2011 ANNUAL REPORT 年報

Stock Code 股份代號：00988

LOUDONG GENERAL NICE RESOURCES (CHINA) HOLDINGS LIMITED
樓東俊安資源(中國)控股有限公司

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

Contents

Corporate Information

EXECUTIVE DIRECTORS

Cai Sui Xin *(Chairman)*
Zhao Cheng Shu *(Deputy Chairman)*
Lau Yu *(Chief Executive Officer)*
Ng Tze For
Li Xiao Juan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Xiao Long
Choy So Yuk, *JP*
Kwok Man To Paul
Gao Wen Ping

AUDIT COMMITTEE

Kwok Man To Paul *(Chairman)*
Li Xiao Long
Choy So Yuk, *JP*
Gao Wen Ping

REMUNERATION COMMITTEE

Choy So Yuk, *JP (Chairman)*
Li Xiao Long
Kwok Man To Paul
Gao Wen Ping

NOMINATION COMMITTEE

Cai Sui Xin *(Chairman)*
Zhao Cheng Shu
Li Xiao Long
Choy So Yuk, *JP*
Kwok Man To Paul
Gao Wen Ping

EXECUTIVE COMMITTEE

Lau Yu *(Chairman)*
Zhao Cheng Shu
Ng Tze For
Li Xiao Juan

AUTHORISED REPRESENTATIVES

Ng Tze For
Kwok Kam Tim

COMPANY SECRETARY

Kwok Kam Tim

AUDITOR

Ascenda Cachet CPA Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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103 Leighton Road
Causeway Bay
Hong Kong
Website: http://www.generalnice.com.hk
E-mail: enquiry@ldgnr.com

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

ADR DEPOSITARY

The Bank of New York Mellon Corporation
101 Barclay Street
22nd Floor West
New York
NY 10286
USA

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.,
Hong Kong Branch
Citic Bank International Limited
DBS Bank (Hong Kong) Limited

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Loudong General Nice Resources (China) Holdings Limited (the "Company"), I am pleased to present to you the Annual Report of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2011 (the "Review Period").

In the Review Period, the Group's revenue and gross profit amounted to approximately HK$2,560 million and HK$784 million respectively. Profit attributable to owners of the Company posted a record high of approximately HK$291 million in the Review Period, up 55% from approximately HK$187 million in the last financial year. For the year ended 31 December 2011, basic earnings per share for continuing operations has recorded HK$0.15, as compared to basic earnings per share of HK$0.12 in 2010.

In recognition of the continual support of the shareholders, the Board proposed issue of bonus shares to the Company's shareholders on the basis of two bonus shares for every ten existing shares.

RECORD PROFIT YEAR

The satisfactory result of the Group for 2011 was largely derived from its 94.48%-owned subsidiary, Shanxi Loudong-General Nice Coking & Gas Co., Ltd. ("Shanxi Loudong"), a leading coal processing and coke manufacturing enterprise in Xiaoyi City of Shanxi province in northern China. Shanxi Loudong posted a 14% increase of tonnage sales of metallurgical coke to about 1.265 million tonnes in 2011, in line with the 11.8% growth rate of China's coke output in the year to about 427.79 million tonnes.

However, China is likely to see a marked slowdown in the growth of coke demand in 2012 to approximately 3% from last year's 11.8%, according to the estimates of China Coking Industry Association. China's annual coke demand is estimated to reach around 440-450 million tonnes in 2012, up about 3% year on year. The estimate has been based on the forecast that China's annual crude steel output may exceed 700 million tonnes in 2012, up about 4% from the 683 million tonnes produced in 2011.

To maintain our growth to generate superior shareholder value, the Group will continue to build on the Shanxi Loudong platform to be one of China's leading integrated coal and coke companies through merger and acquisition, facilities upgrade and new projects.

INDUSTRY CONSOLIDATION KICKS OFF

Last year marks the commencement of China's 12th Five-Year Plan ("12th FYP"), which outlines a continuation of the economic rebalancing policy shifting focus from export and investment towards domestic consumption and service sector so as to enhance energy efficiency whilst reducing pollution. Shanxi, China's top coal and coke producing province, would stop approving coke-making projects that purely expand production capacity in the 12th FYP period.

Shanxi government has issued a directive in October 2011 to step up efforts in consolidating its coking industry by integrating the upstream (coal mining) and downstream (chemicals, energy, logistics) sectors. The target is to reduce the number of coking firms from over 220 to about 60 and phase out 40 million tonnes of outdated coking capacity to control the total at about 120 million tonnes by 2015.

Chairman's Statement

As one of the top coking enterprises in Shanxi, the Group is well positioned to take advantage of the industry consolidation as it has already commissioned initiatives a few years back with an objective to transform Shanxi Loudong into a leading comprehensive coal-coke-chemicals-energy-logistics enterprise. Firstly, the Group began upstream integration with the planned acquisition of the 30% equity interest in Shanxi Linxian Taiye Coal Mining Company Limited ("Linxian Taiye"), which is now pending for completion. Secondly, Shanxi Loudong has completed a major overhaul of its coal washing facility to improve its coal quality, reduce pollution and wastage in the second half of 2011. In May 2011, the Group has formed a joint venture to construct a 50,000 Nm^3/h synthetic natural gas ("SNG") project with Shanxi Guo Xin Resources Development Group Limited, which is considered one of the first clean energy projects of its kind in Shanxi province.

In the meantime, the Board remains committed to complete the Linxian Taiye coal mine acquisition and the SNG project in 2012/2013 to achieve our aim to establish the Group as a leading coal-coke-chemical-energy-logistics enterprise in China.

LOOKING AHEAD

2011 has been a satisfactory year for the Group amidst a turbulent external environment and the kick-off of coking industry consolidation in Shanxi. Looking ahead, the Group will further enhance its value chain both upstream and downstream, through merger and acquisition of upstream coal business, coking business and downstream chemical, clean energy and logistics projects.

Although economic uncertainties remain in developed countries and new challenges may evolve in a slowing China economy with a lower GDP target of 7.5% in 2012, the Group is cautiously optimistic about the future. We believe we have positioned the Group well to take advantage of the tremendous challenges and opportunities in the 12th FYP period for our industry. I am optimistic that the strategic decisions we have taken over the last few years will put our Group in a leadership position in the markets we serve long into the future. On behalf of the Board, I am pleased to express our appreciation to our shareholders, customers and business partners, as well as the significant contribution of our committed staff members in the past year. The Company will endeavor to maintain a high level of corporate governance and transparency. With our competitive strengths, sustainable development strategies and competent management team, the Group is dedicated to maximize shareholders' returns.

Chairman
Cai Sui Xin

28 March 2012

Management Discussion and Analysis

FINANCIAL RESULTS

For the year ended 31 December 2011, Loudong General Nice Resources (China) Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded revenue from operations of approximately HK$2,559,575,000 (2010: approximately HK$2,358,250,000), representing an increase of around 9% from the previous year. The increase in revenue was mainly due to strong demand of metallurgical coke in the first half of 2011.

Profit attributable to owners of the Company for the year ended 31 December 2011 was approximately HK$291,152,000, compared with a profit attributable to owners of the Company of approximately HK$187,236,000 in 2010. This was mainly contributed by the increase in majority shareholding in Shanxi Londong – General Nice Coking & Gas Co., Ltd. ("Shanxi Londong") from 50.1% in the mid of 2010, progressively increased and accounted for 94.48% for full year in 2011.

BUSINESS REVIEW

Shanxi Loudong, the Company's principal subsidiary, is primarily engaged in the manufacture and sale of metallurgical coke, which is a key ingredient for steel production. With the rapid growth of the People's Republic of China ("PRC") economy, the elimination of backward production capacity of smaller coking plants and the strong demand for steel, Shanxi Loudong posted a 14% increase in the tonnage of metallurgical coke sold to approximately 1,265,000 tonnes in 2011, compared with about 1,114,000 tonnes sold in 2010.

As a result of the glaring sales growth, the Group's gross profit increased to approximately HK$783,551,000 for the year ended 31 December 2011 from approximately HK$718,287,000 recorded in 2010.

In June 2011, the Group completed placing of 40,002,000 shares of the Company at placing price of HK$1.04 per share to strengthen its cashflow.

As of 31 December 2011, the Group's total equity increased by about 16% to approximately HK$3,737,523,000 from approximately HK$3,230,041,000 recorded in 2010, with gearing ratio stood at a healthy 19% (31 December 2010: 17%).

During the year under review, convertible notes of HK$85,000,000 were converted into 56,666,666 shares of the Company, after the conversion, the Company has no outstanding convertible note.

The debtor's turnover day of the Group in 2011 was 44 days compared with 43 days in 2010, which fell within the normal credit period of the Group. The management of the Group adopts a prudent credit policy to its customers by closely monitoring their repayment status and consistently reviews their credit terms. If there are any irregularities in repayment, credit terms granted to debtors will be adjusted accordingly. If the balance due from debtors becomes doubtful, appropriate doubtful debt provision will be provided for.

Management Discussion and Analysis

OUTLOOK

China is the largest manufacturer and consumer of coke in the world. In 2011, China manufactured a total of 427.79 million tonnes of coke, representing an increase of 11.8% on a year-on-year basis. The production base of the Group is located at Shanxi province, one of the major coal mining and coke manufacturing provinces in China, and the Group owns one of the largest comprehensive coking plants at Xiaoyi City of Shanxi province. In order to maintain our leading position amidst the industry consolidation in Shanxi, the Group will continue its business integration through the acquisition of upstream coal mining businesses, expansion and upgrade of coking facilities as well as new projects in chemicals, clean energy and logistics area.

Shanxi Linxian Taiye Coal Mining Company Limited ("Linxian Taiye") is undergoing a group coal mine resources consolidation and technical renovation ("Re-organisaton") initiated by the PRC government authority in Shanxi province for the purpose of merging and consolidation small mines into mines with bigger surface areas, bigger mining capacity and broader range of mining products. The Group's acquisition of the 30% equity interest of Linxian Taiye will proceed to complete after completion of the Re-organisation. Linxian Taiye owns a coking coal mine with a general mining area of approximately 6.5 square kilometers and coal reserves that are subject to the assessment by valuers and technical advisors. The approved production capacity of the coal mine is 1,200,000 metric tonnes per year.

The proposal of acquisition of the 30% equity interest of Shanxi LvLiang Lishi Dan Tan Gou Mining Co., Ltd ("Dan Tan Gou") is still in negotiation. Dan Tan Gou owns an estimated coal reserves of not less than 21,556,000 metric tonnes with an approved production capacity of 900,000 metric tonnes per year. Through the series of acquisitions, the Group could sustain the leading edge in the industry, and benefit from the next stage of coking consolidation program which will eliminate weaker coking players in the market in the years ahead.

In pursuit of the strategy to broaden the revenue base and to diversify its business scope, the Group entered into a cooperation agreement with Shanxi Guo Xin Resources Development Group Limited ("Guo Xin Resources") in May 2011 for investment in a synthetic natural gas production project (the "SNG Project") with total investment of RMB350 million through a joint venture company, Shanxi Guo Xin Loujun New Resources Limited (the "JV") owned as to 49% by the Group. The JV would construct facilities and apply patented technology developed by The Southwest Research & Design Institute of Chemical Industry for synthesizing coke oven gas into natural gas. The synthesized natural gas would be transported through pipeline network managed by Guo Xin Resources to the neighboring cities and provinces, to achieve zero-emission of coke oven gas to improve the local environment effectively. The construction is estimated to take 24 months to complete and will have a capacity of 50,000Nm^3/h which will occupy a leading position of such type in the PRC. Upon completion of the construction, the SNG Project can produce 200 million m^3 of synthetic natural gas per annum, operating with long-term stability, safety and full capacity. As a clean energy project supported by the PRC government and the demand for natural gas in China keeps surging and leads to a shortage of supply of natural gas, the SNG Project has a promising market prospect and brings new business opportunities for the Group.

As to cost control, the Group enjoys first-mover advantage. The cost of assets held by the Group is relatively lower than that of the enterprises which freshly entered the resources industry through acquisition in recent years, ensuring the Group's profitability. The price cycle of natural resources has been getting shorter in recent years with rapid fluctuation in prices. By extension of its industrial chains, the Group is able to control production cost effectively and withstand the impact brought by downturn in the business cycle.

Management Discussion and Analysis

Besides, in a bid to enhance environment protection and optimize production efficiency, the PRC government has been proactively promoting the policy on coal mine integration in recent years. This means more and more smaller coal mines will be shut down or consolidated into large coal mining enterprises. The coking manufacturing industry will inevitably be restructured with small coking facilities of low efficiency and heavy pollution being phased out.

By enhancing its efficiency and cost competitiveness, the Group is well positioned to grasp the business opportunities brought by industry integration, so as to enhance the Group's profitability and foster the sustainable and stable development of business in the future.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND DEBT MATURITY PROFILE

As at 31 December 2011, the Group had total bank borrowings in the amount of HK$679,619,000 (2010: HK$438,302,000), representing an increase of HK$241,317,000. The maturity profile of the Group's bank borrowings of HK$679,619,000 was spread with HK$640,876,000 repayable within 1 year and HK$38,743,000 repayable in the second year.

The Group's total bank borrowing of HK$679,619,000 were 99% denominated in Renminbi ("RMB") with fixed interest rate and 1% in Hong Kong dollars ("HK$") with floating interest rate. The Group's cash and bank balances of HK$12,337,000 were 97% denominated in RMB and 3% in HK$.

TREASURY POLICY

The Group adopts a conservative approach towards its treasury policy. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial condition of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES/AFFILIATED COMPANIES

During the year under review, the Group and Guo Xin Resources entered into a cooperation agreement for investment in the SNG Project through the JV. The registered capital of the JV is RMB50,000,000 and is owned as to 51% by Guo Xin Resources and as to 49% by Shanxi Loudong. The JV is principally engaged in investment and management of project for synthesizing coke oven gas into natural gas, natural gas technology development and consulting services.

The acquisition of 30% equity interest in Linxian Taiye is pending for completion as mentioned above.

EMPLOYEES

As at 31 December 2011, the total number of employees of the Group were approximately 1,450 (2010: 1,430). Apart from the basic remuneration, discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as the individual's performance. The Group also has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. As at 31 December 2011, there were 3,852,024 (2010: 12,349,134) outstanding share options granted under such scheme.

Management Discussion and Analysis

CHARGE OF GROUP ASSETS

As at 31 December 2011, the Group did not pledge any investment property (2010: pledged an investment property with a carrying value of approximately HK$7,299,000). A property with a carrying value of approximately HK$15,048,000 (2010: HK$15,372,000) was pledged as security for the Group's banking facilities.

GEARING RATIO

As at 31 December 2011, the gearing ratio of the Group (being the ratio of net debt divided by total capital plus net debt) was approximately 19% (2010: 17%). Net debt represents the aggregate amount of the Group's interest-bearing bank borrowings and long term bank loan, non-current portion of the loans from related parties and promissory note less cash and cash equivalents of the Group. Total capital includes total equity and convertible notes of the Company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's reporting currency is denominated in HK$. The Group's monetary assets, loans and transactions were principally denominated in RMB, USD and HK$. The Group had a net exchange exposure to RMB as the Group's assets were principally located in China and the revenues were in RMB.

The Group does not have any derivative financial instruments or hedging instruments. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider appropriate hedging measures in future as may be necessary.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2011.

Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Cai Sui Xin, aged 50, was appointed an executive director of the Company with effect from 19 September 2008. He is also the chairman of the Company and nomination committee of the Company, director of certain subsidiaries of the Company, including Shanxi Loudong-General Nice Coking & Gas Co., Ltd. ("Shanxi Loudong"). Mr. Cai is the founder and chairman of General Nice Development Limited ("GND"), General Nice Resources (Hong Kong) Limited ("GNR") and General Nice (Tianjin) Industry Company Limited (collectively "General Nice"). General Nice has developed into two main segments of business, the first segment involves the mining of coal, coal washing, coke manufacturing, logistic business for coke and coal, and the sale of coal, coking coal and coke; the second segment involves the exploration of iron ore mines and the importing of iron ore into the People's Republic of China (the "PRC"). With Mr. Cai's well-established business relationship in Tianjin and Shanxi, General Nice has expanded to one of the PRC's biggest private producers and operators of metallurgical coke. Mr. Cai is the executive chairman and an executive director of Abterra Ltd ("Abterra Ltd"), a company listed on the Singapore Exchange Securities Trading Limited. Mr. Cai is also a director of General Nice Investment (China) Limited ("GNI") and General Nice Group Holdings Limited (formerly Vantage Region International Limited), both have controlling interests in GNR which in turn is a substantial shareholder of the Company.

Mr. Zhao Cheng Shu, aged 48, was appointed an executive director of the Company on 2 April 2009. He is also the deputy chairman of the Company and member of the executive committee and nomination committee of the Company. Mr. Zhao is an economist and a senior engineer and has accumulated over 20 years of experience in the management of sizeable enterprises in the PRC. He is a specialist in corporate management and an entrepreneur. Currently he is a director and the general manager of Shanxi Loudong, and a director of a subsidiary of the Company. He is responsible for overall management and operations of Shanxi Loudong. Besides, Mr. Zhao is the general manager of Xiaoyi Loudong Industry and Trading Group Company ("Xiaoyi Loudong") and a director of Hing Lou Resources Limited ("Hing Lou"), which is a wholly-owned subsidiary of Xiaoyi Loudong and is currently interested in more than 10% in the issued shares capital of the Company. He is also the vice president of the Federation of Young Entrepreneurs of Shanxi Province, Standing Committee of the Political Consultative Conference and Representative to the National People's Congress of Xiaoyi City of Shanxi Province, deputy president of the Chamber of Industrial and Commerce of Xiaoyi City of Shanxi Province, member of the Committee of the Political Consultative Conference of Luiliang City of Shanxi Province, etc. Mr. Zhao has contributed a lot to the society and thus been awarded many honourable titles and prizes, including "Advance Worker Assisting Economic Development of Private Enterprises of Luiliang City of Shanxi Province", "Outstanding Entrepreneur of Private Enterprise of Shanxi Province", "Young Leader of Special Technology of Luiliang City of Shanxi Province", "Outstanding Person in Pushing Relief from Poverty for the Society", "Role Model for Labour in Shanxi Province", "National Model for Labour ", "Ethical Role Model", "Medalist of Labour Day in Shanxi Province" etc. Mr. Zhao holds a Master degree in Enterprise Management specialising in Industrial Economics awarded by the Graduate School of China Institute of Social Science (中國社會科學院).

Mr. Lau Yu, aged 43, was appointed an executive director of the Company with effect from 22 September 2008. He is also the chief executive officer, the chairman of the executive committee of the Company and director of certain subsidiaries of the Company, including Shanxi Loudong. Mr. Lau has over 19 years of solid experience in international trading of mineral resources and metals, including coal, coke, iron ore and steel. With his extensive experience in the trading of coke and metallurgy, Mr. Lau has established strong relationships with customers in India, Australia, South Africa, Venezuela and Brazil. Mr. Lau is the chief executive officer and an executive director of Abterra Ltd. He is also the chief executive officer and director of GNR, a substantial shareholder of the Company. Mr. Lau holds a Bachelor of Business Administration degree from the School of Finance in University of Hawaii in the United States of America.

Biography of Directors and Senior Management

EXECUTIVE DIRECTORS (continued)

Mr. Ng Tze For, aged 50, was appointed an executive director of the Company with effect from 11 September 2008. He is also a member of the executive committee of the Company and director of certain subsidiaries of the Company. Besides, Mr. Ng is currently the chief financial officer of GNR, a substantial shareholder of the Company, and Abterra Group (Abterra Ltd and its subsidiaries). He has more than 20 years experience in banking, corporate finance, business development and strategy planning for a number of international banks and listed companies in Hong Kong, Beijing and Shanghai. Mr. Ng graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration Degree and obtained a Master Degree in Business Administration from City University of Hong Kong. Prior to joining the Company, Mr. Ng was an executive director of another company which the shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Ms. Li Xiao Juan, aged 31, was appointed an executive director of the Company on 30 March 2009. She is currently a member of the executive committee of the Company, the deputy general manager of the Company's subsidiary, Shanxi Loudong, and director of certain subsidiaries of the Company. Ms. Li is mainly responsible for the corporate finance of Shanxi Loudong. Besides, Ms. Li is also the deputy general manager of GNR and a director of Hing Lou. Both GNR and Hing Lou are currently interested in more than 10% of the issued share capital of the Company. Ms. Li graduated from Fu Dan University (復旦大學) in the PRC with a Bachelor's degree in Economics and subsequently obtained a Master of Science degree in Investments from the University of Birmingham in the United Kingdom.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Xiao Long, aged 51, was appointed an independent non-executive director of the Company on 20 February 2009. He is also member of audit committee, remuneration committee and nomination committee of the Company. Mr. Li is currently the managing director of Fei&Long Consulting und Handels GmbH in Germany where he provides consultation to clients on international trade. His clients are mainly machinery manufacturers in Europe having business with Chinese companies. His previous employments included managerial positions in a mineral resources company in Beijing and some insurance companies in the PRC. With his valuable experience in international business, in 2006 he was appointed the Economic Adviser to the Development and Reformation Committee of Shanxi Province in the PRC (中國山西省發展改革委員會).

Ms. Choy So Yuk, *JP*, aged 61, was appointed an independent non-executive director of the Company on 5 June 2009. She is also member of audit committee and nomination committee and chairman of remuneration committee of the Company. She obtained her Bachelor of Science and Master of Philosophy degrees from the University of Hong Kong in 1974 and 1980 respectively. Ms. Choy was the founding managing director of SHK International Services Limited (which was subsequently acquired by Ms. Choy and changed its name to Oriental-Western Promotions Limited). Ms. Choy holds a wide variety of political, social and academic positions, such as a deputy of the National People's Congress of China, a member of the Fujian Provincial Committee of the Chinese People's Political Consultative Conference, and a director of Fujian Middle School. Ms. Choy was a member of the Legislative Council in Hong Kong from 1998 to 2008. Ms. Choy is currently an independent non-executive director of Huafeng Group Holdings Limited (stock code: 364) since its listing on the Stock Exchange on 30 August 2002.

Biography of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. Kwok Man To Paul, aged 44, was appointed an independent non-executive director of the Company on 18 October 2010. He is also chairman of audit committee, member of remuneration committee and nomination committee of the Company. Mr. Kwok possesses extensive knowledge and experience in accounting, financing, capital investment and management, operational risks and banking industries. He worked for an international accounting firm and a number of international financial institutions for over 20 years, and is currently a finance director of an international financial institution. Mr. Kwok is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He holds a Master of Applied Finance from Macquarie University of Australia and a Bachelor of Science (Economics) from the University of London in United Kingdom.

Mr. Gao Wen Ping, aged 49, was appointed an independent non-executive director of the Company on 18 October 2010. He is also member of audit committee, remuneration committee and nomination committee of the Company. Mr. Gao graduated from the Department of Chinese of HuaZhong Normal University in China with a Master of Arts degree. Mr. Gao had been an associate professor of Lvliang University and had served as the deputy county magistrate of Linxian, LvLiang City of Shanxi Province, the deputy secretary of Liulin County, Shanxi Province, the deputy officer of the Department of Commerce of Shanxi Province, a director of Foreign Investment Association and a professor of the Faculty of Law of University of Finance and Economics for over 20 years and has extensive experience in economics, trading, investment and enterprises management.

SENIOR MANAGEMENT

Mr. Kwok Kam Tim, aged 35, joined the Company in 2008 and was appointed the company secretary of the Company with effect from 9 February 2010. Mr. Kwok is also the financial controller of the Company. He is an associate member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Kwok holds a Bachelor of Arts degree in Accounting from The Hong Kong Polytechnic University, and a Bachelor of Engineering degree from The University of Hong Kong Science and Technology. He had worked in an international accounting firm and has over 8 years of experience in accounting, auditing and financial management. Currently, Mr. Kwok is an independent non-executive director of Ming Kei Holdings Limited (stock code: 8239), the shares of the company is listed on the growth enterprise market of the Stock Exchange.

Corporate Governance Report

For the year ended 31 December 2011

The board of directors (the "Board") of Loudong General Nice Resources China (Holdings) Limited (the "Company") is pleased to present the corporate governance report for the year ended 31 December 2011.

A. CORPORATE GOVERNANCE PRACTICES

The Board is committed to raising the standard of corporate governance within the Group in order to enhance the transparency in disclosure of material information. The Board strives to implement the best practices embodied in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") where feasible and as far as practicable.

In the opinion of the directors of the Company (the "Directors"), the Company has complied with the code provisions of the CG Code throughout the year ended 31 December 2011, except for the following deviations:

Code Provision A.4.1

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election. None of the existing independent non-executive Directors ("INEDs") was appointed for a specific term. However, all Directors are subject to the retirement provisions in the Bye-laws of the Company which provides that one-third of the Directors for the time being shall retire from office by rotation and every Director shall be subject to retirement at least once every three years.

Code Provision E.1.2

Due to other commitments which must be attended to by the chairman of the Company (the "Chairman"), the Chairman was unable to attend the annual general meeting of the Company held on 31 May 2011 ("the 2011 AGM"). Nethertheless, the chief executive officer attended and took the chair of the 2011 AGM and answered questions from the shareholders of the Company.

B. DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "Model Code"). Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2011.

C. BOARD OF DIRECTORS

The Board is responsible for formulating the Group's strategy and monitoring the performance of the Group's businesses. The management has been delegated the authority and responsibility by the Board for the management and daily operation of the Group under the leadership of the chief executive officer. All executive Director have made full and active contributions to the affairs of the Board. In addition, the Board has delegated various responsibilities to the board committees. Further details of these committees are set out in this report.

The Board currently comprises five executive Directors, namely Mr. Cai Sui Xin, Mr. Zhao Cheng Shu, Mr. Lau Yu, Mr. Ng Tze For and Ms. Li Xiao Juan and four INEDs, namely Mr. Li Xiao Long, Ms. Choy So Yuk, Mr. Kwok Man To Paul and Mr. Gao Wen Ping.

During the year ended 31 December 2011, the Board held 4 meetings and details of the attendance of Directors were set out in the following table:

	Number of meetings attended/Number of meetings held for the year ended 31 December 2011
Executive Directors	
Mr. Cai Sui Xin *(Chairman)*	3/4
Mr. Zhao Cheng Shu *(Deputy Chairman)*	4/4
Mr. Lau Yu *(Chief Executive Officer)*	4/4
Mr. Ng Tze For	4/4
Ms. Li Xiao Juan	4/4
Independent Non-executive Directors	
Mr. Li Xiao Long	3/4
Ms. Choy So Yuk	4/4
Mr. Kwok Man To Paul	4/4
Mr. Gao Wen Ping	4/4

Throughout the year ended 31 December 2011, the Company met at all times the requirements of the Listing Rules to have at least three INEDs with at least one INED possessing appropriate accounting and financial management expertise and professional qualifications.

The Company has received from its INEDs annual confirmation of independence in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the INEDs are independent.

Biographical details of all Directors are disclosed in the section headed “Biography of Directors and Senior Management” in this Annual Report. To the best knowledge of the Company, there are no financial, business, family or other material or relevant relationships amongst members of the Board.

D. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires that the roles of chairman and chief executive officer should be separated and not performed by the same individual.

During the year under review, Mr. Cai Sui Xin was the Chairman while Mr. Lau Yu acted as the chief executive officer of the Company. The Chairman is responsible for overseeing the functioning of the Board and the strategies and policies of the Group. The chief executive officer is responsible for managing the Group’s business. The roles of the Chairman and the chief executive officer of the Company are segregated to ensure their respective independence, accountability and responsibility.

E. EXECUTIVE COMMITTEE

An executive committee (the "Executive Committee") comprises four executive Directors, namely Mr. Lau Yu (the chairman), Mr. Zhao Cheng Shu, Mr. Ng Tze For and Ms. Li Xiao Juan, has been set up to assist the Board in execution of its duties and to facilitate effective management. The Executive Committee has a written terms of reference under which certain functions, including the daily operation and management functions, implementation of the Group's strategy and planning, have been delegated to the Executive Committee.

F. NON-EXECUTIVE DIRECTORS

As mentioned in paragraph A above, the existing INEDs are not appointed for a specific term but are subject to the retirement provisions in the Bye-laws of the Company which provides that every Director (including the INEDs) shall be subject to retirement at least once every three years.

G. REMUNERATION OF DIRECTORS

The remuneration committee of the Company (the "Remuneration Committee") currently comprises four INEDs, namely Ms. Choy So Yuk, Mr. Li Xiao Long, Mr. Kwok Man To Paul and Mr. Gao Wen Ping. In March 2012, Ms. Choy So Yuk has been appointed chairman of the Remuneration Committee and the terms of reference has been revised in accordance with the amendments to the CG Code which will become effect from 1 April 2012.

The Remuneration Committee will meet at least once a year to discharge its responsibilities in accordance with its terms of reference, a copy of which has been posted on the Company's website.

The major roles of the Remuneration Committee are as follows:

(i) to review and approve the management's remuneration proposals with references to the Board's corporate goals and objectives;

(ii) to make recommendations with respect to the remuneration of the Directors and the senior management of the Company for approval by the Board; and

(iii) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Group's remuneration policy has been formulated with reference to the market practice and the qualification, duties and responsibilities of Directors and employees. In order to attract, retain, and motivate personnel of the required quality to manage the Company successfully, the Company adopted a share option scheme in 2007 to reward those eligible participants who contribute to the success of the Group's operations.

During the year, the Remuneration Committee met once to review the remuneration of the Directors. The attendance of the members of the Remuneration Committee is set out below:

Committee Members	**Number of meeting attended/Number of meeting held for the year ended 31 December 2011**
Ms. Choy So Yuk *(Chairman)*	1/1
Mr. Li Xiao Long	0/1
Mr. Kwok Man To Paul	1/1
Mr. Gao Wen Ping	1/1

H. NOMINATION OF DIRECTORS

During the year under review, the Company did not have a nomination committee. However, it was the policy of the Company that if the need arose, the Board as a whole would decide on the nomination and appointment of new Directors. Qualified candidates would be proposed to the Board for consideration and the selection criteria were mainly based on the assessment of their qualifications, experience and expertise. A candidate to be appointed as an INED should also meet the independence criteria set out in Rule 3.13 of the Listing Rules. In accordance with the Bye-laws of the Company, new Directors appointed by the Board during the year to fill a casual vacancy or as an addition to the existing Board should retire and offer themselves for re-election at the first general meeting immediately followed their appointments or the next following annual general meeting of the Company. During the year, there was no change in Board members.

In March 2012, the Board has established a nomination committee (the "Nomination Committee") with written terms of reference. The Nomination Committee comprises the Chairman, Mr. Cai Sui Xin, the deputy chairman of the Board, Mr. Zhao Cheng Shu and four INEDs, namely, Mr. Li Xiao Long, Ms. Choy So Yuk, Mr. Kwok Man To Paul and Mr. Gao Wen Ping. Mr. Cai Sui Xin was appointed chairman of the Nomination Committee.

The primary duties of the Nomination Committee includes (i) to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) to assess the independence of independent non-executive Directors; and (iv) to make recommendations to the Board on the appointment or re-appointment of Directors. The terms of reference of the Nomination Committee has been posted on the Company's website.

I. AUDITORS' REMUNERATION

For the year under review, the fees in respect of audit and other services provided to the Company and its subsidiaries by Ascenda Cachet CPA Limited, the auditor of the Company, amounted to HK$620,000 (2010: HK$550,000) and HK$336,000 (2010: HK$540,000 to Ernst & Young, the former external auditor of the Company) respectively. The other services mainly relate to the professional services rendered to the Company in connection with circular related services.

J. AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") currently comprises four INEDs, namely Mr. Kwok Man To Paul, Ms. Choy So Yuk, Mr. Li Xiao Long and Mr. Gao Wen Ping. In March 2012, Mr. Kwok Man To Paul was appointed chairman of the Audit Committee and the terms of reference has been revised in accordance with the amendments to the CG Code which will become effect from 1 April 2012. A copy of the terms of reference has been posted on the website of the Company.

The major roles of the Audit Committee includes:

(i) to consider and recommend the independence, remuneration, appointment, re-appointment and removal of external auditor;

(ii) to review the independence and objectivity of the external auditor and the effectiveness of the audit process in accordance with applicable standard;

(iii) to review financial information, accounting policies and practices; and

(iv) to oversee financial reporting system and internal control procedures.

During the year ended 31 December 2011, the Audit Committee held two meetings to discuss internal control, financial reporting matters and other areas of concerns during the audit. The attendance record of individual member at these Audit Committee meetings is set out in the following table:

Committee Members	**Number of meeting attended/Number of meeting held for the year ended 31 December 2011**
Mr. Kwok Man To Paul *(Chairman)*	2/2
Ms. Choy So Yuk	2/2
Mr. Li Xiao Long	2/2
Mr. Gao Wen Ping	2/2

The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The audited financial statements of the Company for the year ended 31 December 2011 have been reviewed by the Audit Committee before recommending to the Board for approval.

K. FINANCIAL REPORTING

The Directors acknowledged their responsibility for preparing consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and its results and cash flows for the relevant financial period. In preparing the consolidated financial statements for the year ended 31 December 2011, the Directors ensured that the consolidated financial statements have been prepared in accordance with statutory requirements and applicable accounting standards and have applied them consistently; made judgments and estimates that are prudent, fair and reasonable; and have prepared the consolidated financial statements on a going concern basis. The Directors are also responsible for the timely publication of the consolidated financial statements of the Group.

The Directors confirm that, having made all reasonable enquiries, that to the best of their knowledge, information and belief, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement made by Ascenda Cachet CPA Limited, the independent auditor of the Company, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the "Independent Auditors' Report " in this Annual Report.

L. INTERNAL CONTROL

The Board is responsible for overseeing the Company's system of internal control.

To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasizes on the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposure. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives.

The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory.

The Group is committed to identifying, monitoring and managing risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board.

The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted for the year ended 31 December 2011 is sound and effective to safeguard the interests of the shareholders' investments and the Company's assets.

The Board has also conducted an annual review on the effectiveness of the accounting and financial reporting function of the Company and takes the view that the Company possesses adequate resources and staff qualifications and experience in this regard.

Report of the Directors

The directors of Loudong General Nice Resources (China) Holdings Limited (the "Company") are pleased to present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 21 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segment is set out in note 4 to the consolidated financial statements.

RESULTS, DIVIDENDS AND BONUS ISSUE

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 27 to 111.

The board of directors of the Company (the "Board") does not recommend payment of a final dividend for the year ended 31 December 2011 (2010: HK2 cents).

The Board proposes a bonus issue on the basis of 2 bonus shares for every 10 existing shares to the shareholders of Company. The relevant resolution will be proposed at the forthcoming annual general meeting.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, is set out on pages 113 and 114, which does not form part of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 14 and 15 to the consolidated financial statements, respectively. Further details of the Group's investment properties are set out on page 112.

CONSTRUCTION IN PROGRESS

Details of construction in progress of the Group are set out in note 14 to the consolidated financial statements on pages 67 to 69.

BANK BORROWINGS

Details of bank borrowings of the Company and the Group are set out in note 29 to the consolidated financial statements on pages 82 to 83.

Report of the Directors

SHARE CAPITAL AND CONVERTIBLE NOTES

Details of movements in the Company's share capital and convertible notes during the year are set out in notes 33 and 30 to the consolidated financial statements respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2011.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted approximately to HK$1,854,699,000 (2010: HK$1,764,226,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 84.58% (2010: 84.68%) of the total sales for the year and sales to the largest customer included therein amounted for 43.69% (2010: 48.60%). Purchases from the Group's five largest suppliers accounted for 76.64% (2010: 54.42%) of the total purchases for the year and purchases from the largest supplier included therein amounted for 20.78% (2010: 25.78%).

To the best knowledge of the directors of the Company (the "Directors"), none of the Directors or any of their associates or any shareholders holding more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The Directors who were in office during the year and those as at the date of this report are as follows:

Executive Directors:
Mr. Cai Sui Xin
Mr. Zhao Cheng Shu
Mr. Lau Yu
Mr. Ng Tze For
Ms. Li Xiao Juan

Independent non-executive Directors:
Mr. Li Xiao Long
Ms. Choy So Yuk
Mr. Kwok Man To Paul
Mr. Gao Wen Ping

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Mr. Cai Sui Xin, Mr. Ng Tze For and Ms. Choy So Yuk will retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence from each of its independent non-executive Directors 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 still considers all of its independent non-executive Directors to be independent.

MANAGEMENT CONTRACTS

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 9 to 11.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are recommended by the remuneration committee of the Company and determined by the Board with reference to Directors' duties, responsibilities and performance of the Directors and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2011, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in the shares and underlying shares of the Company

Name of Director	Number of ordinary shares Personal interests	 Corporate interests	Number of underlying shares subject to the outstanding share options	Total	Approximate percentage of the issued share capital
Mr. Cai Sui Xin	6,004,621	278,376,383 (Note)	–	284,381,004	14.65%
Mr. Zhao Cheng Shu	4,531,792	–	–	4,531,792	0.23%
Mr. Lau Yu	17,873,792	–	–	17,873,792	0.92%
Mr. Ng Tze For	–	–	3,285,549	3,285,549	0.17%
Ms. Li Xiao Juan	4,595,318	–	–	4,595,318	0.24%
Mr. Li Xiao Long	–	–	226,590	226,590	0.01%
Ms. Choy So Yuk	226,590	–	–	226,590	0.01%

Note: These shares are beneficially owned by General Nice Resources (Hong Kong) Limited ("GNR") and Mr. Cai Sui Xin is deemed to be interested in such shares under the SFO by virtue of the fact that each of General Nice Development Limited ("GND") and General Nice Investment (China) Limited ("GNI") holds 40% equity interest in GNR while General Nice Group Holdings Limited ("GNG") (formerly Vantage Region International Limited) and Mr. Cai Sui Xin hold 50% and 5% equity interests in each of GND and GNI respectively. GNG is in turn wholly owned by Mr.Cai Sui Xin.

Save as disclosed above, as at 31 December 2011, none of the Directors and chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Interests of Directors and chief executive" and "Share option scheme" in this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 25 June 2007 for the purpose of providing incentives to Participants (as defined in the Scheme) to contribute to the Group and/or to enable the Group to recruit high-calibre employees and attract resources that are valuable to the Group and the shareholders of the Company as a whole.

Details of the Scheme are set out in note 34 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

Save as disclosed under the section headed "Interests of Directors and chief executive" above, as at 31 December 2011, the following persons had an interest 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 the shares/underlying shares of the Company

Name	Capacity	Nature of Interest	No. of shares/ underlying shares	Approximate percentage of the issued share capital
GNR	Beneficial owner	Corporate interests	278,376,383	14.34%
GND	Interest of controlled corporation	Corporate interests	278,376,383 (Note 1)	14.34%
GNI	Interest of controlled corporation	Corporate interests	278,376,383 (Note 1)	14.34%
GNG	Interest of controlled corporation	Corporate interests	278,376,383 (Note 1)	14.34%
Tsoi Ming Chi	Interest of controlled corporation	Corporate interests	278,376,383 (Note 1)	14.34%
Hing Lou Resources Limited ("Hing Lou")	Beneficial owner	Corporate interests	268,215,149	13.82%
Xiaoyi Loudong Industry & Trading Group Company ("Xiaoyi Loudong")	Interest of controlled corporation	Corporate interests	268,215,149 (Note 2)	13.82%
Ng Ching Mui	Beneficial owner and interest of controlled corporation	Personal and corporate interests	110,008,999 (Note 3)	5.67%

Notes:

1. These shares are beneficially owned by GNR. Each of GND and GNI holds 40% equity interest in GNR while GNG and Mr. Tsoi Ming Chi hold 50% and 35% equity interests in each of GND and GNI respectively. Accordingly each of GND, GNI, GNG and Mr. Tsoi Ming Chi is deemed to be interested in such shares held by GNR under the SFO.

2. Xiaoyi Loudong is deemed to be interested in the shares held by Hing Lou by virtue of the fact that Hing Lou is its wholly owned subsidiary.

3. Among the 110,008,999 shares, 50,001,000 shares are personal interests and 60,007,999 shares are corporate interests.

Save as disclosed above, the Directors are not aware of any other persons who, at 31 December 2011, had interests or short positions in the shares or underlying shares of the Company which are recorded in the register and required to be kept under Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

A summary of the related party transactions entered into by the Group during the year ended 31 December 2011 is contained in note 40 to the consolidated financial statements. During the year, there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, the following Director is considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules:

Mr. Cai Sui Xin is also a director and beneficial owner of GND and General Nice (Tianjin) Industry Co. Ltd. ("GNT") which are also involved in the trading of coke and coal-related chemicals.

As the Board is independent from the board of directors of GND and GNT and the above director does not control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the business of GND and GNT.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 12 to 17 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 44 to the consolidated financial statements.

AUDITOR

On 14 January 2011, the Board appointed Ascenda Cachet CPA Limited as auditor of the Company to fill the casual vacancy caused by the resignation of Ernst & Young until the conclusion of the 2011 annual general meeting which was held on 31 May 2011 (the "2011 AGM"). At the 2011 AGM, the shareholders re-appointed Ascenda Cachet CPA Limited as auditor of the Company until the conclusion of the forthcoming annual general meeting. Save for the above, there were no other changes in the Company's auditors in the past three years.

A resolution for the reappointment of Ascenda Cachet CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
Cai Sui Xin
Chairman

Hong Kong
28 March 2012

Independent Auditors' Report

Ascenda CACHET
天健德揚

13F Neich Tower
128 Gloucester Road
Wanchai, Hong Kong

To the shareholders of Loudong General Nice Resources (China) Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Loudong General Nice Resources (China) Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 27 to 111, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

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

Ascenda Cachet CPA Limited
Certified Public Accountants

Chan Yuk Tong
Practising Certificate Number P03723

Hong Kong
28 March 2012

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	5	**2,559,575**	2,358,250
Cost of sales		**(1,776,024)**	(1,639,963)
Gross profit		**783,551**	718,287
Other income and gains	5	**18,269**	65,643
Selling and distribution costs		**(131,566)**	(148,985)
Administrative expenses		**(87,113)**	(88,379)
Other operating expenses		**(16,420)**	(31,047)
Fair value changes on derivative component of convertible notes		**–**	(16,949)
Finance costs	7	**(75,703)**	(51,736)
PROFIT BEFORE TAX	6	**491,018**	446,834
Income tax expense	10	**(181,700)**	(160,248)
PROFIT FOR THE YEAR		**309,318**	286,586
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**127,434**	83,973
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**127,434**	83,973
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**436,752**	370,559
Profit attributable to:			
Owners of the Company	11	**291,152**	187,236
Non-controlling interests		**18,166**	99,350
		309,318	286,586
Total comprehensive income attributable to:			
Owners of the Company		**412,179**	259,376
Non-controlling interests		**24,573**	111,183
		436,752	370,559
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**HK$0.15**	HK$0.12
Diluted		**HK$0.15**	HK$0.12

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Financial Position

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**2,449,500**	2,402,761
Investment properties	15	**8,751**	7,299
Prepaid land premiums	16	**38,086**	37,336
Interests in associates	17	**24,392**	6,004
Available-for-sale investments	18	**11,500**	6,281
Goodwill	19	**330,083**	330,083
Other long-term assets	20	**463,203**	442,641
Deferred tax assets	32	**7,391**	7,063
Due from an associate	40(b)	**172,492**	–
Total non-current assets		**3,505,398**	3,239,468
CURRENT ASSETS			
Inventories	22	**322,579**	323,603
Trade and bills receivables	23	**252,866**	367,778
Prepayments, deposits and other receivables	24	**672,279**	678,598
Equity investments at fair value through profit or loss	25	**1,232**	588
Due from related companies	40(b)	**31,340**	142,821
Due from shareholders	40(c)	**10,119**	–
Derivative financial instruments	30	**–**	10,813
Pledged deposits	26	**1,075,586**	997,355
Cash and cash equivalents	26	**12,337**	34,726
Total current assets		**2,378,338**	2,556,282
CURRENT LIABILITIES			
Trade and bills payables	27	**661,647**	746,723
Other payables and accruals	28	**191,934**	570,310
Interest-bearing bank and other borrowings – secured	29	**640,876**	366,376
Due to related companies	40(b)	**167,300**	160,274
Due to shareholders	40(c)	**13,674**	166,561
Tax payable		**196,485**	106,688
Total current liabilities		**1,871,916**	2,116,932
NET CURRENT ASSETS		**506,422**	439,350
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,011,820**	3,678,818

Consolidated Statement of Financial Position

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings – secured	29	**38,743**	71,926
Loans from related companies	40(b)	**137,765**	213,455
Convertible notes	30	**–**	70,261
Promissory note	31	**44,445**	49,586
Deferred tax liabilities	32	**53,344**	43,549
Total non-current liabilities		**274,297**	448,777
NET ASSETS		**3,737,523**	3,230,041
EQUITY			
Equity attributable to owners of the Company			
Issued capital	33	**19,411**	18,359
Equity component of convertible notes	30	**–**	33,721
Exchange fluctuation reserve		**189,518**	68,491
Reserves	35(a)	**3,366,770**	2,972,219
		3,575,699	3,092,790
Non-controlling interests		**161,824**	137,251
Total equity		**3,737,523**	3,230,041

Cai Sui Xin
Director

Zhao Cheng Shu
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	Attributable to owners of the Company										
	Issued capital HK$'000 (Note 33)	Equity component of convertible notes HK$'000 (Note 30)	Share option reserves* HK$'000 (Note 34)	Exchange fluctuation reserve HK$'000	Share premium account* HK$'000	Capital reserve* HK$'000 (Note 35(a)(i))	Contribution Surplus* HK$'000	(Accumulated losses)/ retained earnings* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010	9,912	107,436	10,085	(3,649)	1,267,758	13,011	–	(539,457)	865,096	920,151	1,785,247
Profit for the year	–	–	–	–	–	–	–	187,236	187,236	99,350	286,586
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	–	–	–	72,140	–	–	–	–	72,140	11,833	83,973
Total comprehensive income for the year	–	–	–	72,140	–	–	–	187,236	259,376	111,183	370,559
Issue of ordinary shares through placement	3,967	–	–	–	518,301	–	–	–	522,268	–	522,268
Issue of convertible notes	–	99,180	–	–	–	–	–	–	99,180	–	99,180
Conversion of convertible notes	4,362	(172,895)	–	–	929,233	–	–	–	760,700	–	760,700
Exercise of share options	118	–	(4,833)	–	13,930	–	–	–	9,215	–	9,215
Share options lapsed	–	–	(186)	–	–	–	–	186	–	–	–
Transfer to capital reserve	–	–	–	–	–	33,839	–	(33,839)	–	–	–
Cancellation of share premium	–	–	–	–	(2,269,538)	–	1,793,552	475,986	–	–	–
Interim dividend	–	–	–	–	–	–	(9,125)	–	(9,125)	–	(9,125)
Waiver of an amount due to a shareholder	–	–	–	–	–	280,000	–	–	280,000	–	280,000
Acquisition of non-controlling interests	–	–	–	–	–	224,238	–	–	224,238	(812,241)	(588,003)
Deemed acquisition of the equity interest of a subsidiary	–	–	–	–	–	81,842	–	–	81,842	(81,842)	–
At 31 December 2010 and 1 January 2011	**18,359**	**33,721**	**5,066**	**68,491**	**459,684**	**632,930**	**1,784,427**	**90,112**	**3,092,790**	**137,251**	**3,230,041**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**291,152**	**291,152**	**18,166**	**309,318**
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**121,027**	**–**	**–**	**–**	**–**	**121,027**	**6,407**	**127,434**
Total comprehensive income for the year	**–**	**–**	**–**	**121,027**	**–**	**–**	**–**	**291,152**	**412,179**	**24,573**	**436,752**
Issue of ordinary shares through placement	**400**	**–**	**–**	**–**	**40,947**	**–**	**–**	**–**	**41,347**	**–**	**41,347**
Conversion of convertible notes	**567**	**(33,721)**	**–**	**–**	**93,912**	**–**	**–**	**–**	**60,758**	**–**	**60,758**
Exercise of share options	**85**	**–**	**(3,486)**	**–**	**10,046**	**–**	**–**	**–**	**6,645**	**–**	**6,645**
Transfer to capital reserve	**–**	**–**	**–**	**–**	**–**	**28,584**	**–**	**(28,584)**	**–**	**–**	**–**
Final dividend for 2010 declared and paid	**–**	**–**	**–**	**–**	**–**	**–**	**(38,020)**	**–**	**(38,020)**	**–**	**(38,020)**
At 31 December 2011	**19,411**	**–**	**1,580**	**189,518**	**604,589**	**661,514**	**1,746,407**	**352,680**	**3,575,699**	**161,824**	**3,737,523**

* These reserve accounts comprise the consolidated reserves of HK$3,366,770,000 (2010: HK$2,972,219,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**491,018**	446,834
Adjustments for:			
Finance costs excluding interest on convertible notes and promissory note	7	**71,135**	31,795
Interest income	5	**(11,721)**	(2,160)
Gain on disposal of items of property, plant and equipment	6	**–**	(4,380)
Depreciation	14	**102,335**	103,272
Change in fair value of investment properties	15	**(1,452)**	(2,189)
Amortisation of prepaid land premiums	16	**963**	917
Write off of property, plant and equipment	14	**–**	649
Interest accrued for convertible notes and promissory note		**4,568**	19,941
Fair value loss on derivative financial instrument		**–**	16,949
Write back of prepayment previously written off		**–**	(21,132)
		656,846	590,496
Decrease in inventories		**1,024**	150,246
Decrease/(increase) in trade and bills receivables		**114,912**	(182,870)
Decrease/(increase) in prepayments, deposits and other receivables		**6,319**	(62,092)
Decrease/(increase) in amounts due from related parties		**111,481**	(108,148)
(Decrease)/increase in trade and bills payables		**(85,076)**	501,904
(Decrease)/increase in other payables and accruals		**(378,376)**	358,127
Increase in amounts due from shareholders		**(10,119)**	–
(Decrease)/increase in amounts due to shareholders		**(162,887)**	155,338
Increase in amounts due to related companies		**7,026**	153,682
Decrease in amount due to a director		**–**	(12)
Decrease in other long-term payables		**–**	(13,429)
Cash flows from operations		**261,150**	1,543,242
Interest received		**1,231**	–
Income tax paid		**(82,216)**	(407,936)
Net cash flows from operating activities		**180,165**	1,135,306

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**10,490**	2,160
Purchases of items of property, plant and equipment		**(9,879)**	(334,625)
Proceeds from disposal of items of property, plant and equipment		**–**	211,656
Deposit paid for acquisition of an associate	20	**–**	(235,447)
Acquisition of an associate		**(18,109)**	–
Advance to an associate		**(172,492)**	–
Acquisition of non-controlling interests in a subsidiary		**–**	(290,000)
Proceeds from disposal of an investment property		**–**	6,089
Increase in pledged deposits		**(78,231)**	(862,447)
Purchases of available-for-sale investments		**(4,927)**	(395)
Purchases of equity investments at fair value through profit or loss		**(617)**	(588)
Proceeds from disposal of equity investments at fair value through profit or loss		**–**	568
Net cash flows used in investing activities		**(273,765)**	(1,503,029)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**47,992**	531,483
New bank loans		**1,255,093**	684,982
Decrease in loans from related companies		**(75,690)**	(311,385)
Repayment of loans from banks and non-financial institutions		**(1,014,327)**	(500,423)
Interest paid		**(108,779)**	(58,407)
Dividend paid		**(38,020)**	(9,125)
Net cash flows from financing activities		**66,269**	337,125
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(27,331)**	(30,598)
Cash and cash equivalents at beginning of year		**34,726**	59,068
Effect of foreign exchange rate change, net		**4,391**	6,256
CASH AND CASH EQUIVALENTS AT END OF YEAR		**11,786**	34,726
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	26	**12,337**	34,726
Bank overdraft included in interest-bearing bank and other borrowings	29	**(551)**	–
Cash and cash equivalents as stated in the statement of cash flows		**11,786**	34,726

Statement of Financial Position

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**26**	39
Interests in subsidiaries	21	**–**	–
Due from subsidiaries	21	**778,866**	778,866
Total non-current assets		**778,892**	778,905
CURRENT ASSETS			
Prepayments, deposits and other receivables		**348**	522
Due from a related company	40(b)	**29,564**	29,564
Due from subsidiaries	21	**1,291,877**	1,285,564
Due from a shareholder	40(c)	**–**	10,000
Derivative financial instruments	30	**–**	10,813
Cash and cash equivalents	26	**164**	4,627
Total current assets		**1,321,953**	1,341,090
CURRENT LIABILITIES			
Bank overdraft		**332**	–
Other payables and accruals		**3,622**	2,350
Due to a related company	40(b)	**690**	584
Due to subsidiaries	21	**1,740**	1,740
Due to a shareholder	40(c)	**13,656**	13,432
Total current liabilities		**20,040**	18,106
NET CURRENT ASSETS		**1,301,913**	1,322,984
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,080,805**	2,101,889
NON-CURRENT LIABILITIES			
Convertible notes	30	**–**	70,261
Promissory note	31	**44,445**	49,586
Total non-current liabilities		**44,445**	119,847
NET ASSETS		**2,036,360**	1,982,042
EQUITY			
Issued capital	33	**19,411**	18,359
Equity component of convertible notes	30	**–**	33,721
Reserves	35(b)	**2,016,949**	1,929,962
TOTAL EQUITY		**2,036,360**	1,982,042

Cai Sui Xin
Director

Zhao Cheng Shu
Director

1. GENERAL

Loudong General Nice Resources (China) Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since January 1994.

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is situated at Unit B, 12th Floor, Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong.

The Company is an investment holding company. During the year, the principal business of the Group is coal processing and production of industrial coke and coal-related chemicals.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which include all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). They have been prepared under the historical cost convention, except for investment properties and equity investments at fair value through profit and loss and derivative financial instrument which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra group balances, transactions, unrealised gains and losses resulting from intra group transactions and dividends are eliminated on consolidation in full.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative* HKFRS 7 *Disclosures for First-time adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendment to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in Improvements to HKFRSs 2010, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 40 to the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(b) Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choice for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early adopted the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures –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 Amendments	*Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* [3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [5]
HKAS 19 (2011)	*Employee Benefits* [4]
HKAS 27 (2011)	*Separate Financial Statements* [4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [4]
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

The Group is in the process of making an assessment of impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on both the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated statement of comprehensive income and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates, is included as part of the Group's investments in associates and is not individually tested for impairment.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of associates are included in Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than goodwill, investment property, inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of comprehensive income in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person,

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) (continued)

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(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).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress and investment properties, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchase of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repair and maintenance, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land under finance lease	Over the lease term
Buildings	30 years
Plant facilities	30 years
Office equipment	10 years
Machinery	20 years
Motor vehicles	10 years
Plant infrastructure	20 years
Leasehold improvements, furniture and fixtures	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents building and/or machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of comprehensive income in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment and depreciation” up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation, the revaluation surplus is credited to asset revaluation reserve, while the revaluation deficit is charged to the statement of comprehensive income.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases including prepaid land premium under finance lease, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the statement of comprehensive income on the straight-line basis over the lease terms.

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the land premiums cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and bills receivables, other receivables, amounts due from an associate, related companies and shareholders, equity investment at fair value through profit or loss, available-for-sale investment and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in other income and gains in the statement of comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of comprehensive income. The loss arising from impairment is recognised in the statement of comprehensive income in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of comprehensive income in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of comprehensive income in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of comprehensive income as other income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investment cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management’s intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

Include other criteria for writing off amounts charged to the allowance account against the carrying amount of impaired financial assets.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the statement of comprehensive income.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is removed from other comprehensive income and recognised in the statement of comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income – is removed from other comprehensive income and recognised in the statement of comprehensive income. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of comprehensive income. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of comprehensive income if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, amounts due to related companies and shareholders, interest-bearing bank and other borrowings, liability portion of convertible bonds and promissory note.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income. The net fair value gain or loss recognised in the statement of comprehensive income does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income.

Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible notes exhibits characteristics of an embedded derivative. It is separated from its liability component. On initial recognition, the derivative component of the convertible notes is measured at fair value and presented as part of the derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible notes based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of commodity purchase contracts that meet the definition of a derivative as defined by HKAS 39 is recognised in the statement of comprehensive income in cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of comprehensive income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current portion based on an assessment of the facts and circumstances (i.e. the underlying contracted cash flows).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Current versus non-current classification (continued)

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

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. Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials.

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 positions, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will 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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants (continued)

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of comprehensive income by way of a reduced depreciation charge.

Where the Group receives a non-monetary grant, the asset and the grant are recorded at the fair value of the non-monetary asset and released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Hull White Trinomial Model, further details of which are given in note 34 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

For the Company and its subsidiaries located in Hong Kong

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

For the subsidiaries located in the People's Republic of China ("PRC")

(a) Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by retirement benefit plans organised by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(b) Medical benefit costs

The Group participates in government-organised defined contribution medical benefits plans, under which it pays contributions to the plans at a fixed percentage of wages and salaries of the existing full time employees in the PRC and has no further legal or constructive obligations to pay additional contributions. The contributions are charged as an expense to the consolidated statement of comprehensive income as incurred.

(c) Housing fund

The Group contributes on a monthly basis to defined contribution housing fund plans organised by the PRC government. Contributions to these plans by the Group are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 9% has been applied to the expenditure on the individual assets.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum of association and bye laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to statement of comprehensive income.

All differences arising on settlement or translation of monetary items are taken to the statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of comprehensive income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of at the exchange rates ruling at the end of the reporting period and, their statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign entity, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statements of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The preparation of the Group's financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

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 assets and liabilities within the next financial year are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2011 was approximately HK$330,083,000 (2010: HK$330,083,000). Further details are given in note 19 to the financial statements.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2011 was HK$ 7,391,000 (2010: HK$7,063,000). Further details are contained in note 32 to the financial statements.

Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or nonstrategic assets that have been abandoned or sold.

Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectibles and ageing analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

4 OPERATING SEGMENT INFORMATION

The Group operates only in one business segment, being coal processing and production of industrial coke and coal-related chemicals and supply of electricity in the PRC. Accordingly, no further disclosures by reportable segment are made based on business segment.

Geographical information

Revenue from external customers based on the location of the customers is as follows:

	2011 HK$'000	2010 HK$'000
Mainland China	**2,559,575**	2,057,339
Hong Kong	**–**	300,911
	2,559,575	2,358,250

The Group operates principally in the PRC. Over 90% of the Group's assets are located in the PRC. Accordingly, no further geographical information on non-current assets was disclosed.

Revenue of approximately HK$1,118,369,000 (2010: HK$1,147,150,000) was derived from sales to a single customer.

5 REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and services rendered during the year.

Revenue, other income and gains recognised during the year are as follows:

	2011 HK$'000	2010 HK$'000
Revenue		
Sales of goods	**2,559,575**	2,358,250
Other income		
Rental income from leasing of property, plant and equipment	**–**	19,331
Rental income from leasing of investment property	**121**	114
Bank interest income	**11,721**	2,160
Government grants	**4,472**	10,245
Write back of prepayments previously written off	**–**	21,132
Sundry income	**229**	2,813
	16,543	55,795
Gains		
Other gains:		
Fair value gains on an investment property	**1,452**	2,189
Gain on disposal of items of property, plant and equipment	**–**	4,380
Exchange gains	**–**	3,086
Others	**274**	193
	1,726	9,848
Other income and gains	**18,269**	65,643
Total revenue, other income and gains	**2,577,844**	2,423,893

6 PROFIT BEFORE TAX

The Group's profit before tax is arrived after charging/(crediting):

	2011 HK$'000	2010 HK$'000
Cost of inventories sold *	**1,776,024**	1,639,963
Minimum lease payments under operating leases:		
Operating lease rentals – land and buildings	**370**	348
Auditors' remuneration	**620**	550
Staff costs (excluding directors' remuneration (note 8))		
Salaries and allowances	**37,239**	37,797
Retirement benefit costs	**514**	287
Depreciation	**102,335**	103,272
Amortisation of prepaid land premiums	**963**	917
Bank charges	**13,913**	7,540
Gain on disposal of items of property, plant and equipment	**–**	(4,380)
Gross rental income less outgoings	**(121)**	(114)

* Cost of inventories sold includes approximately HK$22,725,000 (2010: HK$21,182,000) and HK$95,597,000 (2010: HK$95,759,000) relating to staff costs and depreciation, respectively, which amounts are also included in the respective total amounts disclosed separately above.

7 FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on borrowings wholly repayable within five years:		
Bank loans	**55,618**	16,227
Finance cost arising from discounted bills receivables	**46,973**	24,978
Loans from non-financial institutions	**5,857**	12,785
Convertible notes	**1,310**	18,344
Promissory note	**3,258**	1,597
	113,016	73,931
Less: Interest capitalised to construction in progress (note 14)	**(37,644)**	(22,530)
	75,372	51,401
Interest on borrowings not wholly repayable within five years:		
Mortgage loans	**331**	335
	75,703	51,736

8 DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2011 HK$'000	2010 HK$'000
Fees	**480**	442
Other emoluments:		
Salaries, allowances and benefits in kind	**3,900**	3,900
Pension scheme contributions	**39**	36
	4,419	4,378

a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2011 Fees HK$'000	2010 Fees HK$'000
Choy So Yuk	**120**	120
Li Xiao Long	**120**	120
Kwok Man To Paul (appointed on 18 October 2010)	**120**	24
Gao Wen Ping (appointed on 18 October 2010)	**120**	24
Cheung Siu Chung (resigned on 18 October 2010)	**–**	144
Lo Tung Sing, Tony (resigned on 1 February 2010)	**–**	10
	480	442

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

8 DIRECTORS' REMUNERATION (continued)

b) Executive directors

2011	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Cai Sui Xin	**–**	**–**	**–**
Lau Yu	**650**	**12**	**662**
Li Xiao Juan	**1,040**	**12**	**1,052**
Ng Tze For	**1,560**	**12**	**1,572**
Zhao Cheng Shu	**650**	**3**	**653**
	3,900	**39**	**3,939**

2010	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Cai Sui Xin	–	–	–
Lau Yu	650	12	662
Li Xiao Juan	1,040	12	1,052
Ng Tze For	1,560	12	1,572
Zhao Cheng Shu	650	–	650
	3,900	36	3,936

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

There was no remuneration paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2010: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2010: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2010: one) non-director, highest paid employees whose individual remuneration fell within the range of HK$Nil to HK$1,000,000 is as follows:

	2011 HK$'000	2010 HK$'000
Salaries, allowances and benefits in kind	**813**	708
Retirement scheme contributions	**12**	12
	825	720

10 INCOME TAX

No Hong Kong profits tax has been provided as the Group had no assessable profits generated in Hong Kong during the year (2010: Nil). Taxes on profits assessable in the PRC have been calculated at the rates of tax applicable to the subsidiaries operating therein, based on existing legislation, interpretations and practices in respect thereof.

The major components of income tax expense for the year are as follows:

	2011 HK$'000	2010 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**–**	–
Under-provision in prior year	**58**	–
Current – PRC	**171,955**	150,976
Deferred tax (note 32)	**9,687**	9,272
Total tax charge for the year	**181,700**	160,248

10 INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory rates) to the effective tax rates, are as follows:

Group – 2011

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
(Loss)/profit before tax	(20,309)		511,327		491,018	
Tax at the statutory tax rate	(3,351)	16.5	127,832	25	124,481	25.4
Income not subject to tax	(9)	–	–	–	(9)	–
Expenses not deductible for tax	3,592	(17.7)	57,752	11.3	61,344	12.4
Under provision in prior year	58	(0.3)	–	–	58	–
Others	(103)	0.5	(4,087)	(0.8)	(4,190)	(0.8)
Deferred tax not recognised	16	–	–	–	16	–
Tax charge at effective tax rate	203	(1.0)	181,497	35.5	181,700	37.0

Group – 2010

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
(Loss)/profit before tax	(51,627)		498,461		446,834	
Tax at the statutory tax rate	(8,518)	16.5	124,615	25.0	116,097	26.0
Prior year tax loss not utilised	(310)	0.6	–	–	(310)	(0.1)
Income not subject to tax	(166)	0.3	(547)	(0.1)	(713)	(0.2)
Expenses not deductible for tax	8,994	(17.4)	36,180	7.2	45,174	10.1
Tax charge at effective tax rate	–	–	160, 248	32.1	160,248	35.8

11 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2011 includes a loss of HK$16,412,000 (2010: HK$49,078,000) which has been dealt with in the financial statements of the Company. (Note 35(b))

12 DIVIDENDS

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

During the year ended 31 December 2010, an interim dividend of HK0.5 cent per ordinary share, totalling approximately HK$9,125,000 was paid on 29 October 2010. The board of directors of the Company proposed final dividend of HK2 cents per share, totalling approximately HK$36,717,000, for the year ended 31 December 2010 which was based on 1,835,853,814 issued shares as at 28 March 2011. The final dividend of HK2 cents per share, totalling approximately HK$38,020,000, for the year ended 31 December 2010 was paid, out from the contributed surplus, to the Company's shareholders on 24 June 2011.

13 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible notes, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2011 and 2010 in respect of a dilution as the impact of the convertible notes outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

13 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (continued)

The calculation of basic earnings per share for the profit for the year is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Earnings		
Profit attributable to ordinary equity holders of the Company	**291,152**	187,236

	Number of shares	
	2011	2010
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year	**1,905,794**	1,501,043
Effect of dilution – weighted average number of ordinary shares:		
Convertible notes	**–**	–
Share options	**437**	4,533
	1,906,231	1,505,576

Because the diluted earnings per share amount is increased when taking convertible notes into account, the convertible notes have an anti-dilutive effect on the basic earnings per share for the years and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts are based on the profit attributable to ordinary equity holders of the Company of HK$291,152,000 (2010: HK$187,236,000), and the weighted average number of ordinary shares of 1,906,231,000 (2010: 1,505,576,000) in issue during the year.

14 PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Plant facilities HK$'000	Office equipment HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Plant infrastructure HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2011									
At 1 January 2011									
Cost	18,125	544,193	33,754	973,574	27,412	273,963	1,054	677,375	2,549,450
Accumulated depreciation	(2,143)	(8,347)	(7,769)	(100,375)	(6,362)	(21,269)	(424)	–	(146,689)
Net book value	15,982	535,846	25,985	873,199	21,050	252,694	630	677,375	2,402,761
At 1 January 2011, net of accumulated depreciation	15,982	535,846	25,985	873,199	21,050	252,694	630	677,375	2,402,761
Additions	–	1,065	883	3,439	632	–	47	3,813	9,879
Capitalised interest (note 7)	–	–	–	–	–	–	–	37,644	37,644
Depreciation provided during the year	(324)	(27,033)	(3,335)	(63,315)	(3,047)	(5,249)	(32)	–	(102,335)
Transfer from construction in progress	–	201,919	309	144,335	–	38,989	–	(385,552)	–
Exchange realignment	1,229	24,429	1,125	39,230	546	2,738	–	32,254	101,551
At 31 December 2011, net of accumulated depreciation	16,887	736,226	24,967	996,888	19,181	289,172	645	365,534	2,449,500
At 31 December 2011									
Cost	17,429	767,982	28,877	1,080,397	23,283	297,059	1,101	365,534	2,581,662
Accumulated depreciation	(542)	(31,756)	(3,910)	(83,509)	(4,102)	(7,887)	(456)	–	(132,162)
Net book value	16,887	736,226	24,967	996,888	19,181	289,172	645	365,534	2,449,500

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Leasehold land and buildings HK$'000	Plant facilities HK$'000	Office equipment HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Plant infrastructure HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2010									
At 1 January 2010									
Cost	17,023	804,424	32,368	1,008,441	21,564	284,448	1,078	235,228	2,404,574
Accumulated depreciation	(793)	(34,684)	(4,193)	(64,662)	(2,592)	(17,221)	(400)	–	(124,545)
Net book value	16,230	769,740	28,175	943,779	18,972	267,227	678	235,228	2,280,029
At 1 January 2010, net of accumulated depreciation	16,230	769,740	28,175	943,779	18,972	267,227	678	235,228	2,280,029
Additions	–	956	222	6,240	5,317	–	3	321,887	334,625
Capitalised interest (note 7)	–	–	–	–	–	–	–	22,530	22,530
Depreciation provided during the year	(996)	(27,636)	(3,340)	(62,237)	(3,149)	(5,887)	(27)	–	(103,272)
Disposals	–	(169,787)	–	(37,465)	–	–	(24)	–	(207,276)
Written off	–	–	(91)	(64)	(494)	–	–	–	(649)
Transfer from construction in progress	–	–	–	14,575	–	–	–	(14,575)	–
Transfer to construction in progress	–	(65,612)	–	(26,128)	–	(11,419)	–	103,159	–
Exchange realignment	748	28,185	1,019	34,499	404	2,773	–	9,146	76,774
At 31 December 2010, net of accumulated depreciation	15,982	535,846	25,985	873,199	21,050	252,694	630	677,375	2,402,761
At 31 December 2010									
Cost	18,125	544,193	33,754	973,574	27,412	273,963	1,054	677,375	2,549,450
Accumulated depreciation	(2,143)	(8,347)	(7,769)	(100,375)	(6,362)	(21,269)	(424)	–	(146,689)
Net book value	15,982	535,846	25,985	873,199	21,050	252,694	630	677,375	2,402,761

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

The Group's land and buildings are as follows:

	2011 HK$'000	2010 HK$'000
Medium term lease situated in Hong Kong	**15,048**	15,372
Long term lease situated in the People's Republic of China	**1,839**	610
	16,887	15,982

The land and buildings situated in Hong Kong with a net carrying value of approximately HK$15,048,000 (2010: HK$15,372,000) were pledged to secure the general banking facilities granted to the Group (note 29).

Certain machinery with a net carrying value of approximately HK$67,656,000 (2010: HK$71,189,000) were pledged to secure general banking facilities granted to the Group (note 29).

Company

	Office equipment	
	2011 HK$'000	2010 HK$'000
At 1 January		
Cost	**65**	65
Accumulated depreciation	**(26)**	(13)
Net book value	**39**	52
At 1 January, net of accumulated depreciation	**39**	52
Depreciation provided during the year	**(13)**	(13)
At 31 December, net of accumulated depreciation	**26**	39
At 31 December		
Cost	**65**	65
Accumulated depreciation	**(39)**	(26)
Net book value	**26**	39

15 INVESTMENT PROPERTIES

	Group	
	2011	2010
	HK$'000	HK$'000
Carrying amount at 1 January	7,299	11,199
Disposals	–	(6,089)
Net gain from a fair value adjustment	1,452	2,189
Carrying amount at 31 December	8,751	7,299

The Group's investment property is situated in the PRC and held under a long term lease.

The Group's investment property located in the PRC was revalued on 31 December 2011 by RHL Appraisal Limited, independent professionally qualified valuers, at HK$8,751,000 (2010: HK$7,299,000) on an open market, existing use basis. The investment property is leased to a third party under an operating lease, further summary details of which are included in note 38 to the financial statements.

The investment property as at 31 December 2010 was pledged as security for a bank loan granted to the Group (note 29). In September 2011, the Group repaid the bank loan in full. Accordingly, the pledge of the investment property has been released.

16 PREPAID LAND PREMIUMS

	Group 2011 HK$'000	Group 2010 HK$'000
Cost:		
At 1 January	**39,485**	38,092
Exchange realignment	**1,834**	1,393
At 31 December	**41,319**	39,485
Accumulated amortisation:		
At 1 January	**2,149**	1,167
Charge for the year	**963**	917
Exchange realignment	**121**	65
At 31 December	**3,233**	2,149
Net book value:		
At 31 December	**38,086**	37,336

The leasehold land premium is held under a long term lease and situated in the PRC.

17 INTERESTS IN ASSOCIATES

	Group	
	2011	2010
	HK$'000	HK$'000
Share of net assets	**19,708**	1,320
Goodwill on acquisition	**4,684**	4,684
	24,392	6,004

Particulars of the associates of the Group at 31 December 2011 are as follows:

Name	Place of establishment/ registration	Paid up capital	Percentage of equity interest attributable to the Group	Principal activities
Nan Tie Lou Jun Coke Transportation Co., Ltd. ("Nan Tie") *^	Shanxi Province, the PRC	RMB10,000,000	19%	Provision of loading storage and transportation service for coke, washed coals and raw coals
Shanxi Guo Xin Loujun New Resources Limited ("Guo Xin Loujun") *^	Shanxi Province, the PRC	RMB30,000,000	49%	Provision of coke oven gas compression, purification, methanation and separation process, and synthesizing coke oven gas into natural gas

On 24 May 2011, Shanxi Loudong and 山西省國新能源發展集團有限公司 (Shanxi Guo Xin Resources Development Group Limited^, "Guo Xin Resources") entered into a cooperation agreement (the "Cooperation Agreement"), pursuant to which Shanxi Loudong and Guo Xin Resources would establish a joint venture namely Guo Xin Loujun with registered capital of RMB50 million to engage in the provision of coke oven gas compression, purification, methanation and separation process, and synthesizing coke oven gas into natural gas. Pursuant to the Cooperation Agreement, Guo Xin Loujun is owned as to 51% by Guo Xin Resources and as to 49% by Shanxi Loudong. Up to 31 December 2011, the paid-up capital of Guo Xin Loujun amounted to RMB30 million, of which Shanxi Loudong had contributed RMB14.7 million (equivalent to approximately HK$18 million) in proportion to the equity interest in Guo Xin Loujun.

* Not audited by Ascenda Cachet CPA Limited.

^ The English names of these associates are directly translated from their Chinese names as no English names have been registered.

17 INTERESTS IN ASSOCIATES (continued)

A summary of financial information of the associates extracted from their management accounts is set out as follows:

	2011 HK$'000	2010 HK$'000
Assets	**385,476**	38,350
Liabilities	**329,333**	22,627
Revenues	**16,389**	20,628
Profit	**2,732**	778

18 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2011 HK$'000	2010 HK$'000
Unlisted investments, at cost	**11,500**	6,281

The above investment consists of investment in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at 31 December 2011, all the unlisted equity investments with an aggregate carrying amount of HK$11,500,000 (2010: HK$6,281,000) were stated at cost because the range of reasonable fair value estimates cannot be measured reliably. The Group does not intend to dispose of them in the near future.

19 GOODWILL

	Group	
	2011 HK$'000	2010 HK$'000
Carrying amount at 1 January and 31 December	**330,083**	330,083
As at 31 December		
Cost	**901,222**	901,222
Accumulated impairment	**(571,139)**	(571,139)
	330,083	330,083

19 GOODWILL (continued)

Impairment test of goodwill

Goodwill acquired through the business combination has been allocated to the coke cash generating unit. For the purpose of impairment testing, the recoverable amounts of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period with a growth rate beyond the time horizon, which is approved by senior management. At 31 December 2011, the discount rate applied to cash flow projections is 13% (2010: 15%). Key assumptions used in the value in use calculation for 31 December 2011 are as follows:

Revenues

Future revenues are estimated based on annual output taking into account the designed capacity at expected future commodity prices.

Commodity prices

Future commodity prices are estimated by management based on their industry experience, historic price trends and independent expert commentaries.

Discount rates

The discount rates used is based on a weighted average cost of capital, and is real rate, reflecting specific risks relating to the relevant cash generating units.

Growth rates

Cash flows beyond the five year forecast period are assumed to grow at a constant 2% (2010: 2%) per annum, based on expected long term inflation rates in the PRC.

20 OTHER LONG-TERM ASSETS

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**442,641**	200,000
Deposits paid for acquisition of an associate	**–**	235,447
Exchange realignment	**20,562**	7,194
At 31 December	**463,203**	442,641

20 OTHER LONG-TERM ASSETS (continued)

On 16 September 2009, Shanxi Loudong, a subsidiary of the Group, entered into a memorandum of understanding with independent third parties to acquire 49% equity interests in Shanxi Linxian Taiye Coal Mining Company Limited ("Linxian Taiye"), a coal mining company. A deposit of RMB176 million (equivalent to HK$200,000,000) was paid upon signing of the memorandum of understanding. On 4 May 2010, Shanxi Loudong entered into an agreement with one of the independent third parties for the acquisition of 30% equity interest in Linxian Taiye at a total consideration of RMB700 million subject to adjustment in respect of profit guarantee. A number of supplemental agreements dated at 29 September 2010, 15 October 2010, 30 June 2011 and 21 October 2011 were entered to, among others, extend the long stop date to 31 December 2012. During the year ended 31 December 2010, an additional amount of RMB200 million (equivalent to HK$235,447,000) was paid by the Group and the aggregate deposits paid were RMB376 million (equivalent to HK$442,641,000) as at 31 December 2010. No further deposits had been paid during the year ended 31 December 2011. Consequently, up to 31 December 2011, the aggregate amount paid by the Group reached RMB376 million (equivalent to HK$463,203,000, including the exchange realignment). As at the date of approval of these financial statements, the acquisition has not yet completed.

21 INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**– ***	– *
Due from subsidiaries:		
Non-current	**1,350,005**	1,350,005
Less: Impairment	**(571,139)**	(571,139)
Non-current, net	**778,866**	778,866
Current	**1,291,877**	1,285,564
	2,070,743	2,064,430
Due to subsidiaries:		
Current	**1,740**	1,740

* The investment at cost has been presented as nil as a result of rounding.

21 INVESTMENTS IN SUBSIDIARIES (continued)

The amounts due from the subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The classification of non-current due from subsidiaries has been determined based on the amount expected to be settled beyond one year from the end of the reporting period.

The amounts due to the subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

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

Name	Place of incorporation	Issued/paid up capital	Percentage of equity interest attributable to the Group Direct	Indirect	Principal activities
Kingfund Corporation Limited	Hong Kong	HK$1	–	100%	Property investment
Abterra Coal & Coke Limited	Hong Kong	HK$10,000	–	100%	Investment holding
Shanxi Loudong-General Nice Coking & Gas Co., Ltd *#	PRC	RMB446,000,000	–	94.48%	Coke extracting and the manufacture of relevant chemicals
Super Energy Limited	Hong Kong	HK$1	100%	–	Administrative function

* Ascenda Cachet CPA Limited are not the local statutory auditors.

\# The subsidiary is registered as Sino-foreign investment enterprise under the PRC law

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

22 INVENTORIES

	Group 2011 HK$'000	Group 2010 HK$'000
Raw materials	**198,285**	175,604
Work in progress	**34,243**	33,432
Finished goods	**88,625**	113,694
Spare parts and consumables	**1,426**	873
	322,579	323,603

23 TRADE AND BILLS RECEIVABLES

	Group 2011 HK$'000	Group 2010 HK$'000
Trade receivables	**213,838**	321,398
Bills receivables	**68,593**	74,632
Less: Impairment	**(29,565)**	(28,252)
	252,866	367,778

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group's customers are concentrated in the steel making industry. Trade receivables are non-interest-bearing.

23 TRADE AND BILLS RECEIVABLES (continued)

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Current	**162,955**	93,245
31-60 days	**17,635**	193,790
61-90 days	**650**	3,297
91-365 days	**27,310**	10,851
Over 1 year	**5,288**	20,215
	213,838	321,398

The movements in the provision for impairment of trade receivables are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**28,252**	27,254
Exchange realignment	**1,313**	998
At 31 December	**29,565**	28,252

The above provision for impairment of trade receivables is in relation to individually impaired trade receivables with a carrying amount of HK$35,271,000 (2010: HK$31,066,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

23 TRADE AND BILLS RECEIVABLES (continued)

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**162,955**	93,245
Less than 1 month past due	**296**	193,790
1 to 3 months past due	**–**	5,945
3 to 12 months past due	**21,022**	166
	184,273	293,146

Receivables that were neither overdue nor impaired relate to a large number of diversified customers for whom there were no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and/or the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

24 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2011	2010
	HK$'000	HK$'000
Advances to suppliers	**612,800**	541,713
Deposits	**26**	–
Other receivables	**59,453**	136,885
	672,279	678,598

None of the above assets are either past due or impaired. The financial assets included in the above balances receivables for which there was no recent history of default.

25 EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2011	2010
	HK$'000	HK$'000
Listed equity investments, at market value:		
PRC	**1,232**	588

The above equity investments at 31 December 2010 and 2011 were classified as held for trading.

26 CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**1,087,923**	1,032,081	**164**	4,627
Less: time deposits pledged as security	**(1,075,586)**	(997,355)	**–**	–
Cash and cash equivalents	**12,337**	34,726	**164**	4,627

At the end of the report period, the cash and bank balance of Group denominated in Renminbi ("RMB") amounted to HK$1,086,902,000 (2010: HK$1,024,403,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group was permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

27 TRADE AND BILLS PAYABLES

	Group	
	2011	2010
	HK$'000	HK$'000
Trade payables	**147,936**	263,488
Bills payables	**513,711**	483,235
	661,647	746,723

An aged analysis of the trade payables as at the end of the reporting period, based on invoice date are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Current	**75,508**	168,161
31-60 days	**10,554**	61,595
61-90 days	**8,072**	942
91-365 days	**9,673**	13,731
Over 1 year	**44,129**	19,059
	147,936	263,488

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

28 OTHER PAYABLES AND ACCURALS

	Group	
	2011	2010
	HK$'000	HK$'000
Customer advances	**67,172**	420,111
Value-added tax payable	**45,808**	80,462
Other payables	**53,671**	51,329
Accruals	**25,283**	18,408
	191,934	570,310

Other payables are non-interest-bearing and have an average term of three months.

29 INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	2011 Effective interest rate (%)	2011 Maturity	2011 HK$'000	2010 Effective interest rate (%)	2010 Maturity	2010 HK$'000
Current:						
Bank overdrafts – secured		On demand	551	N/A	N/A	–
Bank loans – secured	5.576% – 6.903%	2012	609,296	5.576% – 6.903%	2011	343,583
Current portion of loan from local credit corporation – secured	5.410%	2012	22,829	5.410%	2011	22,396
Current portion of a long term bank loan – secured	3.5%	2012	8,200	3.5%	2011	397
			640,876			366,376
Non-current:						
Bank loan – secured	–	–	–	3.5%	2012 – 2031	9,585
Loan from local credit corporation – secured	5.410%	2013	26,448	5.410%	2013	48,238
			26,448			57,823
Other borrowing:						
Loan from non-financial institutions – unsecured	28%	No fixed terms	12,295	28%	No fixed terms	14,103
			38,743			71,926
			679,619			438,302

29 INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	Group	
	2011	2010
	HK$'000	HK$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**618,047**	343,980
In the second year	**–**	410
In the third to fifth years, inclusive	**–**	1,312
Beyond five years	**–**	7,863
	618,047	353,565
Other borrowings repayable:		
Within one year or on demand	**22,829**	22,396
In the second year	**38,743**	37,571
In the third to fifth years, inclusive	**–**	24,770
	61,572	84,737
	679,619	438,302

Certain of the Group's bank loans and loan from a local credit corporation are secured by:

(a) mortgage over the Group's leasehold land and buildings, which had an aggregate carrying value at the end of the reporting period of approximately HK$15,048,000 (2010: HK$15,372,000);

(b) mortgage over the Group's machinery, which had an aggregate carrying value at the end of the reporting period of approximately HK$67,656,000 (2010: HK$71,189,000);

(c) pledge of certain of the Group's time deposits amounting to approximately HK$1,075,586,000 (2010: HK$997,355,000); and

(d) corporate and personal guarantees from a shareholder of the Company and a director of a subsidiary of the Group, respectively.

The bank loans as at 31 December 2010 were also secured by a pledge of the Group's investment property as at 31 December 2010. The pledge was released upon the settlement of the bank loan in full in September 2011.

30 CONVERTIBLE NOTES – GROUP AND COMPANY

Convertible Note 1

On 31 August 2008, the Company issued convertible notes (the "Convertible Note 1") with a nominal value of HK$1,000,000,000 as a partial consideration of the business combination. The Convertible Note 1 carried interest at 2% per annum, payable annually, and were convertible at the option of the note holders into ordinary shares on the basis of one ordinary share for every HK$2.5 note held at time from the date of issue up to seven business days preceding the maturity date. As a result of the open offer and subscription of new shares during the year ended 31 December 2009, the exercise price had been adjusted to HK$2.168 per share at 31 December 2009. The notes holders might demand the Company to redeem the Convertible Note 1 if the trading of the shares has been suspended consecutively for more than 45 trading days. Any Convertible Note 1 not converted would be redeemed on 30 August 2011 at the principal amount outstanding together with all accrued and unpaid interest. During the year ended 31 December 2009, the Convertible Note 1 with nominal value of HK$300,000,000 was converted into 138,376,383 shares at conversion price of HK$2.168 per share.

During the year ended 31 December 2010, as a result of the placing and subscription of new shares, the exercise price had been adjusted to HK$2.146 per share and the remaining HK$700,000,000 Convertible Note 1 had been fully converted into 326,188,254 shares at the adjusted conversion price of HK$2.146. Consequently, there was no outstanding balance in respect of Convertible Note 1 as at 31 December 2010.

Convertible Note 2

On 27 July 2010, the Company issued convertible notes (the "Convertible Note 2") with a nominal value of HK$250,000,000 as a partial consideration for the acquisition of a further 39.9% equity interest in Shanxi Loudong. The Convertible Note 2 did not carry any interest. The notes holders may demand the Company to redeem the Convertible Note 2 if the trading of the shares has been suspended consecutively for more than 45 trading days. Any Convertible Note 2 not converted will be redeemed on 26 July 2013 at the principal amount outstanding. Up to 31 December 2010, the Convertible Note 2 with nominal value of HK$165,000,000 had been converted into 110,000,000 shares at conversion price of HK$1.5 per share. During the year ended 31 December 2011, the remaining HK$85,000,000 Convertible Note 2 had been fully converted into 56,666,666 shares at the conversion price of HK$1.5 per share. Consequently, there were no outstanding balances in respect of the Convertible Note 2 as at 31 December 2011.

The Convertible Note 2 were split into liability, derivative and equity components upon initial recognition by recognising the liability component and derivative component at their fair values and attributing to the equity component the residual amount. The liability component was subsequently carried at amortised cost while the derivative component was carried at fair value to be remeasured at the end of each reporting period. The equity component was presented in equity heading "equity component of convertible notes".

30 CONVERTIBLE NOTES – GROUP AND COMPANY (continued)

The convertible notes issued have been split as to the liability, derivative and equity components, as follows:

	Derivative component HK$'000	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 January 2010	–	638,117	107,436	745,553
Issue of convertible note 2 during the year	(49,136)	199,956	99,180	250,000
Fair value changes	16,949	–	–	16,949
Interest expense	–	18,344	–	18,344
Interest paid	–	(4,082)	–	(4,082)
Conversion into ordinary shares	21,374	(782,074)	(172,895)	(933,595)
At 31 December 2010 and 1 January 2011	**(10,813)**	**70,261**	**33,721**	**93,169**
Interest expense	**–**	**1,310**	**–**	**1,310**
Conversion into ordinary shares	**10,813**	**(71,571)**	**(33,721)**	**(94,479)**
At 31 December 2011	**–**	**–**	**–**	**–**

31 PROMISSORY NOTE – GROUP AND COMPANY

	2011 HK$'000	2010 HK$'000
At 1 January	**49,586**	–
Fair value of promissory note	**–**	47,989
Interest expenses	**3,258**	1,597
Early repayment during the year	**(8,399)**	–
At 31 December	**44,445**	49,586

On 27 July 2010, the Company issued an unsecured promissory note with principal value of HK$60,000,000 as a partial consideration for the acquisition of a further 39.9% equity interest in Shanxi Loudong. During the year ended 31 December 2011, the Company had negotiated and agreed with the noteholder to redeem part of the promissory note with a principal value of HK$10,000,000.

31 PROMISSORY NOTE – GROUP AND COMPANY (continued)

The promissory note bears no interest and is repayable in one lump sum on the date falling three years from the issue date of this note.

The promissory note is subsequently measured at amortised cost, using an effective rate of 7.735%.

32 DEFERRED TAX

Group

Deferred tax assets

31 December 2011

	Impairment of trade receivables HK$'000	Total HK$'000
At 1 January 2011	7,063	7,063
Exchange realignment	328	328
At 31 December 2011	7,391	7,391

Deferred tax liabilities

	Capitalised interest HK$'000	Book value in excess of tax base of prepaid land premiums HK$'000	Others HK$'000	Book value in excess of tax base of property, plant and equipment HK$'000	Total HK$'000
At 1 January 2011	22,459	2,617	502	17,971	43,549
Deferred tax charged/(credited) to the statement of comprehensive income (note 10)	9,608	224	(145)	–	9,687
Exchange realignment	1,043	122	–	(1,057)	108
At 31 December 2011	33,110	2,963	357	16,914	53,344

32 DEFERRED TAX (continued)

Group

Deferred tax assets

31 December 2010

	Impairment of trade receivables HK$'000	Total HK$'000
At 1 January 2010	6,814	6,814
Exchange alignment	249	249
At 31 December 2010	7,063	7,063

Deferred tax liabilities

	Capitalised interest HK$'000	Book value in excess of tax base of prepaid land premiums HK$'000	Others HK$'000	Book value in excess of tax base of property, plant and equipment HK$'000	Total HK$'000
At 1 January 2010	16,101	2,279	516	15,630	34,526
Deferred tax charged/(credited) to the statement of comprehensive income (note 10)	5,633	249	(14)	3,404	9,272
Exchange alignment	725	89	–	(1,063)	(249)
At 31 December 2010	22,459	2,617	502	17,971	43,549

The Group has accumulative tax losses arising in Hong Kong of HK$76,028,000 (2010: HK$75,855,000) that are available indefinitely 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 they have arisen in subsidiaries that 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.

32 DEFERRED TAX (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in PRC. The requirement has become effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2011, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC (2010: Nil). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of withholding taxes associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately HK$41,756,000 (2010: HK$25,942,000).

33 SHARE CAPITAL

	2011 **HK$'000**	2010 HK$'000
Authorised:		
200,000,000,000 (2010: 200,000,000,000) ordinary shares of HK$0.01 each	**2,000,000**	2,000,000
Issued and fully paid:		
1,941,019,590 (2010: 1,835,853,814) ordinary shares of HK$0.01 each	**19,411**	18,359

33 SHARE CAPITAL (continued)

Issued and fully paid

	Number of Shares '000	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2010	991,238	9,912	1,267,758	1,277,670
Issue of new shares:				
In January 2010 (note a(i))	167,502	1,676	249,578	251,254
In August 2010 (note a(ii))	229,143	2,291	272,680	274,971
Share issue expenses	–	–	(3,957)	(3,957)
Conversion of convertible notes (note b)	436,188	4,362	929,233	933,595
Share options exercised (note c)	11,783	118	9,097	9,215
Transfer from share option reserve upon exercise of share options	–	–	4,833	4,833
Share premium cancellation (note d)	–	–	(2,269,538)	(2,269,538)
At 31 December 2010 and 1 January 2011	**1,835,854**	**18,359**	**459,684**	**478,043**
Issue of new shares:				
Share issue expenses	**–**	**–**	**(255)**	**(255)**
Conversion of convertible notes (note e)	**56,667**	**567**	**93,912**	**94,479**
Share options exercised (note f)	**8,497**	**85**	**6,560**	**6,645**
Transfer from share option reserve upon exercise of share options	**–**	**–**	**3,486**	**3,486**
Issue of shares by placement (note g)	**40,002**	**400**	**41,202**	**41,602**
At 31 December 2011	**1,941,020**	**19,411**	**604,589**	**624,000**

33 SHARE CAPITAL (continued)

The movements in the issued share capital of the Company were as follows:

(a) Placing of existing shares and top up subscription of new shares

(i) On 15 January 2010, the Company entered into a placing agreement with General Nice Resources (Hong Kong) Limited ("GNR") and Enlighten Securities Limited ("Enlighten") pursuant to which Enlighten agreed to place for GNR up to 167,502,000 existing ordinary shares of the Company at the placing price of HK$1.50 per placing share to not less than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules); and GNR agreed to subscribe up to 167,502,000 new shares of the Company at the subscription price equivalent to the placing price. The net proceeds of HK$249 million from the placing and subscription was used for payment of the acquisition of 39.9% equity interest of Shanxi Loudong. Upon completion of the subscription on 27 January 2010, a total of 167,502,000 new shares of the Company were issued at HK$1.50 per share. For further details, please refer to the Company's announcements dated 18 January 2010 and 27 January 2010.

(ii) On 3 August 2010, the Company entered into: (i) a placing agreement with GNR and BOCOM International Securities Limited ("BOCOM") pursuant to which BOCOM agreed to place for GNR up to 29,133,000 existing shares at the placing price of HK$1.20 per placing share to not less than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules); and (ii) a subscription agreement with GNR pursuant to which GNR agreed to subscribe up to 29,133,000 new shares of the Company at the subscription price of HK$1.20 per subscription share. Upon completion of the subscription on 12 August 2010, a total of 29,133,000 new shares of the Company were issued at HK$1.20 per share.

On 3 August 2010, the Company entered into a new share placing agreement with BOCOM pursuant to which BOCOM agreed to place, on a best effort basis, up to 200,010,000 new shares at the new shares placing price of HK$1.20 per new placing share to not less than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules). Upon completion of the placing on 17 August 2010, a total of 200,010,000 new shares of the Company were issued at HK$1.20 per share.

The net proceeds of approximately HK$272.7 million from the subscription and placing of the shares was used for part payment of the acquisition of Linxian Taiye and for general working capital. For further details, please refer to the Company's announcements dated 3 August 2010 and 17 August 2010.

33 SHARE CAPITAL (continued)

(b) Conversion of convertible notes

During the year ended 31 December 2010, the Convertible Note 1 in an aggregate amount of HK$700,000,000 were converted into 326,188,254 shares of the Company at an adjusted conversion price of HK$2.146 per share.

During the year ended 31 December 2010, the Convertible Note 2 in an aggregate amount of HK$165,000,000 were converted into 110,000,000 shares of the Company at a conversion price of HK$1.5 per share.

(c) Exercise of share options

During the year ended 31 December 2010, share options to subscribe for 11,782,657 shares were exercised at an adjusted subscription price of HK$0.782 per share.

(d) Share premium cancellation

Pursuant to a special resolution passed at the special general meeting on 15 October 2010, the share premium of the Company of HK$2,269,538,000 as at 30 June 2010 had been cancelled and eliminated against the accumulated losses of the Company as at 30 June 2010 and the remaining balance was transferred to the contributed surplus account of the Company.

(e) Conversion of convertible notes

During the year ended 31 December 2011, the Convertible Note 2 in an aggregate amount of HK$85,000,000 were converted into 56,666,666 shares of the Company at a conversion price of HK$1.50 per share.

(f) Exercise of share options

During the year ended 31 December 2011, share options to subscribe for 8,497,110 shares were exercised at an adjusted subscription price of HK$0.782 per share. Details of the exercise of the share options were set out in note 34.

(g) Placing of new shares

On 15 June 2011, the Company entered into a new share placing agreement with Enlighten, pursuant to which Enlighten agreed to place, on a best effort basis, up to 40,002,000 new shares at a placing price of HK$1.04 per placing share to not less than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules). Upon completion of the placing on 27 June 2011, a total of 40,002,000 new shares of the Company were issued. The net proceeds of HK$41 million were used for general working capital purpose. For further details, please refer to the Company's announcements dated 15 June 2011 and 27 June 2011.

34 SHARE OPTION SCHEME

On 25 June 2007 (the "Adoption Date"), the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives to Participants (as defined in the Scheme) to contribute to the Group and/or to enable the Group to recruit high-calibre employees and attract resources that are valuable to the Group and the shareholders of the Company as a whole. Participants include, inter alias, the directors and any employees of the Group. Unless otherwise terminated or amended, the Scheme will remain in force for 10 years from the Adoption Date. The principal terms of the Scheme are summarised as follows:

(a) The maximum number of shares in respect of which share options may be granted under the Scheme must not exceed 10% of the number of shares of the Company in issue as at the Adoption Date. Subject to prior shareholders' approval, the Company may, at any time thereafter, refresh the scheme mandate limit to the extent not exceeding 10% of the shares in issue as at the date of the shareholders' approval. The shareholders approved the refreshment of the scheme limit at a special general meeting held on 15 October 2010. Following the refreshment, the maximum number of shares in respect of which options may be granted under the Scheme is 182,509,081 shares, representing 10% of the total number of shares in issue as at the date of refreshment of the scheme limit on 15 October 2010 and representing approximately 9.4% of the issued share capital of the Company as at 31 December 2011. The maximum number of shares to be issued under the share options granted to each Participant in the Scheme within any 12-month period is limited to 1% of the number of shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

(b) Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associated, in excess of 0.1% of the number of shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

(c) The offer of a grant of share options may be accepted within 14 days from the date of offer, upon payment of a consideration of HK$10.00 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on the expiry of six months after the date of grant and ends on a date which is not later than the expiry date of the Scheme.

(d) The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares stated in the Stock Exchange's daily quotation sheets on the date of grant; and (ii) the average closing price of the Company's shares stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

34 SHARE OPTION SCHEME (continued)

The movements in the share options of the Company during the year were set out as follows:

Name or category of participants	At 1 January 2011 (Note 1)	Exercised during the year	At 31 December 2011	Exercise period of the outstanding share options (Note 2)	Average closing reference price for exercise of options (Note 3)
Directors					
Zhao Cheng Shu	4,531,792	(4,531,792)	–	N/A	HK$1.04
Ng Tze For	3,285,549	–	3,285,549	From 9 January 2010 to 24 June 2017	N/A
Li Xiao Juan	3,965,318	(3,965,318)	–	N/A	HK$1.04
Li Xiao Long	226,590	–	226,590	From 9 July 2010 to 24 June 2017	N/A
Sub-total	12,009,249	(8,497,110)	3,512,139		
Other employees (in aggregate)	339,885	–	339,885	From 9 January 2010 to 24 June 2017	N/A
Total	12,349,134	(8,497,110)	3,852,024		

Notes:

1. These share options were granted on 9 July 2009 at an exercise price of HK$0.886 per share. As a result of the completion of the open offer by the Company in July 2009, the exercise price of the share options was adjusted from HK$0.886 to HK$0.782 per share and the number of share options was adjusted accordingly.

2. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

3. The average closing reference price represented the average of the closing prices of the Company's shares immediately before the dates on which the options were exercised during the year, weighted by the number of the options exercised.

4. During the year, no option was granted, lapsed or cancelled.

34 SHARE OPTION SCHEME (continued)

A total of 8,497,110 share options were exercised at a price of HK$0.782 per share during the year, resulting in the issue of 8,497,110 ordinary shares of the Company and new share capital of approximately HK$85,000 and share premium of approximately HK$6,560,000 (before issue expenses), as further detailed in note 33 to the financial statements.

At the end of the reporting period and at the date of approval of these financial statements, the Company had 3,852,024 share options outstanding under the Scheme, exercisable at a price of HK$0.782 per share, which represented approximately 0.20% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 3,852,024 additional ordinary shares of the Company and additional share capital of approximately HK$39,000 and share premium of approximately HK$2,973,000 (before issue expenses).

35 RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the years are presented in the consolidated statement of changes in equity on page 30 of the financial statements.

(i) Capital reserve

Capital reserve comprised of the followings:

Statutory surplus reserve ("SSR")

Pursuant to the relevant PRC laws and regulations for Sino-foreign joint venture enterprises, the profits of the Group's PRC subsidiary are available for distribution, in the form of cash dividends to each of the joint venture partners if the joint venture company: (1) satisfies all tax liabilities; (2) provides for losses in previous years; and (3) makes appropriate to the three statutory reserves. These appropriations include the individual entity's reserve fund, expansion fund and funds for staff bonuses and welfare benefits.

All Sino-foreign enterprises are generally required to appropriate not less than 10% of their net profit after tax to the SSR as determined in the PRC subsidiary's statutory audited accounts prepared in accordance with Chinese Accounting Standards, until the balance of the fund reaches 50% of the registered capital. Appropriations of the expansion fund and funds for staff bonuses and welfare benefits are determined at the sole discretion of the board of directors.

Subject to certain restrictions set out in the Company law of the PRC, part of the SSR may be converted to increase paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

35 RESERVES (continued)

(a) Group (continued)

(i) *Capital reserve (continued)*

Waiver of the increased consideration for the acquisition of 50.1% equity interest in Shanxi Loudong

Pursuant to the sale and purchase agreement dated 8 December 2007, as supplemented by supplemental agreements, entered between GNR and Buddies Power Enterprises Limited, a subsidiary of the Company, the consideration for the acquisition of 50.1% equity interest in Shanxi Loudong shall be increased by HK$280 million in the event that the aggregate audited attributable net profits of 50.1% equity interest in Shanxi Loudong for the financial years ending 31 December 2008 and 2009 exceeds HK$230 million, such increased amount is to be satisfied by way of Buddies Power Enterprises Limited procuring the Company to issue a promissory note in the principal amount of the increased consideration of HK$280 million to GNR. The targeted profits for the above-mentioned financial years were made. The increased consideration was included in the financial statements for the year ended 31 December 2009 as Goodwill and amount due to GNR of HK$280 million.

On 26 August 2010, GNR, Buddies Power Enterprises Limited and the Company entered into a deed of waiver pursuant to which GNR agreed to waive the obligations of the Group under the agreements to waive the liability due from the Group. Accordingly, the Group had classified the amount due to GNR as capital reserve and no adjustment to the goodwill previously recorded.

Capital reserve in respect of acquisition of the equity interest of the PRC subsidiary

During the year ended 31 December 2010, the Group had acquired further 39.9% equity interest in Shanxi Loudong from Hing Lou Resources Limited, a non-controlling equity holder of Shanxi Loudong and a shareholder of the Company. Pursuant to the acquisition of the 39.9% equity interest in Shanxi Loudong, an excess of the net assets acquired over the consideration amounting to approximately HK$224,238,000 was recorded. In accordance with HKFRS 3 Business Combination, the excess should be accounted for as equity movement as being acquisition of the non-controlling interests and included in the capital reserve of the Group.

During the year ended 31 December 2010, apart from the acquisition of the 39.9% equity interest in Shanxi Loudong, only the Group had further contributed to Shanxi Loudong. Accordingly, there was a deemed acquisition of the equity interest in Shanxi Loudong. In accordance with HKFRS 3, such deemed acquisition should be accounted for as equity movement and included in the capital reserve of the Group.

(ii) *Contributed surplus*

Pursuant to a special resolution passed at the special general meeting on 15 October 2010, the share premium of the Company of HK$2,269,538,000 as at 30 June 2010 had been cancelled and eliminated against the accumulated losses of the Company of HK$475,986,000 as at 30 June 2010 and the remaining balance of HK$1,793,552,000 was transferred to the contributed surplus account of the Company.

35 RESERVES (continued)

(b) Company

	Share premium account HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000 (Note (i))	Share option reserve HK$'000 (Note 34)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2010	1,267,758	160,670	–	10,085	(906,979)	531,534
Profit for the year and total comprehensive income	–	–	–	–	(49,078)	(49,078)
Issue of ordinary shares through placements	518,301	–	–	–	–	518,301
Conversion of convertible notes	929,233	–	–	–	–	929,233
Shares issued arising from exercise of share options	13,930	–	–	(4,833)	–	9,097
Share options lapsed	–	–	–	(186)	186	–
Share premium cancellation	(2,269,538)	–	1,793,552	–	475,986	–
Interim dividend	–	–	(9,125)	–	–	(9,125)
At 31 December 2010 and at 1 January 2011	459,684	160,670	1,784,427	5,066	(479,885)	1,929,962
Profit for the year and total comprehensive income	–	–	–	–	(16,412)	(16,412)
Issue of ordinary shares through placements	40,947	–	–	–	–	40,947
Conversion of convertible notes	93,912	–	–	–	–	93,912
Exercise of share options	10,046	–	–	(3,486)	–	6,560
Final dividend for 2010 declared and paid	–	–	(38,020)	–	–	(38,020)
At 31 December 2011	604,589	160,670	1,746,407	1,580	(496,297)	2,016,949

(i) Contributed surplus

Pursuant to a special resolution passed at the special general meeting on 15 October 2010, the share premium of the Company of HK$2,269,538,000 as at 30 June 2010 had been cancelled and eliminated against the accumulated losses of the Company of HK$475,986,000 as at 30 June 2010 and the remaining balance of HK$1,793,552,000 was transferred to the contributed surplus account of the Company.

36 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

During the year ended 31 December 2011, the Company had settled the promissory note with nominal value of HK$10,000,000 through the amount due from a shareholder.

37 CONTINGENT LIABILITIES

As at 31 December 2011, there were no discounted bills receivables (2010: HK$72,794,000) which had not reached maturity.

38 OPERATING LEASE ARRANGEMENTS

As lessor

The Group lease its investment property (note 15) under operating lease arrangements, with the lease negotiated for terms for 10 years. The terms of the lease generally also require the tenant to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2011, the Group had total future minimum lease receivables under a non-cancellable operating lease within its tenant falling due as follows:

	2011 HK$'000	2010 HK$'000
Within the first year	**121**	114
In the second to fifth years, inclusive	**485**	455
After the fifth year	**333**	426
	939	995

As lessee

The Group leases certain of residential property under operating lease arrangement. Leases for residential property is negotiated for terms ranging from one to two years.

At 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2011 HK$'000	2010 HK$'000
Within the first year	**–**	224

39 CAPITAL COMMITMENTS

	2011 **HK$'000**	2010 HK$'000
Contracted, but not provided for, in respect of:		
Acquisition of 30% equity interest in Linxian Taiye (Note (i))	**399,143**	381,425
Capital contribution for interest in Guo Xin Loujun (Note (ii))	**12,073**	–
Contribution for capital expenditure of Guo Xin Loujun relating to construction of production facilities (Note (ii))	**8,624**	–
Capital expenditure in respect to the construction in progress	**45,219**	241,801
	465,059	623,226

(i) On 16 September 2009, Shanxi Loudong entered into a memorandum of understanding with an independent third party to acquire 49% equity interests in Linxian Taiye. A deposit of RMB176 million (equivalent to HK$200,000,000) was paid upon signing of the memorandum of understanding. On 4 May 2010, Shanxi Loudong entered into a supplemental agreement with the independent third party to revise the acquisition to 30% equity interest in Linxian Taiye at a total consideration of RMB700 million. During the year ended 31 December 2010, an additional amount of RMB200 million was paid by the Group. The aggregate amount paid by the Group reached RMB376 million (equivalent to HK$463,203,000) at the end of the reporting period. Accordingly, Shanxi Loudong had capital commitment of RMB324 million (equivalent to approximate HK$399,143,000). As Linxian Taiye is undergoing a group coal mine resources consolidation and technical renovation, the acquisition has not been completed at the date of approval of these financial statements.

(ii) On 24 May 2011, Shanxi Loudong and Guo Xin Resources entered into a Cooperation Agreement pursuant to which Shanxi Loudong and Guo Xin Resources would establish a joint venture namely Guo Xin Loujun with registered capital of RMB50 million to engage in the provision of coke oven gas compression, purification, methanation and separation process, and synthesizing coke oven gas into natural gas. Pursuant to the Cooperation Agreement, Guo Xin Loujun is owned as to 51% by Guo Xin Resources and as to 49% by Shanxi Loudong. Accordingly, Shanxi Loudong should contribute RMB24.5 million to Guo Xin Loujun as equity capital. Up to 31 December 2011, Shanxi Loudong had contributed RMB14.7 million. Accordingly, Shanxi Loudong had capital commitment of RMB 9.8 million (equivalent to HK$12,703,000).

Apart from the equity capital contribution, pursuant to the Cooperation Agreement, Shanxi Loudong should contribute of RMB147 million to Guo Xin Loujun for the construction of production facilities. Up to 31 December 2011, Shanxi Loudong had made shareholders' loan of RMB140 million to Guo Xin Loujun. Accordingly, Shanxi Loudong had capital commitment of RMB7 million (equivalent to HK$8,624,000).

40 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2011 HK$'000	2010 HK$'000
Related party:			
Sales of products to Shanxi Da Jin International (Group) Corporation, a non-controlling shareholder of Shanxi Loudong	(i)	–	92,390
Shareholder:			
Sales of products to Hing Lou Resource Limited	(i)	–	399,192
Associate:			
Transportation fee paid to Nan Tie Lou Jun Coke Transportation Co., Ltd.	(ii)	–	4,546
Related party:			
Storage charges paid to Tianjin General Nice Coke & Chemicals Co Limited ("GNCC")	(ii)	–	997
Director:			
Rental expense	(iii)	**336**	336

Notes:

(i) The sales to the related party and the shareholder were made according to the published prices and conditions offered to the major customers of the Group.

(ii) The transportation fee and storage charges paid were determined according to the published prices and conditions offered by the related company to their major customers.

(iii) The rental expenses paid to the director were determined with reference to the normal commercial terms of similar transactions.

40 RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

The balances with shareholders and related parties are unsecured, interest-free and have no fixed terms of repayment. These balances represented cash advances to or from those related parties and shareholders which were non-trade in nature.

The detailed breakdown of amounts with related parties and shareholders is as follows:

Outstanding balances with related parties:

(i) Current portion

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due from related companies:				
GNT	**29,564**	29,564	**29,564**	29,564
General Nice (Shanxi) Economic & Trade Co., Ltd	**1,408**	–	–	–
Nan Tie	**368**	384	**–**	–
Da Jin International (Group) Corporation	**–**	112,873	**–**	–
	31,340	142,821	**29,564**	29,564
Due to related companies:				
GND	**690**	584	**690**	584
GNCC	**997**	997	**–**	–
Xiaoyi Loudong Industry & Trading Group Company	**165,613**	158,693	**–**	–
	167,300	160,274	**690**	584

40 RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties (continued)

(ii) Non-current portion

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due from an associate:				
Shanxi Guo Xin Loujun New Resources Limited	**172,492**	–	**–**	–
Loans from related companies:				
GND	**136,863**	209,857	**–**	–
GNT	**–**	2,736	**–**	–
GNR	**902**	862	**–**	–
	137,765	213,455	**–**	–

(c) Outstanding balances with shareholders

(i) Current portion

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due from shareholders:				
GNR	**263**	–	**–**	–
Hing Lou Resources Limited	**9,856**	–	**–**	10,000
	10,119	–	**–**	10,000
Due to shareholders:				
GNR	**13,656**	13,319	**13,656**	13,432
Hing Lou Resources Limited	**18**	153,242	**–**	–
	13,674	166,561	**13,656**	13,432

40 RELATED PARTY TRANSACTIONS (continued)

(d) Compensation of key management personnel of the Group

	2011 HK$'000	2010 HK$'000
Short term employee benefits	**3,900**	3,900
Post-employment benefits	**39**	36
Total compensation paid to key management personnel	**3,939**	3,936

41 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group
31 December 2011
Financial assets

	Financial assets at fair value through profit or loss-held for trading HK$'000	Loan and receivables HK$'000	Available for sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	11,500	11,500
Due from an associate	–	172,492	–	172,492
Trade and bills receivables	–	252,866	–	252,866
Financial assets included in prepayments, deposits and other receivables	–	59,479	–	59,479
Due from related companies	–	31,340	–	31,340
Due from shareholders	–	10,119	–	10,119
Equity investments at fair value through profit or loss	1,232	–	–	1,232
Pledged deposits	–	1,075,586	–	1,075,586
Cash and bank balances	–	12,337	–	12,337
	1,232	1,614,219	11,500	1,626,951

41 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group (continued)
31 December 2011
Financial liabilities

	Financial liabilities at amortised cost HK$'000
Interest-bearing bank and other borrowings – secured	**679,619**
Due to related companies	**167,300**
Due to shareholders	**13,674**
Loans from related companies	**137,765**
Trade and bills payables	**661,647**
Financial liabilities included in other payables and accruals	**146,126**
Promissory note	**44,445**
	1,850,576

31 December 2010
Financial assets

	Financial assets at fair value through profit or loss-held for trading HK$'000	Loan and receivables HK$'000	Available for sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	6,281	6,281
Trade and bills receivables	–	367,778	–	367,778
Financial assets included in prepayments, deposits and other receivables	–	136,885	–	136,885
Due from related companies	–	142,821	–	142,821
Derivative financial instruments	10,813	–	–	10,813
Equity investments at fair value through profit or loss	588	–	–	588
Pledged deposits	–	997,355	–	997,355
Cash and bank balances	–	34,726	–	34,726
	11,401	1,679,565	6,281	1,697,247

41 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group (continued)

31 December 2010

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Interest-bearing bank and other borrowings-secured	438,302
Due to related companies	160,274
Due to a shareholder	166,561
Loans from related companies	213,455
Trade and bills payables	746,723
Financial liabilities included in other payables and accruals	489,848
Convertible notes	70,261
Promissory note	49,586
	2,335,010

Company

Financial assets

	Loans and receivables	
	2011	2010
	HK$'000	HK$'000
Due from subsidiaries	**2,070,743**	2,064,430
Due from a related company	**29,564**	29,564
Due from a shareholder	**–**	10,000
Prepayments, deposits and other receivables	**348**	522
Cash and bank balances	**164**	4,627
	2,100,819	2,109,143

41 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company (continued)

Financial liabilities

	Financial liabilities at amortised cost	
	2011	2010
	HK$'000	HK$'000
Bank overdrafts	**332**	–
Other payables and accruals	**3,622**	2,350
Due to a shareholder	**13,656**	13,432
Due to subsidiaries	**1,740**	1,740
Due from a related company	**690**	584
Convertible notes	**–**	70,261
Promissory note	**44,445**	49,586
	64,485	137,953

42 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

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)

Assets measured at fair value

Group

31 December 2011

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Equity investments at fair value through profit or loss	**1,232**	**–**	**–**	**1,232**

42 FAIR VALUE HIERARCHY (continued)

Assets measured at fair value (continued)

Group (continued)

31 December 2010

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Equity investments at fair value through profit or loss	588	–	–	588
Derivative financial instruments	–	–	10,813	10,813
	588	–	10,813	11,401

Company

As at 31 December 2011, the Company did not have any financial assets measured at fair value.

31 December 2010

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Derivative financial instruments	–	–	10,813	10,813

Liabilities measured at fair value

The Group and the Company did not have any financial liabilities measured at fair value as at 31 December 2011 (2010: Nil).

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise promissory note, convertible notes, interest-bearing bank and other borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are 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 2.4 to the financial statements.

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

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

Foreign currency risk

The Group has transactional currency exposures as the sales and purchases of the Group were mainly transacted in Renminbi ("RMB").

The Group does not have significant foreign currency risk arising from future commercial transactions and recognised financial assets and liabilities since the exchange rate of United States Dollar ("USD") was quite stable during the year ended 31 December 2011.

The following table demonstrates the sensitivity at the respective reporting dates to a reasonable possible change in the exchange rate of RMB with all other variables held constant, of Group's loss before tax.

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	HK$'000	HK$'000
31 December 2011			
If HKD weakens against RMB	**5%**	**170,616**	**–**
If HKD strengthens against RMB	**(5%)**	**(170,616)**	**–**
31 December 2010			
If HKD weakens against RMB	5%	135,677	–
If HKD strengthens against RMB	(5%)	(135,677)	–

* Excluding retained earnings/accumulated losses

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 credit risk of the Group's other financial assets, which comprise cash and cash equivalents, prepayment, deposit and other receivables, due from shareholders, due from related companies, derivative financial instruments, equity investments at fair value through profit or loss, pledged deposits and trade and bills receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The credit risk on liquid funds is limited because majority of the counterparties are banks of high credit quality in Hong Kong and banks with good reputation in the PRC.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contracted undiscounted payments, was as follows:

Group

31 December 2011

	Within 1 year, on demand or no fixed repayment terms HK$'000	1 to 2 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings-secured	**640,876**	**38,743**	**679,619**
Amounts due to related companies	**167,300**	**–**	**167,300**
Amounts due to shareholders	**13,674**	**–**	**13,674**
Trade and bills payables	**661,647**	**–**	**661,647**
Loans from related companies	**–**	**137,765**	**137,765**
Financial liabilities included in other payables and accruals	**146,126**	**–**	**146,126**
Promissory note	**–**	**44,445**	**44,445**
	1,629,623	**220,953**	**1,850,576**

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Group (continued)

31 December 2010

	Within 1 year, on demand or no fixed repayment terms HK$'000	1 to 2 years HK$'000	3 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings-secured	366,376	37,981	26,082	7,863	438,302
Amounts due to related companies	160,274	–	–	–	160,274
Amounts due to shareholders	166,561	–	–	–	166,561
Trade and bills payables	746,723	–	–	–	746,723
Loans from related companies	–	213,455	–	–	213,455
Financial liabilities included in other payables and accruals	489,848	–	–	–	489,848
Convertible notes	–	70,261	–	–	70,261
Promissory note	–	49,586	–	–	49,586
	1,929,782	371,283	26,082	7,863	2,335,010

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank and other borrowings, long-term loans from related parties, less cash and cash equivalents. Capital includes convertible notes and equity attributable to owners of the Company. The gearing ratios as at the ends of reporting periods were as follows:

	2011 HK$'000	2010 HK$'000
Interest-bearing bank and other borrowings-secured	**679,619**	438,302
Loan from related companies	**137,765**	213,455
Promissory note	**44,445**	49,586
Less: Cash and bank balances	**(12,337)**	(34,726)
Net debt	**849,492**	666,617
Equity	**3,737,523**	3,230,041
Convertible notes	**–**	70,261
Total capital	**3,737,523**	3,300,302
Total capital and net debt	**4,587,015**	3,966,919
Gearing ratio	**19%**	17%

44 EVENTS AFTER THE REPORTING PERIOD

The board of directors of the Company proposes to increase the share capital of the Company by capitalising the contribution surplus of the Company, pursuant to which bonus shares will be allotted and issued to the shareholders on the basis of 2 bonus shares for every 10 ordinary shares held by the shareholders. Based on a total of 1,941,019,590 shares in issue as at 28 March 2012, 388,203,918 bonus shares will be issued by the Company. The share capital of the Company will increase from HK$19,410,195 to HK$23,292,235 upon completion of the bonus issue.

The bonus issue and the increase in the Company's share capital are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

45 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current period presentation.

46 APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were authorised for issue by the Company's board of directors on 28 March 2012.

Particulars of Properties

31 December 2011

INVESTMENT PROPERTY

Location	Intend use	Site area (sq m)	Lease term
Unit 601 together with its roof, Phase 1, Levels 6 and 7, Block 2, Court No. 4, Greenwich Garden, Yaojiayuan East Lane, Chaoyang District, Bejing City, the PRC	Lease	250.03	Long lease

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
Revenue	**2,559,575**	2,358,250	1,224,798	506,833	3,128
Cost of sales	**(1,776,024)**	(1,639,963)	(778,276)	(293,111)	(2,010)
Gross profit	**783,551**	718,287	446,522	213,722	1,118
Other income	**18,269**	65,643	118,789	15,421	12,812
Selling and distribution costs	**(131,566)**	(148,985)	(53,494)	(48,003)	–
Administration expenses	**(87,113)**	(88,379)	(67,148)	(69,153)	(5,488)
Other operating expenses	**(16,420)**	(31,047)	(27,309)	(11,415)	–
Fair value changes on derivative component of convertible notes	**–**	(16,949)	–	–	–
Goodwill impairment loss	**–**	–	–	(571,139)	–
Finance costs	**(75,703)**	(51,736)	(80,733)	(31,652)	(154)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**491,018**	446,834	336,627	(502,219)	8,288
Income tax expense	**(181,700)**	(160,248)	(141,927)	(15,423)	(413)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**309,318**	286,586	194,700	(517,642)	7,875
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from discontinued operations	**–**	–	4,796	3,043	(5,135)

Five Year Financial Summary

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
PROFIT/(LOSS) FOR THE YEAR	**309,318**	286,586	199,496	(514,599)	2,740
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	**127,434**	83,973	2,900	(10,184)	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX					
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**436,752**	370,559	202,396	(524,783)	2,740
Profit attributable to:					
Owners of the parent	**291,152**	187,236	50,414	(563,433)	2,740
Non-controlling interests	**18,166**	99,350	149,082	48,834	–
	309,318	286,586	199,496	(514,599)	2,740
Total comprehensive profit attributable to:					
Owners of the parent	**412,179**	259,376	51,867	(568,535)	2,740
Non-controlling interests	**24,573**	111,183	150,529	43,752	–
	436,752	370,559	202,396	(524,783)	2,740
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**5,883,736**	5,795,750	4,359,869	4,058,456	333,675
TOTAL LIABILITIES	**(2,146,213)**	(2,565,709)	(2,574,622)	(3,025,337)	(5,123)
NON-CONTROLLING INTERESTS	**(161,824)**	(137,251)	(920,151)	(769,622)	–
	3,575,699	3,092,790	865,096	263,497	328,552