant and Equipment

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

Charitable donations

During the year, the Group made charitable donations amounting to HK$Nil (2010: HK$50,000).

Share Capital and Share Options

Details of the movements in the Company's share capital and share options during the year are set out in notes 28 and 29 to the financial statements.

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in note 30 to the financial statements.

Major Customers and Suppliers

During the year, the Group's major income was generated from trading of non-ferrous metals.

The percentage of sales for the year generated from the Group's major customers is as follows:

– The largest customer	98.12%
– Two largest customers	100%

The percentage of purchases for the year attributable to the Group's major suppliers is as follows:

– The largest supplier	93.77%
– Two largest suppliers	100%

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors own more than 5% of the issued capital of the Company) had any beneficial interest in the Group's major customers and suppliers.

Directors

The directors of the Company during the year and as at the date of this report were as follows:

Executive directors

Mr. Zhang Lin *(Chairman)* (appointed on 22 March 2012)
Mr. Long Zhong Sheng *(Chief Executive Officer)* (appointed on 22 March 2012)
Mr. Zhai Baojin (appointed on 22 March 2012)
Mr. Tan Yaoyu (appointed on 22 March 2012)
Mr. Wan Bi Qi
Mr. Chen Xiang (resigned on 22 March 2012)
Ms. Yuan Ping (resigned on 22 March 2012)

Independent non-executive directors

Mr. Wang Guoqi
Mr. Wang Qihong
Mr. Qiu Guanzhou

In accordance with the Company's bye-laws and the agreement among the directors, Mr. Zhang Lin, Mr. Long Zhong Sheng, Mr. Zhai Baojin, Mr. Tan Yaoyu, Mr. Wan Bi Qi and Mr. Qiu Guanzhou shall retire as directors of the Company at the forthcoming annual general meeting of the Company. The above retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Report of the Directors

Independence Confirmation

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

Biographical Details of Directors

Executive directors

Mr. Zhang Lin, aged 49, obtained a bachelor's degree in mineral engineering from Central South University in 1986 and a doctorate degree in mineral processing engineering from Central South University in 2008. Mr. Zhang was accredited as a senior engineer in mineral processing by the Employees Reform Office of Hubei Province in April 2004. Mr. Zhang joined Daye Metal and was appointed as its director in 2005, and since then, had served as the deputy manager, the general manager and a director of Daye Metal. Mr. Zhang was the deputy manager and the manager of 大冶有色金屬集團控股有限公司 (Daye Nonferrous Metals Corporation Holdings Limited) (the "Parent Company") from 1998 to 2010. He is currently the chairman and director of the Parent Company, Daye Metal. Mr. Zhang has over 25 years of experience in mineral processing.

Mr. Long Zhong Sheng, aged 48, is the Chief Executive Officer of the Company. Mr. Long obtained a bachelor's degree in mining engineering from 中南大學 (Central South University) in 1987. And he holds a master degree in mineral processing from 中南大學 and is a senior mineral processing engineer. He began his career in mining engineering at 豐山銅礦 (Feng Shan Copper Mine) in the People's Republic of China since 1987 and was acting as the chief executive of 豐山銅礦 (Feng Shan Copper Mine) from 1998 to 2002. He had also been the chief executive of 銅綠山礦 (Tong Lu Shan Mine) in the People's Republic of China from 2006 to 2008. Since 2008, Mr. Long has served as the assistant manager of Daye Non Ferrous Metals Company, a substantial shareholder of the Company, and is currently vice managing director of Hubei Daye Non Ferrous Metals Co. Mr. Long has over 25 years of experience in the management field of mining industry.

Mr. Zhai Baojin, aged 45, is a graduate in economics and management from the Party School of Hubei Province of 2007. Mr. Zhai was accredited as a senior engineer in metallurgy by the Employees Reform Office of Hubei Province in June 2006. He is a director and the general manager of Daye Metal. Mr. Zhai joined Daye Metal in April 2005 and was appointed as its director in September 2006. He had served as the factory head of the smelting plant (located in No. 1, Yelian Road, Xin Xialu, Huangshi City, Hubei Province), the deputy general manager in general affairs and the deputy general manager of Daye Metal since April 2005. Mr. Zhai was the technician, factory head and the deputy manager of the Parent Company from 1986 to 2010. Mr. Zhai is currently the deputy manager and a director of Parent Company. Mr. Zhai has over 25 years of experience in the smelting industry.

Mr. Tan Yaoyu, aged 38, is a graduate in economics and management from the Party School of Hubei Province of 2007. Mr. Tan, the director of Daye Metal, has over 19 years of experience in the mining industry. Mr. Tan was accredited as a senior accountant by the Employees Reform Office of Hubei Province in December 2010. Mr. Tan was appointed as a director of Daye Metal in September 2011. Mr. Tan joined Daye Metal in December 2008 and served as its financial director until October 2009. He is currently the chief accountant and a member of the Standing Committee of the Parent Company. Prior to joining Daye Metal, Mr. Tan was the deputy financial director and the cost controller of the Parent Company from 1998 to 2008.

Mr. Wan Bi Qi, aged 46, is an associate professor. Mr. Wan has studied in the Faculties of Geography and Social Science of Central South Industrial University（中南工業大學）; and also the Economics School of Wuhan University. He has been the associate professor, the head of Economics Research Institute and the associate editor of the journal of Hubei Business Institute（湖北商業高等專科學校）(now known as Hubei University of Economics（湖北經濟學院）); the senior manager of investment banking division of China Eagle Securities Company Limited; the deputy general manager of investment banking division of Three Gorges Securities; the general manager of investment banking division of Fortune Securities and Wanlian Securities（萬聯證券）; the deputy general manager of Flying Pace Investment Limited in Hong Kong; and the assistant manager of Daye Non Ferrous Metals Company（大冶有色金屬公司）. Mr. Wan possesses extensive experience in merger and acquisition reorganization, financing through listing and financing for listed firms throughout the years. He has also obtained a degree in engineering, a master degree in philosophy and a doctorate in economics.

Independent non-executive directors

Mr. Wang Guoqi, aged 51, is an independent non-executive director of the Company. Mr. Wang is a qualified accountant of The Chinese Institute of Certified Public Accountants, the PRC. Mr. Wang has extensive experience in accounting and financing areas in different industries. Currently, he is the managing partner of Hua-Ander CPAs in the PRC. Mr. Wang holds a doctor degree in philosophy from The University of London, the United Kingdom.

Mr. Wang Qihong, aged 59, is an independent non-executive director of the Company. Mr. Wang has extensive experience in postal and tele-communications field in PRC. Mr. Wang graduated from Liaoning University, the PRC.

Report of the Directors

Mr. Qiu Guanzhou, aged 63, obtained his bachelor's, master's and doctor's degree of engineering from the Guangdong University of Technology and the Central South University of Technology. Mr. Qiu has gained extensive and practical experience during his term of service as an officer responsible for administration and technology on the front line of a copper smelting enterprise. Mr. Qiu has been focusing on the teaching of and scientific research on mining engineering in the Central South University of Technology since 1987. Since 1990, he has acted as head of the Department of Mining Engineering of the Central South University of Technology and vice-president of the Central South University of Technology and the Central South University. Mr. Qiu is a renowned expert, professor and supervisor of doctorate students in the field of mining engineering in China.

Directors' Service Contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts

Save for the contracts described in Note 37 to the consolidated financial statements, no contracts of significance (as defined in Appendix 16 to the Listing Rules) in relation to the Company's business to which the Company, its holding company, or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the year end or at any time during the year.

Directors' and chief executive's interests in shares, underlying shares and debentures

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 associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company or The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

(i) Long positions in shares of the Company

Name of director	Capacity	Nature of interests	Number of shares	Approximate percentage to the total relevant class of shares in issue as at 31 December 2011
Wang Qihong	Beneficial owner	Personal interest	1,500,000 Shares	0.03%
Wang Guoqi	Beneficial owner	Personal interest	900,000 Shares	0.02%

(ii) Long positions in underlying shares of the Company

Name of director	Capacity	Nature of interests	Number of underlying shares	Approximate percentage to the total relevant class of shares in issue as at 31 December 2011
Wan Bi Qi	Beneficial owner	Personal interest	50,000,000 Shares	0.89%
Chen Xiang (resigned on 22 March 2012)	Beneficial owner	Personal interest	50,000,000 Shares	0.89%
Yuan Ping (resigned on 22 March 2012)	Beneficial owner	Personal interest	5,000,000 Shares	0.09%

Note: (1) All of such underlying shares represent the number of shares of the Company which may be issued upon exercise of the subscription rights attaching to the options held by the relevant director.

Save as disclosed above, as at 31 December 2011, none of the directors and chief executives of the Company or their associates had any interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of SFO as recorded in the register 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.

Directors' Right to Acquire Shares or Debentures

The share option scheme of the Company adopted on 27 October 1998 had been terminated and simultaneously a new share option scheme (the "Scheme") had been approved and adopted at the annual general meeting of the Company held on 13 October 2003.

The purpose of the Scheme is a share incentive scheme to enable the Company to grant option to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme, the Board may, at its discretion, grant options to any eligible participants (as set out in the Company's circular dated 19 September 2003).

The principal terms of the Scheme are summarized as follows:

(i) The maximum number of Shares in respect of which options may be granted under the Scheme must not, in aggregate, exceed 10% of the issued share capital of the company as at the approval of the Scheme, unless approval of the shareholders has been obtained to renew the limit. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes adopted of the Group shall not in aggregate exceed 30% of the Shares in issue from time to time.

(ii) The maximum entitlement of each participant under the Scheme in any 12-month period shall not exceed 1% of the Shares in issue as at the date of grant.

(iii) The exercise price is determined by the Board in its absolute discretion at a price not less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day (b) the average the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and (c) the nominal value of a Share.

(iv) An option may be accepted by a proposed grantee within 7 days from the date of the offer of grant of the option. There is no minimum period for which an option must be held before it can be exercised. An option may be exercised at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date.

(v) Upon acceptance of the option, the grantee shall pay of HK$1.00 to the Company by way of consideration for the grant of the option.

(vi) Subject to earlier termination by the Company in general meeting, the Scheme will remain valid for a period of 10 years commencing on 13 October 2003, being the date on which it was adopted.

The following table discloses movements in the Company's share options during the year:

	No. of options outstanding at 31 December 2010	No. of options lapsed/cancelled/ forfeited during the year	No. of options granted during the year	No. of options outstanding at 31 December 2011
Directors				
– Wan Bi Qi	50,000,000	–	–	50,000,000
– Chen Xiang	50,000,000	–	–	50,000,000
– Yuan Ping	5,000,000	–	–	5,000,000
– Zhang He	9,000,000	–	–	–
Employees and others	202,700,000	–	–	202,700,000
Total	30,700,000	–	–	307,700,000

Details of share options granted are as follows:

Date of grant/ acceptance	Exercise period	Exercise price per share	Closing price immediately before date of offer	Closing price immediately before date of grant
19 June 2009	19 June 2009 – 18 June 2019	HK$0.61	HK$0.61	HK$0.60
19 June 2009	19 June 2010 – 18 June 2019	HK$0.61	HK$0.61	HK$0.60

At no time during the year was the Company, its holding company, or any its 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.

Substantial Shareholders' Interest in Securities

As at 31 December 2011, so far as is known to the directors of the Company, the following persons (other than the directors and chief executives of the Company) had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Long positions in shares/underlying shares of the Company

Name of Shareholder	Capacity	Number of shares	Approximate percentage of total relevant class of shares in issue as at 31 December 2011
China Times Development Limited *(Note 1)*	Beneficial owner	1,163,236,988 Shares	20.8% *(Note 3)*
Daye Nonferrous Metals Corporation Holdings Limited *(Note 1)*	Interest in a controlled corporation	1,163,236,988 Shares	20.8% *(Note 3)*
Alexis Resources Limited *(Note 2)*	Beneficial owner	355,987,055 underlying Shares	6.37% *(Note 3)*
GobMin Inc. *(Note 2)*	Interest in a controlled corporation	355,987,055 underlying Shares	6.37% *(Note 3)*
Belmont Holdings Group Limited *(Note 2)*	Interest in a controlled corporation	355,987,055 underlying Shares	6.37% *(Note 3)*
Good Omen Investments Limited *(Note 2)*	Interest in a controlled corporation	355,987,055 underlying Shares	6.37% *(Note 3)*
Tan Felipe *(Note 2)*	Interest in a controlled corporation	355,987,055 underlying Shares	6.37% *(Note 3)*
China Times Development Limited *(Note 1)*	Beneficial owner	5,495 CPS	33.33% *(Note 4)*
Daye Nonferrous Metals Corporation Holdings Limited *(Note 1)*	Interest in a controlled corporation	5,495 CPS	33.33% *(Note 4)*

Notes:

1. These shares were held by China Times Development Limited, the entire issued capital of which were beneficially owned by Daye Nonferrous Metals Corporation Holdings Limited.

2. These underlying shares were held by Alexis Resources Limited, the entire issued capital of which were beneficially owned by GobiMin Inc.

   GobiMin Inc. was controlled by Belmont Holdings Group Limited, which owned 43% of its issued capital.

   Belmon Holdings Group Limited was controlled by Good Omen Investments Limited, which owned 61.91% of its issued capital.

   Good Omen Investments Limited was wholly owned by Tan Felipe.

3. The percentage is calculated based on 5,591,195,552 Shares in issue.

4. The percentage is calculated based on 16,485 CPS in issue.

Save as disclosed above, as at 31 December 2011, the directors of the Company are not aware of any other persons who have interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

Purchase, Sale or Redemption of Securities

During the year under review, the Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities.

Pre-emptive Rights

No pre-emptive rights exist in the jurisdiction of Bermuda in which the Company is incorporated.

Management Contracts

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

Connected Transactions

Details of the connected transactions and continuing connected transactions (the "Continuing Connected Transactions") entered into by the Group during the year are set out in Note 37 to the consolidated financial statements. The Company has complied with the disclosure requirements governing the Continuing Connected Transactions in accordance with Chapter 14A of the Listing Rules.

Report of the Directors

The Continuing Connected Transactions have been reviewed by the independent non-executive directors of the Company who have confirmed that the Continuing Connected Transactions have been entered into (i) in the ordinary and usual course of business of the Company; (ii) either on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Company has engaged the auditors of the Company to perform certain factual finding procedures in respect of the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported the factual findings on these procedures to the Board and confirmed that for the year ended 31 December 2011 the Continuing Connected Transactions (i) have received approval of the Board; (ii) are in accordance with the pricing policies of the Company, where applicable; (iii) have been entered into in accordance with the terms of the agreements governing the transactions; and (iv) have not exceeded the respective cap amounts for the year ended 31 December 2011 in respect of each of the Continuing Connected Transactions.

Audit Committee

The Company established an audit committee in accordance with the requirements of the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee currently comprises of three independent non-executive directors, Messrs. Wang Guoqi, Wang Qihong and Qiu Guanzhou. The audit committee of the Company has reviewed the final results of the year ended 31 December 2011.

Model Code for Securities Transactions by Directors

The Company had complied with the code of conduct regarding securities transactions by the directors on terms no less exact than the required standard of dealings as set out in the Model Code. Having made specific enquiry of all directors, they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transaction by the directors adopted by the Company.

Compliance with the Code

In the opinion of the directors, the Company has complied with the Code throughout the year under review, except that the independent non-executive directors are not appointed for a specific term as required by code provision A.4.1 of the Code, but are subject to retirement by rotation in accordance with the Bye-Laws. Appropriate actions are being taken by the Company for complying with the Code.

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 report, the Company has maintained the prescribed public float under the Listing Rules.

Events After the Reporting Period

Details of significant events occurring after the reporting period are set out in note 39 to the financial statements.

Five Year Financial 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 124 of this report.

Professional Tax Advice Recommended

If the shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

Independent Auditors

The company's auditors, Pan-China (H.K.) CPA Limited, who retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Pan-China (H.K.) CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Zhang Lin
Chairman

Hong Kong, 30 March 2012

Corporate Governance Report

The Group is committed to high standards of corporate governance for the enhancement of shareholders' value and safeguarding interests of shareholders and other stakeholders. The Company closely monitors corporate governance development in Hong Kong and overseas, and regularly reviews its corporate governance practices to meet public and shareholders' expectations and to comply with increasingly stringent regulatory requirements.

In the opinion of the Board, the Company has complied with the Code set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2011 except for certain deviations disclosed herein.

Directors' Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by its directors. In response to specific enquiry made by the Company, all directors confirmed that they have fully complied with the required standard set out in the Model Code during the year ended 31 December 2011.

Board of Directors

The Board is responsible for the leadership and control of the Group and oversees the Group's business, strategic decisions and performance. The Board has delegated the day-to-day responsibility to the executive directors and senior management who perform their duties under the leadership of the Chairman.

The Board currently consists of five executive directors and three Independent non-executive directors. During the year ended 31 December 2011, the Board at all time met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors, and complied with the requirement that these should include one such director with appropriate professional qualifications or accounting or related financial management expertise.

The Board schedules four meetings a year and also meets as and when required. During the year, the Board held thirteen meetings.

To select and recommend candidates for directorship, the Board considers a number of factors, including appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, as well as time commitments of members. During the year, the Board has reviewed the policy for the nomination of directors.

The members of the Board and the attendance of each member at the meetings held during the year are as follows:

The Board	Number of attendance of Board's meetings
Executive Directors	
Mr. Zhang Lin *(Chairman)* (appointed on 22 March 2012)	0/0
Mr. Long Zhong Sheng (appointed on 22 March 2012)	0/0
Mr. Zhai Baojin (appointed on 22 March 2012)	0/0
Mr. Tan Yaoyu (appointed on 22 March 2012)	0/0
Mr. Wan Bi Qi	12/13
Mr. Chen Xiang (resigned on 22 March 2012)	9/13
Ms. Yuan Ping (resigned on 22 March 2012)	12/13
Independent Non-executive Directors	
Mr. Wang Guoqi	7/13
Mr. Wang Qihong	7/13
Mr. Qiu Guanzhou	7/13

The Company has received annual confirmations of independence from each of the independent non-executive directors and the Company considers them to be independent.

Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of directors and their respective biographies are set out on pages 20 to 22 of this report.

Chairman and Chief Executive Officer

Mr. Zhang Lin is the Chairman of the Board and Mr. Long Zhong Sheng is the Chief Executive Officer ("CEO") of the Company. The roles of the Chairman and the CEO are two distinctively separate positions. The Chairman is responsible for providing leadership for the Board and ensuring that the Board works effectively. The CEO is responsible for the Group's business development and management.

Independent Non-executive Directors

Under code provision A.4.1 of the Code, the independent non-executive directors should be appointed for a specific term, subject to re-election. Currently, none of the three independent non-executive directors is appointed for a specific term, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws.

Corporate Governance Report

Remuneration Committee

The Company has established its Remuneration Committee with specific written terms of reference. The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all directors and senior management of the Company, and the remuneration packages of individual executive directors, non-executive directors and senior management of the Company.

Details of the directors' emoluments during the year ended 31 December 2011 are set out in note 11 to the consolidated financial statement in this report. The director's emoluments are determined with reference to the company's operating results, individual performance and the prevailing market rates.

During the year, the Remuneration Committee held two meetings and reviewed the remuneration packages of the directors. Members of the Remuneration Committee and the attendance of each member are as follows:

Remuneration Committee	**Number of attendance at Remuneration Committee's meetings**
Independent Non-executive Directors	
Mr. Wang Guoqi (Chairman of Remuneration Committee)	2/2
Mr. Wang Qihong	2/2
Mr. Qiu Guanzhou	2/2

The Establishment of Nomination Committee

The nomination committee ("Nomination Committee") of the Board was established on 30 March 2012.

Mr. Zhang Lin has been appointed as the chairman of the Nomination Committee, and the independent non-executive directors of the Company, Mr. Wang Qihong, Mr. Wang Guoqi and Mr. Qiu Guanzhou, have been appointed as the members of the Nomination Committee, with effect from 30 March 2012.

The Company established the Nomination Committee with written terms of reference to review the structure, size and composition of the Board, identify individuals suitable and qualified to become Board members and make recommendations to the Board on the election of individuals nominated for directorship.

External Auditor

For the year ended 31 December 2011, Pan-China (H.K.) CPA Limited, the external auditor of the Group, provided the following services to the Group:

	HK$'000
Services rendered	
Audit services	
Annual audit	1,300
Interim audit	893
Non-audit services	
Other services	140
Total	2,333

Audit Committee

The Audit committee is responsible for reviewing and supervising the financial reporting process and internal control system of the Group and providing advice and comments to the Board in these regards.

During the year, the Audit Committee held two meetings. Members of the Audit Committee and the attendance of each member are as follows:

Audit Committee	**Number of attendance at Audit Committee's meetings**
Independent Non-executive Directors	
Mr. Wang Guoqi *(Chairman of Audit Committee)*	2/2
Mr. Wang Qihong	2/2
Mr. Qiu Guanzhou	2/2

The Audit Committee has performed the following duties during the year:

– reviewed with the management and the external auditors the audited financial statements for the year ended December 2011 and the audited interim financial statements for the six months ended 30 June 2011, with recommendations to the Board for approval;

– reviewed reports on internal control system covering financial, operational, procedural compliance and risk management functions; and

– reviewed the compliance issues with the regulatory and statutory requirements.

Corporate Governance Report

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31 December 2010.

The Chairman of the Audit Committee, Mr. Wang Guoqi, possesses relevant financial management expertise and meets the requirements of rule 3.21 of the Listing Rules.

Accountability

The directors are responsible for the preparation of the accounts of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the accounts for the six months ended 30 June 2011 and for the year ended 31 December 2011, the directors have adopted suitable accounting policies and applied them consistently. The accounts for the reporting year have been prepared on a going concern basis.

Internal Controls

The Board has, through the Audit Committee, conducted interim and annual review of the effectiveness of the internal control system of the Group covering the financial, operational, procedural compliance and risk management functions. The internal control system is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll.

Shareholder Rights

The rights of shareholders are contained in the Bye-laws of the Company.

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. These include interim and annual reports, announcements and circulars.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Group encourages its shareholders to attend annual general meeting to ensure a high level of accountability and keep informed of the Group's strategy and goals. The Chairman of the Board and the chairman of all the Committees, or in their absence, other members of the respective committees, are available to answer any questions from the shareholders.

Independent Auditors' Report

TO THE SHAREHOLDERS OF
CHINA DAYE NON-FERROUS METALS MINING LIMITED
(incorporated in the Bermuda with limited liability)

We have audited the consolidated financial statements of China Daye Non-Ferrous Metals Mining Limited (the "Company" and its subsidiaries collectively referred to as the "Group") set out on pages 37 to 123, which comprise the consolidated and company 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 notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of these 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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 auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.

Independent Auditors' Report

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 and of the Company as at 31 December 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PAN-CHINA (H.K.) CPA LIMITED
Certified Public Accountants
Hong Kong, 30 March 2012
Choi Man Chau Michael
Practising Certificate Number P01188

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	6	**50,329**	954,314
COST OF SALES		**(52,410)**	(940,955)
		(2,081)	13,359
OTHER REVENUE	6	**399**	459
GENERAL AND ADMINISTRATIVE EXPENSES		**(89,079)**	(43,353)
OPERATING LOSS FOR THE YEAR	8	**(90,761)**	(29,535)
IMPAIRMENT OF MINING RIGHT	17	**(723,838)**	–
IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT		**(18,977)**	–
IMPAIRMENT OF MINING RIGHT WRITTEN BACK		**–**	14,038
IMPAIRMENT OF DEPOSIT, PREPAYMENT AND OTHER RECEIVABLES		**(2,841)**	–
LOSS ON DISPOSAL OF A SUBSIDIARY	9	**–**	(1,514)
FINANCE COSTS	10	**(13,727)**	(5,616)
LOSS BEFORE TAXATION		**(850,144)**	(22,627)
INCOME TAX CREDIT/(EXPENSE)	12	**180,959**	(5,640)
LOSS FOR THE YEAR		**(669,185)**	(28,267)
OTHER COMPREHENSIVE INCOME:			
Exchange difference arising on translation of foreign operations			
– Exchange differences arising during the year		**6,425**	1,518
– Reclassification adjustments relating to foreign operations disposed of during the year		**–**	29

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**6,425**	1,547
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(662,760)**	(26,720)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
– owners of the Company		**(257,896)**	(23,073)
– non-controlling interests		**(411,289)**	(5,194)
		(669,185)	(28,267)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
– owners of the Company		**(254,623)**	(22,182)
– non-controlling interests		**(408,137)**	(4,538)
		(662,760)	(26,720)
		HK cents	*HK cents*
Loss per share:	*14*		
– Basic		**(4.61)**	(0.41)
– Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**77,972**	55,535
Prepaid lease payment	16	**1,668**	1,656
Mining rights	17	**1,432,747**	2,156,585
TOTAL NON-CURRENT ASSETS		**1,512,387**	2,213,776
CURRENT ASSETS			
Deposit for acquisition	19	**170,000**	170,000
Prepaid lease payment	16	**44**	44
Inventories	20	**1,533**	2,885
Trade and other receivables	21	**59,953**	82,351
Tax recoverable		**1,595**	–
Cash and bank balances	22	**98,492**	187,304
TOTAL CURRENT ASSETS		**331,617**	442,584
CURRENT LIABILITIES			
Trade and other payables	23	**27,058**	7,521
Deferred income	24	**7,201**	6,966
Tax payable		**1,901**	4,032
TOTAL CURRENT LIABILITIES		**36,160**	18,519
NET CURRENT ASSETS		**295,457**	424,065
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,807,844**	2,637,841
NON-CURRENT LIABILITIES			
Cumulative redeemable preference shares	25	**110**	110
Convertible notes	26	**103,608**	89,886
Deferred tax liabilities	27	**358,187**	539,146
TOTAL NON-CURRENT LIABILITIES		**461,905**	629,142
NET ASSETS		**1,345,939**	2,008,699

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CAPITAL AND RESERVES			
Share capital	*28*	**279,560**	279,560
Reserves	*30*	**564,169**	818,792
Equity attributable to the owners of the Company		**843,729**	1,098,352
Non-controlling interests		**502,210**	910,347
TOTAL EQUITY		**1,345,939**	2,008,699

Approved and Authorised for issue by the Board of Directors on 30 March 2012 and are signed on behalf by:

Zhang Lin	**Wan Bi Qi**
Chairman	*Executive Director*

Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**1,674**	2,154
Interest in subsidiaries	18	**753,231**	2,204,422
TOTAL NON-CURRENT ASSETS		**754,905**	2,206,576
CURRENT ASSETS			
Deposit for acquisition	19	**170,000**	170,000
Trade and other receivables	21	**10,232**	11,109
Cash and bank balances	22	**44,466**	5,798
TOTAL CURRENT ASSETS		**224,698**	186,907
CURRENT LIABILITIES			
Trade and other payables	23	**4,522**	3,237
TOTAL CURRENT LIABILITIES		**4,522**	3,237
NET CURRENT ASSETS		**220,176**	183,670
TOTAL ASSETS LESS CURRENT LIABILITIES		**975,081**	2,390,246
NON-CURRENT LIABILITIES			
Cumulative redeemable preference shares	25	**110**	110
Convertible notes	26	**103,608**	89,886
TOTAL NON-CURRENT LIABILITIES		**103,718**	89,996
NET ASSETS		**871,363**	2,300,250
CAPITAL AND RESERVES			
Share capital	28	**279,560**	279,560
Reserves	30	**591,803**	2,020,690
TOTAL EQUITY		**871,363**	2,300,250

Approved and Authorised for issue by the Board of Directors on 30 March 2012 and are signed on behalf by:

Zhang Lin	Wan Bi Qi
Chairman	*Executive Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to the owners of the Company										
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Capital redemption reserve** *HK$'000*	**Warrant reserve** *HK$'000*	**Share-based payment reserve** *HK$'000*	**Exchange reserve** *HK$'000*	**Convertible notes equity reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At 1 January 2010	279,560	2,916,091	2,241	3,000	87,627	(38,337)	–	(2,155,373)	1,094,809	872,029	1,966,838
Loss for the year	–	–	–	–	–	–	–	(23,073)	(23,073)	(5,194)	(28,267)
Exchange differences arising on translation of foreign operations:											
Exchange differences arising during the year	–	–	–	–	–	862	–	–	862	656	1,518
Reclassification adjustments relating to foreign operations disposed of during the year	–	–	–	–	–	29	–	–	29	–	29
Total comprehensive income for the year	–	–	–	–	–	891	–	(23,073)	(22,182)	(4,538)	(26,720)
Capital contributed by non-controlling interests	–	–	–	–	–	–	–	–	–	42,720	42,720
Recognition of the equity component of convertible notes	–	–	–	–	–	–	25,725	–	25,725	–	25,725
Share option forfeited	–	–	–	–	(2,624)	–	–	2,624	–	–	–
Derecognition of non-controlling interests on the disposal of Reservoir (Tungs) Limited	–	–	–	–	–	–	–	–	–	136	136
At 31 December 2010 and 1 January 2011	279,560	2,916,091	2,241	3,000	85,003	(37,446)	25,725	(2,175,822)	1,098,352	910,347	2,008,699
Loss for the year	–	–	–	–	–	–	–	(257,896)	(257,896)	(411,289)	(669,185)
Exchange differences arising on translation of foreign operations:											
Exchange differences arising during the year	–	–	–	–	–	3,273	–	–	3,273	3,152	6,425
Total comprehensive income for the year	–	–	–	–	–	3,273	–	(257,896)	(254,623)	(408,137)	(662,760)
Lapse of warrants	–	–	–	(3,000)	–	–	–	3,000	–	–	–
At 31 December 2011	**279,560**	**2,916,091**	**2,241**	**–**	**85,003**	**(34,173)**	**25,725**	**(2,430,718)**	**843,729**	**502,210**	**1,345,939**

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(850,144)**	(22,627)
Adjustments for:			
Interest income		**(127)**	(256)
Finance costs		**13,727**	5,616
Impairment of mining right written back		**–**	(14,038)
Impairment of mining right		**723,838**	–
Impairment of property, plant and equipment		**18,977**	–
Impairment of deposit, prepayment and other receivables		**2,841**	–
Amortisation of prepaid lease payment		**44**	42
Depreciation of property, plant and equipment		**3,040**	2,530
Loss on disposal of a subsidiary	9	**–**	1,514
Loss on disposal of property, plant and equipment		**–**	7
Operating loss before changes in working capital		**(87,804)**	(27,212)
Decrease in investments held for trading		**–**	6,990
Decrease/(increase) in inventories		**1,352**	(1,519)
Decrease/(increase) in trade and other receivables		**19,556**	(78,707)
Increase/(decrease) in trade and other payables		**19,532**	(2,712)
Increase in deferred income		**–**	2,834
Cash used in operations		**(47,364)**	(100,326)
Interest paid		**(3,722)**	–
Net cash used in operating activities		**(51,086)**	(100,326)

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposit for acquisition		–	(60,000)
Net cash outflow arising from disposal of a subsidiary	9	–	(1,569)
Interest income		127	256
Proceeds from sales of property, plant and equipment		–	1
Purchase of property, plant and equipment		(42,892)	(36,783)
Prepaid Lease payment		–	(7)
Net cash used in investing activities		(42,765)	(98,102)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds contributed by non-controlling interests		–	42,720
Net cash generated from financing activities		–	42,720
NET DECREASE IN CASH AND CASH EQUIVALENTS		(93,851)	(155,708)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		187,304	343,961
Effects of foreign exchange rate changes		5,039	(949)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		98,492	187,304
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		98,492	187,304

Notes to the Financial Statements

For the year ended 31 December 2011

1. CORPORATE INFORMATION

China Daye Non-Ferrous Metals Mining Limited (the “Company”) was incorporated in Bermuda as an exempted Company with limited liability and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and principal place of business of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Unit 2001, World Wide House, 19 Des Voeux Road Central, Hong Kong respectively.

During the year, the Company and its subsidiaries (collectively referred to the “Group”) was involved in the following principal activities:

– Corporate investment and trading in securities;

– Minerals exploitation; and

– Trading in non-ferrous metals.

In the opinion of the directors, as at 31 December 2011 the ultimate holding company is Daye Non-Ferrous Metals Corporation Holdings Limited (“Daye Corp”) (formerly known as “Hubei Daye Non-Ferrous Metals Company”), a company incorporated with limited liability under the laws of the People’s Republic of China.

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

In the current year, the Group and the Company have applied the following new and revised Standards, Amendments and Interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classifications of Rights Issues
HK(IFRIC)-Int 14 (Amendments)	Prepayments of Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010

The adoption of the new and revised HKFRSs has no material effect on the financial statements of the Group and the Company for the current and prior accounting periods.

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

The Group and the Company have not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First time Adopters[1]
HKFRS 7 (Amendments)	Transfer of Financial Assets[1]
HKFRS 7 (Amendments)	Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Revised)	Presentation of items of Other Comprehensive income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

(1) *Effective for annual periods beginning on or after 1 July 2011.*

(2) *Effective for annual periods beginning on or after 1 January 2012.*

(3) *Effective for annual periods beginning on or after 1 July 2012.*

(4) *Effective for annual periods beginning on or after 1 January 2013.*

(5) *Effective for annual periods beginning on or after 1 January 2014.*

(6) *Effective for annual periods beginning on or after 1 January 2015.*

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

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

In December 2011, Amendments to HKFRS 9 Financial Instruments defer its mandatory effective date from 1 January 2013 to 1 January 2015. The deferral will make it possible for all phases of the project to have the same mandatory effective date. The amendments also provide relief from the requirement to restate comparative financial statements for the effect of applying HKFRS 9. This relief was originally only available to companies that chose to apply HKFRS 9 prior to 2012. Instead, additional transition disclosures will be required to help investors understand the effect that the initial application of HKFRS 9 has on the classification and measurement of financial instruments.

The issuance of HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements and HKFRS 12 Disclosure of Interests in Other Entities completes improvements to the accounting requirements for off balance sheet activities and joint arrangements and concludes an important element of the International Accounting Standards Board's comprehensive response to the financial crisis.

– HKFRS 10 Consolidated Financial Statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statement of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

– HKFRS 11 Joint Arrangements provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities.

– HKFRS 12 Disclosure of Interests in Other Entities is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

HKFRS 13 Fair Value Measurement improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

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

The amendments to HKAS 1 (Revised) Presentation of Financial Statements require companies preparing financial statements in accordance with HKFRSs to group together items within other comprehensive income (OCI) that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.

The issuance of HKAS 19 (2011) Employee Benefits completes improvements to the accounting requirements for pensions and other post-employment benefits and HKAS 19 (2011) makes important improvements by:

– Eliminating an option to defer the recognition of gains and losses, known as the "corridor method", improving comparability and faithfulness of presentation.

– Streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in OCI, thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations.

– Enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify:

– The meaning of 'currently has a legally enforceable right of set-off'; and

– That some gross settlement systems may be considered equivalent to net settlement.

HK(IFRIC) – Int 20 Stripping Costs in the Production Phase of a Surface Mine clarifies the requirements for accounting for stripping costs in the production phase of a surface mine. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on financial statements.

3. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by The Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for certain financial instruments, which are measured at fair values.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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 on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combinations and the non-controlling interests' share of changes in equity since the date of the combination. Losses of non-wholly owned subsidiary are attributed to the owners of the company and non-controlling interests even if that results in deficit balances.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combinations

Business combinations not under common control

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 former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets acquired and the liabilities assumed are recognised at their fair values 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 the share-based payment transactions of the acquiree or replacement of an acquiree's share-based payment transactions with the share-based payment transaction of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combinations *(Continued)*

Business combinations not under common control *(Continued)*

Non-controlling interests in an acquire that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's net identifiable assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by HKFRSs.

Changes in the Group's ownership interests in existing subsidiaries

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.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured 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). 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiary

A subsidiary is an enterprise in which the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another enterprise.

Investment in subsidiaries is included in the Company's statement of financial position at cost less any impairment losses, unless it is classified as held for sale. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets, unless it is classified as held for sale. The consolidated statement of comprehensive income includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, including any impairment loss on goodwill relating to the investment in associates and jointly controlled entities recognised for the year.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associates and jointly controlled entities *(Continued)*

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Upon disposal of an associate/ a jointly controlled entity that results in the Group losing significant influence/joint control over that associate/jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate/jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate/jointly controlled entity on the same basis as would be required if that associate/jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate/jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence/joint control over that associate/jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's statement of financial position, investment in associates and jointly controlled entities is stated at cost less impairment losses, unless it is classified as held for sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Goodwill arising on an acquisition of an associate or a jointly controlled entity represents the excess of the cost of the acquisition over the Group's share of the relevant associate's or jointly controlled entity's net assets at the date of acquisition.

Capitalised goodwill is presented separately in the consolidated statement of financial position and is carried at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, an associate or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Revenue recognition

Revenue, which is measured at the fair value of the consideration received or receivable, is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, on the following bases:

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

(ii) Income arising from sales of trading securities is recognised on the completion of transfer of risks and rewards of ownership of the investments to the transferee and the legal title being passed;

(iii) 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount; and

(iv) Dividend income is recognised when the shareholder's right to receive payment is established.

(g) Leases

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.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Leases *(Continued)*

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

(h) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Foreign currencies *(Continued)*

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at closing rate. Exchange differences arising are included in the translation reserve.

Upon the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes 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. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Borrowing costs

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

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

(j) Employee benefits

(i) Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity or paternity leaves are not recognised until the time of leave.

(ii) Employee leave entitlements

Provision for profit sharing and bonus payments due wholly within twelve months after the end of the reporting period are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Retirement benefit costs

The Group's contributions to the defined contribution retirement scheme set up pursuant to the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "MPF" Scheme) for all qualifying employees are expensed as incurred. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Employee benefits *(Continued)*

(iv) Retirement benefits schemes

The Company's PRC and Mongolia subsidiaries participate in defined contribution retirements schemes organized by the local government authorities. All of the employees are entitled to an annual pension equivalent to a fixed portion of their basic salaries at their retirement dates. The Company's PRC and Mongolia subsidiaries are required to contribute certain percentage ranged from 11% to 15% of the basic salaries of their employees to the retirement schemes and have no further obligation for post-retirement benefits. The contributions are charged to the profits and loss of the Group as they become payable in accordance with the rules of schemes.

(v) Share-based payments

The Group operates equity-settled share-based payments to certain directors, employees and other parties.

Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period with a corresponding increase in a capital reserve within equity, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained earnings).

Fair value is measured using the Binomial Option Pricing Model. 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 behavioral considerations.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Taxation *(Continued)*

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. 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 deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(l) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of property, plant and equipment, after taking into account of their estimated residual value, if any, over their estimated useful lives, using the straight-line method. The principal annual rates are as follows:

Leasehold improvement	20%
Furniture, fixtures and equipment	15% – 20%
Motor vehicles	25%
Plant and machineries	15%
Building and mining structure	5%

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

Construction in progress, which represents assets under construction, is stated at cost less impairment loss, if any. When the assets are completed and ready for use, the carrying amount of the assets will be reclassified to property, plant and equipment and depreciated in accordance with the policy as set out above.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Mining right

Mining rights are stated at cost less accumulated amortisation and any impairment losses and are amortised on a straight line basis over the estimated useful life of the mines based on the total proven and probable reserves of the mines using the units of production method.

(n) Exploration and related expenses

Exploration and related expenses include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

(o) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of comprehensive income over the expected useful life of the relevant asset by equal annual installments.

(p) Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Impairment of tangible and intangible assets excluding goodwill *(Continued)*

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (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 other standard, in which case the impairment loss is treated as revaluation decrease under other standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under other standard, in which case the reversal of the impairment loss is treated as a revaluation increase under other standard.

Impairment losses recognised in an interim financial report prepared in compliance with "HKAS 34 Interim Financial Reporting" are not reversed at the end of the financial year to which the interim period relates even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of that financial year.

(q) Financial instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial instruments *(Continued)*

Effective interest method

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

Interest income for financial assets and interest expense for financial liabilities are recognized on an effective interest basis.

(i) Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial instruments *(Continued)*

(i) Financial assets (Continued)

The accounting policies adopted in respect of each category of financial assets are set out below.

(1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as fair value through profit or loss on initial recognition.

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 and 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial instruments *(Continued)*

(i) Financial assets (Continued)

(1) Financial assets at fair value through profit and loss *(Continued)*

A financial asset other than a financial asset held for trading may be designated as fair value through profit or loss upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as fair value through profit or loss.

At the end of each reporting period subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

(2) Loans and receivables

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial instruments *(Continued)*

(i) Financial assets (Continued)

(3) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At the end of each reporting period subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

(4) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At the end of each reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in other comprehensive income is removed and recognised in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial instruments *(Continued)*

(i) Financial assets (Continued)

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

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

(ii) Financial liabilities

The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities are set out below.

(1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated as fair value through profit or loss on initial recognition.

A financial liability is classified as held for trading if:

– it has been acquired principally for the purpose of repurchasing 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial instruments *(Continued)*

(ii) Financial liabilities (Continued)

(1) Financial liabilities at fair value through profit or loss *(Continued)*

A financial liability other than a financial liability held for trading may be designated as fair value through profit or loss upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as fair value through profit or loss.

At the end of each reporting period subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial instruments *(Continued)*

(ii) Financial liabilities (Continued)

(2) Other financial liabilities and equity

Other financial liabilities (including bank and other borrowings, trade and other payables) are subsequently measured at amortised cost, using the effective interest method.

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

(3) Convertible notes

Convertible notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option 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 an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the convertible notes into equity, is included in equity (convertible notes equity reserve).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial instruments *(Continued)*

(ii) Financial liabilities (Continued)

(3) Convertible notes *(Continued)*

In subsequent periods, the liability component of the convertible notes is 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 convertible notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible notes using the effective interest method.

(iii) Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on purchase, sale, issue or cancellation of the Company's own equity instruments.

Warrants issued by the group entities which will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments, are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial instruments *(Continued)*

(iv) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

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

(r) Financial guarantees, provisions and contingent liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The Group has asserted to regard financial guarantee contracts as insurance contracts and elect to apply "HKFRS 4 Insurance Contracts" to account for such contracts. The election applies to all existing contracts and new contracts on a contract-by-contract basis and is irrevocable for each contract elected.

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Financial guarantees, provisions and contingent liabilities *(Continued)*

Present obligation is disclosed as a contingent liability where it is not probable that an outflow of economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliably. Possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future event(s) is also disclosed as a contingent liability unless the probability of outflow of economic benefits is remote.

(s) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(t) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity").

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Related parties *(Continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

5. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

(a) Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations as discussed below, which have the most significant effect on the amounts recognised in the financial statements.

(i) Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

5. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES *(Continued)*

(a) Judgments *(Continued)*

(ii) Exploration and related expenses

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgments in determining whether it is likely that future economic benefits will arise, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of capitalized expenditures are unlikely, the amount capitalized is written off in the consolidated statement of comprehensive income in the period when the new information becomes available.

(iii) Income taxes

Deferred tax is provided using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgment regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all or the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of each reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the consolidated statement of comprehensive income .

(b) Estimation uncertainty

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 the Group's assets and liabilities within the next financial year are discussed below.

5. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES *(Continued)*

(b) Estimation uncertainty *(Continued)*

(i) Impairment test of assets

The Group determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the subjective judgments involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as proven and probable. Proven and probable mine reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each mine. In addition, price and cost levels change from year to year, the estimates of proven and probable mine reserves also change. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in the related amortisation rates of mining rights.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining amortisation expenses and impairment losses of mining rights. Amortisation rates are determined based on estimated proven and probable mine reserve quantity and capitalised costs of mining rights. The capitalised costs of mining rights are amortised over the estimated useful lives of the mines based on the proven and probable reserves of the mines using the units of production method.

5. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES *(Continued)*

(b) Estimation uncertainty *(Continued)*

(iii) Income taxes

The Group reviews the carrying amount of deferred tax assets at the end of each reporting period and reduces the amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. This requires an estimation of the future taxable profits. Estimating the future taxable profits requires the Group to make an estimate of the expected future earnings from the Group and also to choose a suitable discount rate in order to calculate the present value of the earnings.

(iv) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year the estimate is changed and the future period.

(v) Valuation of share options

Share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the statement of comprehensive income and share-based payment reserve.

6. REVENUE

(a) An analysis of the Group's revenue for the year is as follows:

	2011 **HK$'000**	2010 HK$'000
Sales of marketable securities	**–**	7,221
Sales of copper concentrate	**945**	308
Sales of non-ferrous metals	**49,257**	946,529
Other interest income	**127**	256
	50,329	954,314

(b) An analysis of the Group's other revenue for the year is as follows:

	2011 **HK$'000**	2010 HK$'000
Miscellaneous income	**399**	44
Exchange gain	**–**	415
	399	459

7. SEGMENT INFORMATION

HKFRS 8 Operating Segments requires the Group to disclose reported segments in accordance with internal reports that are provided to the Group's chief operating decision maker. The Group considers its directors to be the chief operating decision maker. For management purposes, the Group is organised into three operating segments. These operating segments form the basis on which the Group's directors make decisions about resource allocation and performance assessment. The Group has three reportable segments under HKFRS 8:

(a) Corporate investment and trading in securities;

(b) Minerals exploitation; and

(c) Trading in non-ferrous metals.

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

Segment revenue represents revenue generated from external customers. There were no inter-segment sales during the year.

Segment result represents the profit/(loss) earned by each segment without allocation of corporate income and expense, central administration cost, directors' salaries, interest income and impairment of other receivables.

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

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

7. SEGMENT INFORMATION *(Continued)*

(a) Segment revenues and results

	Year ended 31 December 2011			
	Corporate investment and trading in securities	**Minerals exploitation**	**Trading in non-ferrous metals**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segments revenue	**–**	**945**	**49,257**	**50,202**
Segments results	**(7)**	**(764,506)**	**(700)**	**(765,213)**
Interest income				**127**
Unallocated corporate expenses				**(68,490)**
Impairment of deposit, prepayment and other receivables				**(2,841)**
Finance costs				**(13,727)**
Consolidated loss before taxation				**(850,144)**

	Year ended 31 December 2010			
	Corporate investment and trading in securities	Minerals exploitation	Trading in non-ferrous metals	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segments revenue	7,221	308	946,529	954,058
Segments results	216	(12,570)	12,918	564
Interest income				256
Unallocated corporate expenses				(17,831)
Impairment of deposit, prepayment and other receivables				–
Finance costs				(5,616)
Consolidated loss before taxation				(22,627)

Notes to the Financial Statements

For the year ended 31 December 2011

7. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities

	As at 31 December 2011			
	Corporate investment and trading in securities	**Minerals exploitation**	**Trading in non-ferrous metals**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**39**	**1,564,717**	**42,641**	**1,607,397**
Unallocated assets				**236,607**
Consolidated assets				**1,844,004**
Segment liabilities	**56**	**29,491**	**38**	**29,585**
Unallocated liabilities				**468,480**
Consolidated liabilities				**498,065**

	As at 31 December 2010			
	Corporate investment and trading in securities	Minerals exploitation	Trading in non-ferrous metals	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	40	2,275,798	183,819	2,459,657
Unallocated assets				196,703
Consolidated assets				2,656,360
Segment liabilities	56	10,994	47	11,097
Unallocated liabilities				636,564
Consolidated liabilities				647,661

7. SEGMENT INFORMATION *(Continued)*

(c) Other segment information

	Year ended 31 December 2011		
	Corporate investment and trading in securities *HK$'000*	**Minerals exploitation** *HK$'000*	**Trading in non-ferrous metals** *HK$'000*
Capital expenditure	**–**	**42,840**	**–**
Depreciation of property, plant and equipment	**–**	**2,507**	**–**
Amortisation of prepaid lease payment	**–**	**44**	**–**
Impairment for property, plant and equipment	**–**	**18,977**	**–**
Impairment of deposit, prepayment and other receivables	**–**	**2,661**	**–**
Impairment of mining right	**–**	**723,838**	**–**

	Year ended 31 December 2010		
	Corporate investment and trading in securities *HK$'000*	Minerals exploitation *HK$'000*	Trading in non-ferrous metals *HK$'000*
Capital expenditure	–	35,596	–
Depreciation of property, plant and equipment	–	1,012	–
Amortisation of prepaid lease payment	–	42	–
Loss on disposal of property, plant and equipment	–	7	–
Loss on disposal of a subsidiary	–	1,514	–
Impairment of mining right written back	–	(14,038)	–

7. SEGMENT INFORMATION *(Continued)*

(d) Geographical information

The Group operates in three principal geographical areas — the People's Republic of China (excluding Hong Kong) (The PRC), Hong Kong, and Mongolia.

The Group's revenue from external customers and information about its non-current assets and capital expenditure by geographical location are detailed below:

	Year ended 31 December 2011			
	Hong Kong	**The PRC**	**Mongolia**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue	**49,257**	**945**	**–**	**50,202**
Other segment information:				
Non-current assets	**1,673**	**1,510,154**	**560**	**1,512,387**
Capital expenditure	**52**	**37,216**	**5,624**	**42,892**

	Year ended 31 December 2010			
	Hong Kong	The PRC	Mongolia	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	953,750	308	–	954,058
Other segment information:				
Non-current assets	2,154	1,473,282	738,340	2,213,776
Capital expenditure	171,194	22,156	13,439	206,789

8. OPERATING LOSS FOR THE YEAR

Operating loss of the Group for the year has been arrived at after charging the followings:

	2011	2010
	HK$'000	*HK$'000*
Staff costs (including directors' remuneration – note 11)		
– Salaries and allowances	**11,894**	9,916
– Retirement benefits scheme contributions	**63**	67
	11,957	9,983
Amortisation of prepaid lease payment	**44**	42
Depreciation of property, plant and equipment	**3,040**	2,530
Auditors' remuneration		
– Audit services	**2,193**	780
– Other services	**140**	313
Operating leases on land and buildings	**2,189**	1,847
Exploration and related expenses	**–**	16,079

9. DISPOSAL OF A SUBSIDIARY

On 17 December 2010, the Group disposed of a subsidiary – Reservoir (Tungs) Limited, which carried out mineral exploration.

Consideration paid

	2011	2010
	HK$'000	*HK$'000*
Compensation paid for the disposal	**–**	(1,567)

9. DISPOSAL OF A SUBSIDIARY *(Continued)*

Analysis of assets and liabilities over which control was lost

	17/12/2010 *HK$'000*
Current assets	
Cash and cash equivalents	2
Other receivables	1
Current liabilities	
Other payables	(221)
Net liabilities disposed of	(218)

Loss on disposal of a subsidiary

	2010 *HK$'000*
Compensation paid for the disposal	(1,567)
Net liabilities disposed of	218
Non-controlling interests	(136)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiary	(29)
Loss on disposal	(1,514)

9. DISPOSAL OF A SUBSIDIARY *(Continued)*

Loss on disposal of a subsidiary *(Continued)*

The loss on disposal is included in the loss for 2010 in the consolidated statement of comprehensive income.

Net cash outflow on disposal of a subsidiary

	2011 **HK$'000**	2010 *HK$'000*
Compensation paid for the disposal	**–**	(1,567)
Cash and cash equivalent balances disposed of	**–**	(2)
	–	(1,569)

10. FINANCE COSTS

	2011 **HK$'000**	2010 *HK$'000*
Dividends on cumulative redeemable preference shares *(note 13)*	**5**	5
Interest expenses on convertible notes maturing within five years *(note 26)*	**13,722**	5,611
	13,727	5,616

11. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

(i) Directors' emoluments

	2011				
		Other emoluments			
	Fees	Salaries, allowances and other benefits	Employee share option benefits	Retirement benefits scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Wan Bi Qi	1,200	471	–	–	1,671
Chen Xiang	960	383	–	–	1,343
Yuan Ping	960	400	–	–	1,360
Long Zhong Sheng *(note a)*	–	–	–	–	–
Independent non-executive directors					
Wang Guoqi	50	–	–	–	50
Wang Qihong	50	–	–	–	50
Qiu Guanzhou	50	–	–	–	50
	3,270	1,254	–	–	4,524

Note (a): Appointed on 13 June 2011 and resigned on 15 June 2011

11. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS *(Continued)*

(i) Directors' emoluments *(Continued)*

	2010				
		Other emoluments			
	Fees	Salaries, allowances and other benefits	Employee share option benefits	Retirement benefits scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Wan Bi Qi	1,200	214	–	–	1,414
Zhang He *(note b)*	320	–	–	–	320
Chen Xiang	960	171	–	–	1,131
Yuan Ping	960	221	–	–	1,181
Independent non-executive directors					
Wang Guoqi	50	–	–	–	50
Wang Qihong	50	–	–	–	50
Qiu Guanzhou	50	–	–	–	50
	3,590	606	–	–	4,196

Note (b): Resigned on 1 May 2010

11. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS *(Continued)*

(ii) Five highest paid employees

During the year, the five highest paid individuals included three directors (For the period ended 31 December 2010: four), details of whose emoluments are set out above. The emoluments of the remaining highest paid individuals were as follows:

	2011 ***HK$'000***	2010 *HK$'000*
Salaries and other emoluments	**2,283**	1,142
Retirement benefits scheme contributions	**12**	12
	2,295	1,154

Emoluments of the two (For the period ended 31 December 2010: one) non-director highest paid individual(s) fell within the following bands:

	Number of individual(s)	
	2011	2010
HK$ Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$2,000,000	**2**	1
HK$2,000,001 to HK$4,000,000	**–**	–

No directors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2010: none).

12. INCOME TAX (CREDIT)/EXPENSE

(a) Income tax (credit)/expense in the consolidated statement of comprehensive income represents:

	2011	2010
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**–**	2,131
Other jurisdictions	**–**	–
	–	2,131
Deferred tax (credit)/expense (note 27)	**(180,959)**	3,509
Tax (credit)/expense for the year	**(180,959)**	5,640

The statutory tax rate for Hong Kong profits tax is 16.5% (2010: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong during the year. No Hong Kong profits tax has been provided for in the consolidated financial statements as there are no assessable profits arising in or derived from Hong Kong during the year (2010:HK$2,131,000). Overseas income taxes have not been made as the Group's operation in these countries was operating at a loss during the year (2010: HK$Nil).

During the year, deferred tax is written back for the impairment of mining right.

(b) Reconciliation between tax (credit)/expense and accounting loss at applicable tax rates is as follows:

	2011	2010
	HK$'000	*HK$'000*
Loss before tax	**(850,144)**	(22,627)
Notional tax on loss before tax, calculated at the tax rates applicable to profits in the jurisdictions concerned	**(205,132)**	(4,612)
Tax effect of income not taxable	**(2)**	(2)
Tax effect of expenses not deductible and loss not allowable	**205,019**	6,745
Tax effect of estimated tax losses not recognised for the year	**115**	–
Decrease in deferred tax liabilities for impairment of mining right (note 27)	**(180,959)**	–
Increase in deferred tax liabilities arising from mining right (note 27)	**–**	3,509
Tax (credit)/expense for the year	**(180,959)**	5,640

13. DIVIDENDS ON CUMULATIVE REDEEMABLE PREFERENCE SHARES

	2011	2010
	HK$'000	*HK$'000*
Preference dividends		
Payable of HK$0.3 per share on 16,485 shares	**5**	5

14. LOSS PER SHARE

The basic loss per share is calculated based on the loss attributable to owners of the Company of approximately HK$257,896,000 (2010: HK$23,073,000) and the weighted average number of 5,591,195,552 (2010: 5,591,195,552) ordinary shares in issue during the year.

The diluted loss per share for the two years ended 31 December 2011 and 2010 have not been disclosed as the potential shares arising from the exercise and conversion of the Company's share options, warrants, convertible notes and convertible preference shares would decrease the loss per share of the Group for the year and is regarded as anti-dilutive.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvement	Furniture, fixtures, and equipment	Motor vehicles	Plant and machineries	Building and mining structure	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:							
At 1 January 2010	1,160	689	1,680	5,361	8,996	4,609	22,495
Additions	1,172	831	988	1,007	1,065	31,720	36,783
Transfer	–	–	–	–	851	(851)	–
Disposals	–	(17)	–	–	–	–	(17)
Exchange adjustment	5	43	209	239	477	1,858	2,831
At 31 December 2010 and at 1 January 2011	2,337	1,546	2,877	6,607	11,389	37,336	62,092
Additions	–	282	586	892	1,028	40,103	42,891
Transfer	–	–	–	–	330	(330)	–
Disposals	–	–	–	–	–	–	–
Exchange adjustment	(5)	5	(84)	236	129	(323)	(42)
At 31 December 2011	2,332	1,833	3,379	7,735	12,876	76,786	104,941
Accumulated depreciation and impairment losses:							
At 1 January 2010	99	338	1,022	1,555	750	–	3,764
Charge for the period	262	220	562	964	522	–	2,530
Written back on disposal	–	(9)	–	–	–	–	(9)
Exchange adjustment	1	9	128	88	46	–	272
At 31 December 2010 and at 1 January 2011	362	558	1,712	2,607	1,318	–	6,557
Charge for the year	468	272	589	1,143	568	–	3,040
Impairment loss	–	–	–	–	2,247	16,730	18,977
Written back on disposal	–	–	–	–	–	–	–
Exchange adjustment	(3)	–	(56)	105	(155)	(1,496)	(1,605)
At 31 December 2011	827	830	2,245	3,855	3,978	15,234	26,969
Net carrying amount:							
At 31 December 2011	1,505	1,003	1,134	3,880	8,898	61,552	77,972
At 31 December 2010	1,975	988	1,165	4,000	10,071	37,336	55,535

The Group's property, plant and equipment were valued at approximately HK$56,828,000 as at 30 September 2011 in the circular issued on 29 December 2011 in connection with the reverse takeover. Had the Group's property, plant and equipment been included in these financial statements at such valuation amount throughout the year ended 31 December 2011, no additional depreciation charge would have been recognised in the consolidated income statement for the year ended 31 December 2011.

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Leasehold improvement *HK$'000*	Furniture, fixtures, and equipment *HK$'000*	Total *HK$'000*
Cost:			
At 1 January 2010	1,160	487	1,647
Additions	1,123	70	1,193
At 31 December 2010 and at 1 January 2011	2,283	557	2,840
Additions	–	52	52
At 31 December 2011	2,283	609	2,892
Accumulated depreciation and impairment losses:			
At 1 January 2010	99	266	365
Charge for the year	253	68	321
At 31 December 2010 and at 1 January 2011	352	334	686
Charge for the year	457	75	532
At 31 December 2011	809	409	1,218
Net carrying amount:			
At 31 December 2011	1,474	200	1,674
At 31 December 2010	1,931	223	2,154

16. PREPAID LEASE PAYMENT

	2011 **HK$'000**	2010 *HK$'000*
Cost/carrying amount:		
At the beginning of the year	**1,743**	1,670
Additions	**–**	7
Exchange difference	**58**	66
At the end of the year	**1,801**	1,743
Accumulated amortisation:		
At the beginning of the year	**43**	–
Charge for the year	**44**	42
Exchange difference	**2**	1
At the end of the year	**89**	43
Net carrying value:		
At 31 December	**1,712**	1,700
Classified as current portion	**44**	44
Classified as non-current portion	**1,668**	1,656

Prepaid lease payment represented cost paid by a subsidiary to acquire land use right in the PRC on 25 December 2009. The subsidiary intends to erect office building on the land for own use. The land use right will be expired on 24 December 2049 and its cost is amortised over the lease term on a straight-line basis.

The Group's prepaid lease payment was valued at approximately HK$1,804,000 as at 30 September 2011 in the circular issued on 29 December 2011 in connection with the reverse takeover. Had the Group's prepaid lease payment been included in these financial statements at such valuation amount throughout the year ended 31 December 2011, an additional amortization charge of approximately HK$2,300 would have been recognised in the consolidated income statement for the year ended 31 December 2011.

17. MINING RIGHTS

	2011	2010
	HK$'000	*HK$'000*
Cost/carrying amount:		
At the beginning of the year	**2,156,585**	2,142,547
Impairment loss (provided)/written back	**(723,838)**	14,038
At the end of the year	**1,432,747**	2,156,585

No amortisation was provided during the year as the Group has not yet commenced the exploitation of the ores.

It was revealed that, in June 2011, the Mongolian JV Partner (the 45% non-controlling shareholder in Reservoir Moly Mongolia Limited ("RMML")) initiated arbitration proceedings against China Reservoir Mining Limited ("CRML"), the holding company of RMML with respect to alleged failure on the part of CRML to develop the Aleinuer Molybdenum Mine in accordance with the terms of the various agreements signed between the parties. On 4 October 2011, CRML received the written arbitral award issued by the Mongolian Arbitration Center in relation to the Mongolian Proceedings, pursuant to which the Mongolian Arbitration Center ruled that the mining right to the Aleinuer Molybdenum Mine should be returned by RMML to the Mongolian JV Partner.

On 12 October 2011, CRML lodged an appeal to the Court of Appeal of Mongolia against such arbitral award. The appeal was heard on 21 November 2011. On 1 December 2011, CRML received the written ruling issued by the Court of Appeal of Mongolia, which annulled the arbitral award issued by the Mongolian Arbitration Center on the basis of procedural irregularities and directed the dispute to be re-heard by the Mongolian Arbitration Center.

On 3 January 2012, The Mongolian National Arbitration Center has issued Decision No.02 to re-apply the Arbitration procedure to the Case. However, the appointment, scheduled on 16 January 2012, of preliminary arbitration hearing for determining the Rules of Reviewing the Case, has been postponed, because if the composition of the former Arbitration panel is unchanged then the probability of a final decision in favor of "China Reservoir Mining Limited" is very low, and therefore the lawyers had requested to reject the Arbitration adjudicators. The Arbitration panel has forwarded the case to the Head of Mongolian National Chamber of Commerce and Industry for review but they decided that they could not accept the request.

17. MINING RIGHTS *(Continued)*

In this connection, the company has obtained a legal opinion from a Mongolian law firm and the lawyers considered that the probability of a decision in favour of CRML in the Arbitration was low. Accordingly, full impairment was made for the Aleinuer Molybdenum Mine.

18. INTEREST IN SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	*HK$'000*
Unlisted shares, at cost	**–**	–
Amounts due from subsidiaries	**2,164,359**	2,261,281
Amounts due to subsidiaries	**(28,098)**	(20,099)
	2,136,261	2,241,182
Allowance for impairment losses	**(1,383,030)**	(36,760)
	753,231	2,204,422

The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Particulars of the Company's principal subsidiaries are set out in note 38 to financial statements.

19. DEPOSIT FOR ACQUISITION

The amount represents deposit paid to Alexis Resources Limited in respect of acquisition of Qianyi Limited. Details of the transactions are set out in the announcements made by the Company on 16 April 2010, 16 July 2010, 30 December 2010, 30 August 2011 and 31 January 2012.

20. INVENTORIES

	Group	
	As at 31 December 2011	As at 31 December 2010
	HK$'000	*HK$'000*
Raw materials	**1,068**	210
Work in progress	**465**	1,155
Finished goods	**–**	1,520
	1,533	2,885

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	As at 31 December 2011	As at 31 December 2010	**As at 31 December 2011**	As at 31 December 2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**–**	57,468	**–**	–
Other receivables	**2,694**	1,925	**211**	116
Prepayments and deposits	**57,259**	22,958	**10,021**	10,993
	59,953	82,351	**10,232**	11,109

The amount of HK$ Nil (31 December 2010: HK$3.4 million) of margin deposit included in the above carrying amount of prepayments and deposits were pledged as a collateral for banking facilities.

21. TRADE AND OTHER RECEIVABLES *(Continued)*

The aging analysis of trade receivables is as follows:

	Group		Company	
	As at 31 December 2011	As at 31 December 2010	**As at 31 December 2011**	As at 31 December 2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
0 – 3 months	**–**	39,108	**–**	–
4 – 6 months	**–**	18,360	**–**	–
	–	57,468	**–**	–

The Group normally offered credit terms of not over 180 days to its customers.

22. CASH AND BANK BALANCES

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	As at 31 December 2011	As at 31 December 2010	**As at 31 December 2011**	As at 31 December 2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**–**	–	**–**	–
Temporary deposits, accruals and other payables	**27,058**	7,521	**4,522**	3,237
	27,058	7,521	**4,522**	3,237

24. DEFERRED INCOME

	Group	
	As at 31 December 2011 HK$'000	As at 31 December 2010 HK$'000
Government grant received:		
At the beginning of the year	**6,966**	3,975
Additions	**–**	2,759
Exchange adjustment	**235**	232
At the end of the year	**7,201**	6,966

25. CUMULATIVE REDEEMABLE PREFERENCE SHARES

	Number of shares	**Amount** HK$'000
Authorised:		
6% convertible cumulative redeemable preference shares of HK$1 each	100,000,000	100,000
Issued and fully paid:		
Balance at 1 December 2010 and 31 December 2011	16,485	110

A holder of the convertible cumulative redeemable preference shares ("CPS") is entitled to receive a fixed cumulative preferential dividend at the rate of 6% per annum on the notional value of HK$5 per CPS to be paid half-yearly on 30 June and 31 December in each year.

A holder of the CPS may convert his shares held at any time into Ordinary Shares at the conversion price of HK$0.036 per share, subject to adjustment.

25. CUMULATIVE REDEEMABLE PREFERENCE SHARES *(Continued)*

The CPS may be redeemed by the holders of the CPS at any time after 30 June 1996 at a redemption price per share equal to the notional value plus accrued dividend.

The Company has the option to redeem all or some of the CPS at any time at the notional value of the CPS if the average of the closing prices of the Ordinary Share quoted on the Stock Exchange over the preceding 30 consecutive dealing days ending on the seventh day prior to the date upon which notice of redemption is given is greater than or equal to 150% of the conversion price in effect on such seventh day.

26. CONVERTIBLE NOTES

With reference to the announcements of the Company on the Stock Exchange of Hong Kong on 16 April 2010 and 16 July 2010, the Company entered into the Formal Agreement on 14 July 2010 for the acquisition of 100% shareholding in Qianyi Limited, a company which will, upon completion of the Reorganization, indirectly hold 80% equity interest in 新疆同興礦業有限責任公司 (Xinjiang Tong Xing Mining Company Limited) ("Tong Xing").

Part of the Consideration will be satisfied by the Company's issuing two tranches of convertible notes in the principal amount of HK$110 million each (in aggregate, the principal amount is HK$220 million). Only 50% of the Convertible Notes (First Tranche, that is, in the principal sum of HK$110 million) has been delivered to the Vendor and the remaining 50% of the Convertible Notes (Second Tranche, that is, in the principal sum of HK$110 million) will be delivered to the Vendor as to (i) HK$89 million within 3 business days after the mining license of the Mine is granted to Tong Xing; and as to (ii) HK$21 million upon the amount of the controllable resources reserves of copper in the New Mining Area has been determined.

On 22 July 2010, the Company delivered the First Tranche of convertible notes to the vendor. The notes carried coupon interest rate of 1% per annum, which shall be payable by the Company upon redemption of the notes.

The notes entitle the holders to convert to ordinary shares of the Company at an initial conversion price of HK$0.618 per conversion share (subject to the normal adjustments in accordance with the terms of the convertible notes) at any time during the period commencing from the date of issue of convertible notes.

Unless previous converted and cancelled by the Company, the Company shall redeem any outstanding convertible notes at the principal amount together with accrued interest on the maturity date which is the date falling two years after the issuing date.

26. CONVERTIBLE NOTES *(Continued)*

If the Vendor does not exercise the conversion rights attached to the Conversion Notes on or before the maturity date (that is, 22 July 2012), the Company has the right to choose either:

(i) defer the Company's payment obligation on redemption of the Convertible Notes at its principal amount together with interest outstanding to 30 June 2013. No interest will be accrued on principal amount together with interest under the Convertible Notes for the period from 22 July 2012 to 30 June 2013. The Vendor cannot exercise the conversion rights attached to the Convertible Notes after 22 July 2012; or

(ii) subject to having obtained prior approval by Stock Exchange and/or the Shareholders (if necessary), amend the terms of the Convertible Notes and extend the maturity date and the conversion period of the Convertible Notes to 30 June 2013. No interest will be accrued on principal amount together with interest under the Convertible Notes for the period from 22 July 2012 to 30 June 2013.

The Company determined the fair value of the liability component based on the valuations performed by ASCENT PARTNERS using discounted cash flow approach. The effective interest rate is 14.911%. The residual amount was assigned as the equity component for the conversion option and was included in the convertible notes equity reserve of the Company and the Group.

The liability component is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption.

The movement of different components of the convertible notes during the year is set out below:

	Liability component *HK$'000*	**Equity component** *HK$'000*	**Total** *HK$'000*
At 1 January 2010	–	–	–
Issue of convertible notes during the year	84,275	25,725	110,000
Interest expense *(note 10)*	5,611	–	5,611
At 31 December 2010	89,886	25,725	115,611
Interest expense *(note 10)*	13,722	–	13,722
At 31 December 2011	103,608	25,725	129,333

27. DEFERRED TAXATION

(a) The major deferred tax liabilities recognised are analysed below:

Group

	Mining rights
	HK$'000
At 1 January 2010	535,637
Deferred tax charged to statement of comprehensive income	3,509
At 31 December 2010 and at 1 January 2011	539,146
Deferred tax credited to statement of comprehensive income	(180,959)
At 31 December 2011	**358,187**

During the year, deferred tax credited to statement of comprehensive income was due to the impairment on mining right in Mongolia.

(b) The major deferred tax assets/(liabilities) not recognised are analysed below:

Group

	Property, plant and equipment	**Unused tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2010	(8)	7,995	7,987
Net change in deferred tax assets/(liabilities) not recognised for the year	–	-	-
At 31 December 2010 and 1 January 2011	(8)	7,995	7,987
Net change in deferred tax assets/(liabilities) not recognised for the year	–	–	–
At 31 December 2011	**(8)**	**7,995**	**7,987**

27. DEFERRED TAXATION *(Continued)*

(b) *(Continued)*

Company

	Property, plant and equipment *HK$'000*	Unused tax losses *HK$'000*	Total *HK$'000*
At 1 January 2010	(8)	7,995	7,987
Net change in deferred tax assets/(liabilities) not recognised for the year	–	-	-
At 31 December 2010 and at 1 January 2011	(8)	7,995	7,987
Net change in deferred tax assets/(liabilities) not recognised for the year	–	–	–
At 31 December 2011	**(8)**	**7,995**	**7,987**

The Group and the Company have unused tax losses approximately HK$7,995,000 respectively (For the year ended 31 December 2010: The Group and the Company have unused tax losses approximately HK$7,995,000 respectively) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as the Company and its subsidiaries have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

28. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.05 each		
Balance at 31 December 2010 and 31 December 2011	30,000,000,000	1,500,000
Issued and fully paid:		
Ordinary shares of HK$0.05 each		
Balance at 31 December 2010 and 31 December 2011	5,591,195,552	279,560

29. SHARE OPTIONS SCHEME

The Company's share options scheme was adopted by the Company on 13 October 2003 (the "Scheme") for the purpose of enabling the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme, the Board of Directors of the Company may, at it's discretion, invite eligible participants (as contained in the Company's circular of 19 September 2003) to take up options to subscribe for shares of the Company. The principal terms of the Scheme are as follows:

(i) The maximum number of shares in respect of which options may be granted under the Scheme must not, in aggregate, exceed 10% of the issued share capital of the Company as at the date of approval of the Scheme, unless approval of the shareholders has been obtained to renew the limit, and which must not in aggregate (including all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group) exceed 30% of the shares of the Company in issue from time to time.

29. SHARE OPTIONS SCHEME *(Continued)*

(ii) The number of shares in respect of which options may be granted to any individual in any 12-month period must not exceed 1% of the shares of the Company in issue as at the date of grant.

(iii) The exercise price is determined by the Board in its absolute discretion at a price not less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (b) the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and (c) the nominal value of share.

(iv) An option may be accepted by a proposed grantee within 7 days from the date of the offer of grant of the option. There is no minimum period for which an option must be held before it can be exercised. An option may be exercised at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date.

(v) Upon acceptance of the option, the grantee shall pay of HK$1.00 to the Company by way of consideration for the grant of the option.

(vi) The Scheme will remain valid for a period of 10 years commencing on October 2003, being the date on which it was adopted.

29. SHARE OPTIONS SCHEME *(Continued)*

Details of the existing share options granted by the Company under the Scheme are as follows:–

		Tranche 1	Tranche 2
Date of grant	:	19 June 2009	19 June 2009
Exercisable periods/Fair value at grant date	:	19 June 2009 – 18 June 2019/ HK$0.2836	19 June 2010 – 18 June 2019/ HK$0.2689
Number of share options granted	:	158,600,000	158,600,000
Exercise price	:	HK$0.61	HK$0.61
Share price as at the valuation date	:	HK$0.60	HK$0.60
Expected volatility	:	51.17%	51.17%
Risk-free interest rate as at the valuation date	:	2.276%	2.137%
Excepted life of option	:	5 years	4.5 years

The fair value of equity-settled share options granted was estimated as at the date of grant, using the Black-Scholes Option Price Model, taking into account the terms and conditions upon which the share options were granted. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the share options granted was incorporated into the measurement of fair value.

29. SHARE OPTIONS SCHEME *(Continued)*

Details of share options granted are as follows:

Date of grant/ acceptance	Exercise period	Exercise price per share	Closing price immediately before date of offer	Closing price immediately before date of grant
19 June 2009	19 June 2009 – 18 June 2019	HK$ 0.61	HK$ 0.61	HK$ 0.60
19 June 2009	19 June 2010 – 18 June 2019	HK$ 0.61	HK$ 0.61	HK$ 0.60

At no time during the period was the Company, its holding company, or any its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Share in, or debentures of, the Company or any other body corporate.

Details of the movement of the share options during the year under the Scheme are as follows:

Year ended 31 December 2011

	Date of Grant	Exercise price *HK$*	Exercise period	At 1 January 2011	Granted during the year	Lapsed during the year	Forfeited during the year	Cancelled during the year	Exercise during the year	At 31 December 2011
Director	19 June 2009	0.610	19.6.2009-18.6.2019	52,500,000	–	–	–	–	–	52,500,000
	19 June 2009	0.610	19.6.2010-18.6.2019	52,500,000	–	–	–	–	–	52,500,000
Other employees	19 June 2009	0.610	19.6.2009-18.6.2019	3,850,000	–	–	–	–	–	3,850,000
	19 June 2009	0.610	19.6.2010-18.6.2019	3,850,000	–	–	–	–	–	3,850,000
Consultants	19 June 2009	0.610	19.6.2009-18.6.2019	97,500,000	–	–	–	–	–	97,500,000
	19 June 2009	0.610	19.6.2010-18.6.2019	97,500,000	–	–	–	–	–	97,500,000
				307,700,000	–	–	–	–	–	307,700,000

29. SHARE OPTIONS SCHEME *(Continued)*

Year ended 31 December 2010

	Date of Grant	Exercise price *HK$*	Exercise period	At 1 January 2010	Granted during the period	Lapsed during the period	Forfeited during the period	Cancelled during the period	Exercise during the period	At 31 December 2010
Director	19 June 2009	0.610	19.6.2009-18.6.2019	57,000,000	–	–	(4,500,000)	–	–	52,500,000
	19 June 2009	0.610	19.6.2010-18.6.2019	57,000,000	–	–	(4,500,000)	–	–	52,500,000
Other employees	19 June 2009	0.610	19.6.2009-18.6.2019	4,100,000	–	–	(250,000)	–	–	3,850,000
	19 June 2009	0.610	19.6.2010-18.6.2019	4,100,000	–	–	(250,000)	–	–	3,850,000
Consultants	19 June 2009	0.610	19.6.2009-18.6.2019	97,500,000	–	–	–	–	–	97,500,000
	19 June 2009	0.610	19.6.2010-18.6.2019	97,500,000	–	–	–	–	–	97,500,000
				317,200,000	–	–	(9,500,000)	–	–	307,700,000

30. RESERVES

Group

	Share premium HK$'000	Capital redemption reserve HK$'000	Warrant reserve HK$'000	Share-based payment reserve HK$'000	Exchange reserve HK$'000	Convertible notes equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2010	2,916,091	2,241	3,000	87,627	(38,337)	–	(2,155,373)	815,249
Loss for the period	–	–	–	–	–	–	(23,073)	(23,073)
Exchange difference arising on translation of foreign operations								
– Exchange differences arising during the year	–	–	–	–	862	–	–	862
– Reclassification adjustments relating to foreign operations disposed of during the year	–	–	–	–	29	–	–	29
Total comprehensive income for the year	–	–	–	–	891	–	(23,073)	(22,182)
Recognition of the equity component of convertible notes	–	–	–	–	–	25,725	–	25,725
Share option forfeited	–	–	–	(2,624)	–	–	2,624	–
At 31 December 2010 and at 1 January 2011	2,916,091	2,241	3,000	85,003	(37,446)	25,725	(2,175,822)	818,792
Loss for the year	–	–	–	–	–	–	(257,896)	(257,896)
Exchange difference arising on translation of foreign operations								
– Exchange differences arising during the year	–	–	–	–	3,273	–	–	3,273
– Reclassification adjustments relating to foreign operations disposed of during the year	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	3,273	–	(257,896)	(254,623)
Lapse of warrants	–	–	(3,000)	–	–	–	3,000	–
At 31 December 2011	**2,916,091**	**2,241**	**–**	**85,003**	**(34,173)**	**25,725**	**(2,430,718)**	**564,169**

30. RESERVES *(Continued)*

Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Warrant reserve HK$'000	Share-based payment reserve HK$'000	Convertible notes equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 May 2010	2,916,091	2,241	3,000	87,627	–	(990,855)	2,018,104
Loss for the year	–	–	–	–	–	(23,139)	(23,139)
Recognition of the equity component of convertible notes	–	–	–	–	25,725	–	25,725
Share option forfeited	–	–	–	(2,624)	–	2,624	–
At 31 December 2010 and at 1 January 2011	2,916,091	2,241	3,000	85,003	25,725	(1,011,370)	2,020,690
Loss for the year	–	–	–	–	–	(1,428,887)	(1,428,887)
Lapse of warrants	–	–	(3,000)	–	–	3,000	–
At 31 December 2011	**2,916,091**	**2,241**	**–**	**85,003**	**25,725**	**(2,437,257)**	**591,803**

(a) Nature and purpose of the reserves are explained below:–

(i) Share premium

The share premium account of the Company is distributable to the equity holders of the Company under the Companies Law of Bermuda subject to the provisions of the Company's Memorandum and Articles of Association and provided that the Company will be in a position to payoff its debts as they fall due in the ordinary course of business immediately following the date on which the dividend is proposed to be distributed.

(ii) Share options reserve

The share options reserve represents the fair value of the number of unexercised share options granted by the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(j)(v).

30. RESERVES *(Continued)*

(iii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(h).

(iv) Convertible notes equity reserve

The convertible notes equity reserve represents the equity component of outstanding convertible notes issued by the company recognized in accordance with the accounting policy adopted for convertible notes in Note 4(q)(ii)(3).

(b) Distributability of reserves

In the opinion of the directors of the Company, the Company had no balance of distributable reserves available for distribution to equity holders as at 31 December 2011 (For the period ended 31 December 2010: Nil).

31. OPERATING LEASES COMMITMENTS

At the end of the reporting period, the Group had future aggregate minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December 2011 *HK$'000*	As at 31 December 2010 *HK$'000*
Properties		
– within one year	**3,812**	1,912
– In the second to fifth years, both inclusive	**3,657**	184
	7,469	2,096

Operating lease payments represent rental payable by the Group for its office properties and directors' apartments.

32. CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2011 and 2010 not provided for in the financial statements were as follows:

	As at 31 December 2011	As at 31 December 2010
	HK$'000	*HK$'000*
Contracted but not provided for		
– acquisition of property, plant and equipment	**106,959**	25,588
– acquisition of Qianyi Limited and its subsidiaries	**89,000**	89,000
	195,959	114,588

33. RETIREMENT BENEFIT SCHEMES

The Group participates in the mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Contributions to the MPF Scheme by the Group and employees are calculated at 5% of the employees' relevant income subject to a cap of monthly relevant income of HK$20,000. The retirement benefit costs charged to the profit and loss represent contributions paid and payable by the Group to the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The subsidiaries in the PRC participate in certain employees' retirement schemes implemented by the relevant local municipal governments. Contributions are made by the relevant subsidiaries to these schemes based on certain percentages of the applicable payroll costs.

The Group has no other obligations other than the above-mentioned contributions. During the year, no forfeited contributions would be used by the Group to reduce the existing level of contributions under the MPF Scheme.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	As at 31 December 2011 HK$'000	As at 31 December 2010 HK$'000
Financial assets		
Loan and receivables		
– Deposit for acquisition	**170,000**	170,000
– Trade receivables	**–**	57,468
– Prepayments, deposits and other receivables	**59,953**	24,927
– Cash and bank balances	**98,492**	187,304
	328,445	439,699
Financial liabilities		
Amortised cost		
– Other payables and accruals	**27,058**	7,521
– Cumulative redeemable preference shares	**110**	110
– Convertible notes	**103,608**	89,886
	130,776	97,517

(b) Financial risk management and policies

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note (4) to the financial statements.

Cash flow interest rate risk

The Group has no significant interest-bearing financial assets and liabilities with a floating interest rate. The Group's results and operating cash flows are substantially independent of changes in market interest rates.

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Foreign currency risk

The Group has transactional currency exposures as the sales and purchases, certain trade and other receivables, cash and bank balances, and trade and other payables of the Group were mainly transacted in Renminbi ("RMB"), Mongolia Tugrugs ("T"), United States Dollars ("USD") and Hong Kong dollars ("HKD").

The exchange rate of RMB and T were comparatively volatile.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate of RMB and T, with all other variables held constant, of the Group's loss before tax.

	Change in exchange rate %	**(Increase)/ decrease in loss before tax** *HK$'000*
At 31 December 2011		
If HKD weakens against RMB	5%	1,452
If HKD strengthens against RMB	5%	(1,452)
If HKD weakens against T	5%	348
If HKD strengthens against T	5%	(348)
At 31 December 2010		
If HKD weakens against RMB	5%	2,199
If HKD strengthens against RMB	5%	(2,199)
If HKD weakens against T	5%	118
If HKD strengthens against T	5%	(118)

At 31 December 2011 and 31 December 2010, the Group had not hedged any foreign currency to reduce such foreign currency risk.

In the opinion of the directors, if the exchange rates of these foreign currencies have continuous fluctuation, they will consider using forward currency contracts to reduce these risks.

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the management.

The Group has no concentration of credit risk in relation to trade receivables during the year. However, 100% of the total trade receivables was due from the Group's second largest customer as at 31 December 2010. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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 regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

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

In addition, the following table details the Group's expected maturity for some of its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

	Effective interest rate *%*	On demand or less than 3 months *HK$*	More than 3 months but less than 1 year *HK$*	More than 1 year *HK$*	Total undiscounted cash flows *HK$*	Total carrying amount at 31.12.2011 *HK$*
At 31 December 2011						
Non-derivative financial assets						
Cash and bank balances	–	98,492	–	–	98,492	98,492
Non-derivative financial liabilities						
Trade and other payables	–	27,058	–	–	27,058	27,058
Convertible notes	14.91	–	112,200	–	112,200	103,608
		27,058	112,200	–	139,258	130,666

	Effective interest rate *%*	On demand or less than 3 months *HK$*	More than 3 months but less than 1 year *HK$*	More than 1 year *HK$*	Total undiscounted cash flows *HK$*	Total carrying amount at 31.12.2010 *HK$*
At 31 December 2010						
Non-derivative financial assets						
Cash and bank balances	–	187,304	–	–	187,304	187,304
Non-derivative financial liabilities						
Trade and other payables	–	7,521	–	–	7,521	7,521
Convertible notes	14.91	–	1,100	111,100	112,200	89,886
		7,521	1,100	111,100	119,721	97,407

35. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

As at 31 December 2011 and 31 December 2010, the Group did not have any financial instruments measured at fair value.

36. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as debt divided by total equity. Debt represents current and non-current liabilities as shown in the consolidated statement of financial position. Total equity represents the equity as shown in the consolidated statement of financial position.

36. CAPITAL MANAGEMENT *(Continued)*

During the year, the Group's strategy, which was unchanged from 2010, was to maintain the net debt-to-equity ratio at satisfactory level. The net debt-to-equity ratios at 31 December 2011 and 31 December 2010 are as follows:

	Group	
	As at 31 December 2011	As at 31 December 2010
	HK$'000	*HK$'000*
Total debt	**498,065**	647,661
Total equity	**1,345,939**	2,008,699
Net debt-to-equity ratio	**37.01%**	32.24%

37. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties, which falls under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules, are disclosed below.

On 3 May 2010, China National Information Resources Holdings Limited (changed name to China Daye Hong Kong Investment Limited on 22 March 2012) (a subsidiary of the Company), entered into an agreement for trading of products with 大冶有色金屬股份有限公司 (Daye Nonferrous Metals Co., Ltd.) ("Daye Nonferrous"), a company incorporated in the PRC and is a subsidiary of Daye Nonferrous Metals Corporation Holdings Limited (formerly known as "Hubei Daye Nonferrous Metals Co."), the substantial shareholder of the Company. During the year, non-ferrous metals amounted to approximately $49,257,000 (2010: $153,274,519.79) were sold to Dajiang International Investment Co., Ltd (formerly known as "Hong Kong Dajiang Trading Co., Limited"), a related company of Daye Nonferrous.

Dajiang International Investment Co., Limited (formerly known as "Hong Kong Dajiang Trading Co., Limited") shared the company' s rental and office expenses by HK$546,766.83 (for the year ended 31 December 2010: HK$103,824). Dajiang International Investment Co., Limited is a subsidiary of Daye Nonferrous Metals Corporation Holdings Limited (formerly known as "Hubei Daye Non Ferrous Metal Co."), a company incorporated in PRC, and is a related party of the Company.

37. RELATED PARTY TRANSACTIONS *(Continued)*

On 10 October 2010, an agreement was entered into between 新疆滙祥永金礦業有限公司 (Xinjiang Huixiang Yong Jin Mining Company Limited) ("Xinjiang Huixiang"), a subsidiary of the Company and 大冶有色建築安裝有限公司 (Daye Non Ferrous Construction Installation Company Limited) ("DNF Construction") for engaging DNF Construction to build an integrated office building situated in 新疆烏恰縣 (Xinjiang Wuqia County) for Xinjiang Huixiang at a consideration of RMB 7,905,500 (equivalent to HK$9,091,325). DNF Construction is an indirect subsidiary of Daye Nonferrous Metals Corporation Holdings Limited (formerly known as "Hubei Daye Nonferrous Metals Co."), the substantial shareholder of the Company. During the year, the amount incurred was approximately RMBNil, equivalent to HK$Nil (2010: HK$7,084,000).

On 15 October 2010, an agreement was entered into between Xinjiang Huixiang and 湖北鑫力井巷有限公司 (Hubei Xinli Jing Xiang Company Limited) ("Hubei Xinli"), a company incorporated with limited liability in the PRC, for the construction of slanted mining wells and vertical mining wells by Hubei Xinli for Xinjiang Huixiang at a consideration of RMB26,510,000 (equivalent to HK$30,486,500). Hubei Xinli is an indirect subsidiary of Daye Nonferrous Metals Corporation Holdings Limited, the substantial shareholder of the Company. During the year ended 31 December 2011, the amount incurred was approximately RMB13,347,000, equivalent to HK$16,291,000 (For the year ended 31 December 2010: HK$3,589,000).

Key management personnel represent the directors of the Group and their remunerations are set out in note 11.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 December 2011 and 31 December 2010 are as follows:–

Name of Company	Place of incorporation/ operation	Form of legal entity	Issue and paid up capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company Directly	Indirectly	Principal activities
Ample Year Limited	British Virgin Islands	International business company	US$1	100%	–	Investment holding
China National Recycling Int'l Trading Limited	Hong Kong	Limited liability company	HK$1	–	100%	Dormant
China National Information Resources Holdings Limited (note (b))	Hong Kong	Limited liability company	HK$2	–	100%	Trading in non-ferrous metals

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of Company	Place of incorporation/ operation	Form of legal entity	Issue and paid up capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company Directly	Indirectly	Principal activities
China National Resources Investments Limited	Hong Kong	Limited liability company	HK$2	–	100%	Dormant
China Reservoir Mining Limited	British Virgin Islands	International business company	US$10,000	–	51%	Investment holding
Fuken Investments Limited	British Virgin Islands	International business company	US$1	–	100%	Investment holding
Giant Strong International Limited	British Virgin Islands	International business company	US$3	–	100%	Investment holding
Goldway Investment International Limited	Hong Kong	Limited liability company	HK$100	–	100%	Investment holding
Golden Brand Investments Limited	British Virgin Islands	International business company	US$1	–	100%	Investment holding
Goldright Finance Limited	British Virgin Islands	International business company	US$1	100%	–	Securities trading
Max Alliance International Limited	British Virgin Islands	International business company	US$1	100%	–	Investment holding
Max Alliance Gold Resource Investment Limited	Hong Kong	Limited liability company	HK$1	–	100%	Dormant
Reservoir (Mongolia) Limited	The Republic of Mongolia	Limited liability company	US$100,000	–	51%	Mineral exploitation
Reservoir Moly Mongolia Limited *(note (a))*	The Republic of Mongolia	Limited liability company	US$10,000	–	28%	Mineral exploitation
Jetlight Investment Limited	British Virgin Islands	International business company	US$1	100%	–	Investment holding

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of Company	Place of incorporation/ operation	Form of legal entity	Issue and paid up capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company Directly	Indirectly	Principal activities
Keytrade Investments Limited	British Virgin Islands	International business company	US$1	100%	–	Securities trading
Profit Jumbo Investment Limited	British Virgin Islands	International business company	US$1	100%	–	Investment holding
Shinemax Group Limited	British Virgin Islands	International business company	US$1	100%	–	Investment holding
Vintage International Finance Holding Group Limited	British Virgin Islands	International business company	US$1	100%	–	Investment holding
新疆匯祥永金礦業有限公司	People's Republic of China	Sino-foreign equity joint venture company	RMB121,000,000	–	55%	Mineral exploitation

Note (a): Although the Company does not own more than half of the entity shares of Reservoir Moly Mongolia Limited and Reservoir Tungs Limited, and consequently it does not control more than half of the voting power of those shares, it has the power to appoint and remove the majority of the board of directors and control of the entity is by the board. Consequently, Reservoir Moly Mongolia Limited and Reservoir Tungs Limited are controlled by the Company and is consolidated in these financial statements.

Note (b): On 22 March 2012, the name of the subsidiary was changed to China Daye Hong Kong Investment Limited.

39. EVENTS AFTER THE REPORTING PERIOD

Reference is made to the circular issued by the Company dated 29 December 2011 as supplemented by the supplemental circular dated 17 February 2012 (together, the "Circular").

Immediately following completion of the Acquisition (as defined in the Circular), on 7 March 2012, the Company became owned as to 69.04% by 大冶有色金屬集團控股有限公司 (Daye Nonferrous Metals Corporation Holdings Limited) (the "Parent Company") which, in turn, was wholly-owned by 湖北省人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Hubei Provincial People's Government) ("Hubei SASAC").

39. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

As disclosed in the section headed “Relationship with the Parent Company” of the Circular, on 21 January 2011, Hubei SASAC and China Nonferrous Metal Mining (Group) Co., Ltd. (“CNMC”) entered into a non-legally binding agreement, pursuant to which, among other things, CNMC was to consider making an investment in the Parent Company which might result in CNMC holding a 49% shareholding in the Parent Company. CNMC is a company incorporated in the People’s Republic of China (the “PRC”) and is directly supervised by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

The Board has been informed by the Parent Company that on 20 March 2012, Hubei SASAC entered into a legally binding agreement with CNMC (the “Capital Increase Agreement”), pursuant to which CNMC acquired a 49% shareholding in the Parent Company through an increase in capital at a consideration of RMB3,350,940,000 (the “Capital Increase”). Completion of the Capital Increase will take place immediately following the signing of the Capital Increase Agreement. As a result of the Capital Increase, the Parent Company is now owned as to 49% by CNMC and as to 51% by Hubei SASAC. Completion of the Capital Increase did not result in a change in control of the Company as Hubei SASAC retains a 51% shareholding in and hence, remains to be the immediate controlling shareholder of the Parent Company and the Parent Company continues to hold a 69.04% shareholding in and hence, remains to be the immediate holding company and controlling shareholder of the Company.

40. WARRANTS

In the second quarter of 2009, the Company issued 60,000,000 warrants at an issue price of HK$0.05 per warrant which attaching the rights to subscribe for 60,000,000 ordinary shares of the Company at a subscription price of HK$0.60 per share (which was subsequently adjusted to HK$0.59 per share) to a placing agent. The subscription period commenced from the date of issue of the warrants to the expiry of the second anniversary of the issue of the warrants (both days inclusive) (the “Subscription Period”). None of the warrant had been exercised to subscribe for ordinary shares of the Company during the Subscription Period, and therefore the warrant reserve was transferred to the accumulated losses during the year ended 31 December 2011. Details of placing of warrants are set out in the Company’s announcement dated 24 April 2009.

41. APPROVAL OF ACCOUNTS

The consolidated financial statements were approved and authorised for issue by the Company’s Board of directors on 30 March 2012.

Financial Summary

For the year ended 31 December 2011

The summarised consolidated results, assets and liabilities of the Group for the last five financial years/period, as extracted from the audited consolidated financial statements of the Group, were set out below:

RESULTS

	Year ended 30 April		1 May 2009 to 31 December	**Year ended 31 December**	
	2008	2009	2009	2010	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	164,330	20,235	1,672	954,314	**50,329**
Operating loss after finance costs	(1,169,611)	(472,982)	(25,445)	(22,627)	**(850,144)**
Share of results of associates and a jointly controlled entities	135	–	–	–	**–**
Gain on disposal of a jointly controlled entity	4,493	–	–	–	**–**
Loss before tax	(1,164,983)	(472,982)	(25,445)	(22,627)	**(850,144)**
Income tax	(1,901)	108,429	(21,852)	(5,640)	**180,959**
Loss for the period/year	(1,166,884)	(364,553)	(47,297)	(28,267)	**(669,185)**
Attributable to:					
Owners of the Company	(1,165,896)	(123,313)	(91,168)	(23,073)	**(257,896)**
Non-controlling interests	(988)	(241,240)	43,871	(5,194)	**(411,289)**
	(1,166,884)	(364,553)	(47,297)	(28,267)	**(669,185)**
Loss per share					
Basis (HK cents)	(29.5)	(2.39)	(1.76)	(0.41)	**(4.61)**
Diluted (HK cents)	N/A	N/A	N/A	N/A	**N/A**

ASSETS AND LIABILITIES

	As at 30 April		As at 31 December		
	2008	2009	2009	2010	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	2,646,396	2,186,540	2,518,909	2,656,360	**1,844,004**
Total liabilities	(634,440)	(527,558)	(552,071)	(647,661)	**(498,065)**
	2,011,956	1,658,982	1,966,838	2,008,699	**1,345,939**
Equity attributable to owners of the Company	948,009	830,831	1,094,809	1,098,352	**843,729**
Non-controlling interests	1,063,947	828,151	872,029	910,347	**502,210**
	2,011,956	1,658,982	1,966,838	2,008,699	**1,345,939**