DEJIN RESOURCES

DEJIN RESOURCES GROUP COMPANY LIMITED
德 金 資 源 集 團 有 限 公 司
(Incorporated in Bermuda with limited liability)
(Stock code: 1163)

Annual Report 2011

Contents

Corporate Information

As at 23 April 2012

DIRECTORS

Executive Directors

Mr. Cheung Wai Yin, Wilson
(Chairman and Chief Executive Officer)
Mr. Tian Lidong
Mr. Lau Chi Yan, Pierre
Mr. Liu Hui Cai

Independent Non-executive Directors

Mr. Ma Chun Fung, Horace
Ms. Pang Yuen Shan, Christina
Mr. Anthony John Earle Grey

REGISTERED OFFICE

Clarendon House, 2 Church Street,
Hamilton HM 11, Bermuda

PRINCIPAL PLACE OF BUSINESS

Room 2601-04 and 38-40, 26/F,
Sun Hung Kai Centre,
30 Harbour Road,
Wanchai, Hong Kong

AUTHORISED REPRESENTATIVES UNDER LISTING RULES

Mr. Cheung Wai Yin, Wilson
Mr. Chan Ka Wing

COMPANY SECRETARY

Mr. Chan Ka Wing

AUDITOR

Elite Partners CPA Limited

STOCK CODE AND COMPANY'S WEBSITE

1163
www.dejinresources.com

AUDIT COMMITTEE

Mr. Ma Chun Fung, Horace *(Chairman)*
Ms. Pang Yuen Shan, Christina
Mr. Anthony John Earle Grey

REMUNERATION COMMITTEE

Ms. Pang Yuen Shan, Christina *(Chairman)*
Mr. Cheung Wai Yin, Wilson
Mr. Ma Chun Fung, Horace

NOMINATION COMMITTEE

Ms. Pang Yuen Shan, Christina *(Chairman)*
Mr. Cheung Wai Yin, Wilson
Mr. Ma Chun Fung, Horace

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND PRINCIPAL TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited
Bank of Bermuda Building, 6 Front Street,
Hamilton HM 11, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND BRANCH TRANSFER OFFICE

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

Five Years Financial Summary

RESULTS

For the year ended 31 December

	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**134,036**	804,305	691,775	683,154	816,863
Profit before taxation	**20,724**	69,741	89,002	32,942	23,114
Income tax credit/(expense)	**7,448**	(15,633)	(14,270)	(7,287)	(4,902)
Profit for the year	**28,172**	54,108	74,732	25,655	18,212
Non-controlling interests	**20,507**	(1,803)	–	–	–
Profit for the year attributable to owners of the Company	**48,679**	52,305	74,732	25,655	18,212
Earnings Per Share Basic and diluted (HK cents)	**0.54 cents**	1.34 cents	11.48 cents	4.96 cents	3.56 cents

ASSETS, LIABILITIES, NON-CONTROLLING INTERESTS AND EQUITY

As at 31 December

	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Non-current assets	**6,998,946**	7,848,905	553,060	271,782	392,860
Current assets	**190,961**	366,325	510,642	451,465	347,557
Total assets	**7,189,907**	8,215,230	1,063,702	723,247	740,417
Liabilities					
Non-current liabilities	**1,341,846**	2,721,792	96,646	11,564	26,867
Current liabilities	**69,700**	181,485	256,820	228,385	196,361
Total liabilities	**1,411,546**	2,903,277	353,466	239,949	223,228
Net assets	**5,778,361**	5,311,953	710,236	483,298	517,189
Equity					
Share capital	**917,407**	820,740	104,378	51,899	51,450
Reserves	**4,849,889**	4,459,495	605,858	431,399	465,739
Equity attributable to owners of the Company	**5,767,296**	5,280,235	710,236	483,298	517,189
Non-controlling interests	**11,065**	31,718	–	–	–
Total equity	**5,778,361**	5,311,953	710,236	483,298	517,189

Chairman's Statement

I am pleased to present the annual results of Dejin Resources Group Company Limited (the "Company", together with its subsidiaries collectively as the "Group") for the year ended 31 December 2011. During the year under review, the Group reported a turnover of approximately HK$134.0 million and recorded a profit attributable to the shareholders of the Company of approximately HK$48.7 million.

During the year, management continued to work with local governments of Longhua County and Qinglong County to procure the consolidation and reorganization of the gold mine resources in order to secure the Group's advantageous position in these regions. Exploration works as well as the design works for the Group's mining assets in Hebei Province and Shandong Province were in progress. Management worked with local team to prepare and detail the design of the ore processing plant and other ancillary facilities. To comply with the recent promulgated regulation issued by the local government, the Group dedicated to manage our mines in modern ways, from exploration and exploitation methodology, production efficiency, safety, social responsibility and sustainable environment.

In order to speed up the exploration and exploitation process, the Group will consider any opportunities to cooperate with other professionals through any form of venture or subcontract basis to develop the gold mines. Management believes the success of such kind of collaboration will strengthen the financial flexibility, improve the efficiency and shorten the construction time that will maximize the Group's result in the future.

Shortly after the year end, the Company entered into the subscription agreement with Sino Flourish Investments Limited (the "Subscriber"), an independent third party, pursuant to which the Subscriber has agreed to subscribe for and the Company has conditionally agreed to allot and issue 300,000,000 ordinary shares of the Company. The net proceeds were estimated to be approximately HK$29.4 million, which will be used as general working capital of the Group.

On behalf of the board of directors of the Company (the "Board"), I would like to express our sincere thanks to our customers, vendors, business partners and shareholders for their continuous support and would like to extend my gratitude and appreciation to all management and staff for their contribution to the Group's overall development.

Cheung Wai Yin, Wilson
Chairman

Management Discussion and Analysis

BUSINESS REVIEW

Turnover generated for the year ended 31 December 2011 amounted to HK$134.0 million (2010: HK$804.3 million), representing a 83.3% decrease over the previous year. The sharp decrease was attributable to several factors including the sluggish performance of the market in the United States (the "US") leading to a significant reduction of sales orders of lighting products and the weak performance reported from both forestry and mining segments.

Profit attributable to owners of the Company for the year amounted to HK$48.7 million (2010: HK$52.3 million). Although the cancellation of the Hebei Pledged Convertible Notes and the Shandong Pledged Convertible Notes (collectively, the "Pledged Convertible Notes") resulted in a gain to the Company, such gain was partially set off by the non-cash expenses arising from the share options granted by the Company, the non-cash imputed interest on promissory notes and convertible notes issued by the Company, the sluggish performance of all business segments and the recognition of impairment loss on goodwill and loss arising from changes in fair value less estimated point-of-sale cost of forestry business during the year.

As at 31 December 2011, the Group's equity attributable to owners of the Company amounted to HK$5,767.3 million, an increase of HK$487.1 million over the audited figure as at 31 December 2010 of HK$5,280.2 million. The net asset value per share attributable to owners of the Company as at 31 December 2011 was HK$0.63 (31 December 2010: HK$0.64).

LIGHTING SEGMENT

For the year under review, the export market, especially the US market, continued to be the main source of revenue. Turnover derived from the lighting segment amounted to approximately HK$116.7 million, representing a fall of about 84.6% as compared with last year. The contraction of customer orders, rising costs and the pressure of Renminbi currency appreciation were the prime factors to account for the poor performance of the lighting segment. To cope with the possible shrinking of the economy, management will continue to put more efforts into the marketing campaign to stimulate the demand.

FORESTRY SEGMENT

Despite the introduction of various value-added products to the market during the reported period, competition in timber products market in Guangdong Province, China was still very keen. The performance of the forestry segment remained unsatisfactory and the turnover dropped to HK$3.1 million, compared to HK$7.0 million reported in last year. With reference to its estimated market value provided by an independent professional qualified valuer, the Group recognized the impairment loss on goodwill and loss arising from changes in fair value less estimated point-of-sale cost of approximately HK$5.3 million and HK$44.0 million respectively as at year end.

Management Discussion and Analysis

GOLD MINING SEGMENT

During the reporting period, the total amount of unprocessed gold ore sold to customers was approximately HK$14.2 million. The audited results of the gold mining segment during the period commencing from the acquisition to 31 December 2011 ("guarantee period") were unable to meet the sum of HK$1,110.0 million ("profit guarantee") stipulated in the Hebei Acquisition Agreement and the Shandong Acquisition Agreement (collectively, the "Acquisition Agreements"). Pursuant to the Acquisition Agreements, the Company shall have the right to set off the shortfall amounts against the payment obligations of the Company under the Pledged Convertible Notes on a dollar to dollar basis. As such, all of the Pledged Convertible Notes have been cancelled at 31 December 2011, reporting a gain of approximately HK$1,150.2 million to the Company that has been partially set off by the impairment of goodwill amounting to approximately HK$839.0 million. The Board believes that the failure of fulfilment of the profit guarantee has no material adverse effect on the financial position of the Group.

Except for Chilong gold mine and Zijin gold mine, commercial production has not yet commenced at the two acquired gold mines in Shandong and the rest of the mines in Hebei. The Group is currently reviewing the development status of each mine and planning ahead in order to allocate appropriate resources to individual mines. The Group will continue to look for opportunities to raise funds to finance capital expenditures at our existing gold mines and provide sufficient funds for expanding exploration activities and future acquisitions of gold resources.

PROSPECTS

Looking ahead in 2012, the outlook of the global economy still remains volatile and uncertain. The spread of the European debt crisis and the continuing speculation of further introduction of quantitative easing monetary policy have provided a solid support for the surge of gold prices over the past few years. According to recent articles released by the World Gold Council, the gold demand and consumption in China remain strong despite being slightly affected by the signs of economic slowdown.

The Group will seize this opportunity and continue to devote more efforts to procure the consolidation and reorganization of the gold mine resources in Longhua County and Qinglong County, so that the progress of gold exploitation works in these two jurisdictions can commence as early as possible.

Management Discussion and Analysis

FINANCIAL RESOURCES AND LIQUIDITY

The financial leverage of the Group as at 31 December 2011, compared to 31 December 2010, is summarized below:

	As at 31 December 2011	31 December 2010
	HK$'000	*HK$'000*
Debt		
– from banks	**–**	42,882
– from obligations under finance leases	**3,190**	–
– from promissory notes	**76,294**	82,907
– from convertible notes	**1,108,309**	2,448,523
Total debt	**1,187,793**	2,574,312
Cash and bank balances	**9,788**	57,084
Net debt	**1,178,005**	2,517,228
Total capital (Equity and total debt)	**6,966,154**	7,886,265
Total assets	**7,189,907**	8,215,230
Financial leverage		
– total debt to total capital	**17.1%**	32.6%
– total debt to total assets	**16.5%**	31.3%
– net debt to total capital	**16.9%**	31.9%
– net debt to total assets	**16.4%**	30.6%

GOLD RESOURCES

The following is a statement of gold resources of the Group as at 31 December 2011:

Mine	**Quantity of gold resources** *(koz)*	**Resources**	**Reporting standard**	**Categories**	**Gold grade** *(g/tonne)*
Hebei					
Longfeng gold mine	1,052.3	Resources	JORC	Inferred	22.0
Mazhazi gold mine	1,041.7	Resources	PRC	332+333+334	12.0
Zijin gold mine	1,070.6	Resources	PRC	332+333+334	16.5
Chilong gold mine	1,028.7	Resources	PRC	332+333+334	15.0
Dayingzi gold mine	777.9	Resources	PRC	332+333+334	15.0
Xiangshuigou gold mine	794.1	Resources	PRC	332+333+334	16.0
Qidaohexiang gold mine	681.6	Resources	PRC	332+333+334	12.5
Shandong					
Sujiakou gold mine	524.7	Resources	JORC	Indicated and Inferred	14.5
Xiapangezhuang gold mine	206.0	Resources	PRC	333	10.2

Management Discussion and Analysis

CAPITAL STRUCTURE

During the year, a total of 616,666,666 ordinary shares of the Company were allotted and issued as a result of the conversion of the convertible notes. In addition, 350,000,000 ordinary shares of the Company were placed to Senrigan Capital Group Limited at HK$0.3 per share on 11 January 2011. Therefore, the issued share capital of the Company increased to HK$917.4 million (2010: HK$820.7 million), represented by approximately 9,174.1 million ordinary shares as at 31 December 2011 (2010: approximately 8,207.4 million ordinary shares).

PLEDGE OF ASSETS

As at 31 December 2011, the Group had no assets pledged for general banking facilities granted to the Group or as security for any debt or borrowings (2010: Nil).

CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE EXPOSURE

The Group operates and invests mainly in Hong Kong and Mainland China, with revenue and expenditures denominated in Hong Kong dollars, Renminbi and United States dollars. The Group will continue to review its foreign exchange exposure regularly and might consider using financial instruments to hedge against foreign exchange exposures at appropriate times. There were no derivative financial instruments employed during the year ended 31 December 2011.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, the Group had approximately 150 employees (2010: approximately 400 employees). We remunerate our employees based on their performance and prevailing industry practice. Remuneration policies will be reviewed by the Board on a periodical basis to maintain competitiveness in the market. In addition, discretionary bonuses and employee share options will be awarded to employees based on their performance in order to motivate and retain our employees.

Directors and Senior Management Profile

As at 23 April 2012

EXECUTIVE DIRECTORS

Mr. Cheung Wai Yin, Wilson, aged 41, has been an executive director of the Company since April 2010. He is also the Chairman of the Board, the Chief Executive Officer, the Chairman of the Executive Committee and a member of both the Remuneration Committee and the Nomination Committee of the Company. Mr. Cheung has over 16 years of experience in the field of audit, business development, corporate finance and financial management. He has worked in key corporate finance and business development positions in companies listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Cheung is a member of the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and Hong Kong Securities Institute. He holds a Master of Science degree in Financial Engineering from City University of Hong Kong and Bachelor degrees in Arts and Administrative Studies from York University, Canada.

Mr. Tian Lidong, aged 48, was appointed as an executive director of the Company on 18 April 2012. He is also a member of the Executive Committee of the Company. Mr. Tian graduated from 邯鄲大學, and completed Senior Management Program in Tsinghua University. He is the founder and president of 河北省東信實業有限公司 and has over 23 years of experience in corporate management. Mr. Tian serves as the member of 11th Hebei Provincial People's Congress (第十一屆河北省人大代表). He is also a committee member of Hebei Province Federation of Industry and Commerce (河北省工商業聯合會).

Mr. Lau Chi Yan, Pierre, aged 36, has been an executive director of the Company since September 2009. He is also a member of Executive Committee of the Company. Mr. Lau graduated at the University of Calgary in Alberta, Canada in 2000 with a Bachelor of Science Degree in Computer Science. In 2008, he obtained an Executive Master Degree of Business Administration in General Management awarded by the University of Hull, the United Kingdom. Mr. Lau is an experienced management specialist in operations by his past working references in a number of renowned international firms, including Mirapoint Inc., PCCW Limited, Clifford Chance and Mallesons Stephen Jaques. Besides, Mr. Lau has been active in public services in Mainland China. He was a member of Guangdong Huizhou Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省惠州市委員會) and a member of the Youth Committee of Federation of Hong Kong Guangdong Community Organisations Limited (香港廣東社團總會有限公司青年委員會).

Mr. Liu Hui Cai, aged 59, has been an executive director of the Company since August 2010. He is also a member of Executive Committee of the Company. Mr. Liu has been working in the mining industry for 37 years and was in charge of many national mining plan projects over the past 27 years. Prior to joining the Group, Mr. Liu was the director of Shenyang Design and Research Institute of Nonferrous Metallurgy, a subsidiary of China Nonferrous Metal Mining (Group) Co., Ltd. Mr. Liu has extensive high level experience in geotechnical work in all aspects of the mining industry. He has been involved in the design, development, feasibility study, construction, and management of more than 300 non-ferrous metallurgy engineering projects. Mr. Liu holds a Non-Ferrous Metallurgy Engineer degree from the Jilin Institute of Architecture and Civil Engineering.

Directors and Senior Management Profile

As at 23 April 2012

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ma Chun Fung, Horace, aged 41, has been an independent non-executive director of the Company since June 2010. He is also the Chairman of Audit Committee and a member of both the Remuneration Committee and the Nomination Committee of the Company. Mr. Ma is a seasoned accountant with extensive experience in risk and internal control. Mr. Ma is a Certified Public Accountant (Practicing) registered with the HKICPA, a fellow member of the Association of Chartered Certified Accountants, a Certified Internal Auditor registered with the Institute of Internal Auditors and holder of Certification in Control Self-Assessment of the Institute of Internal Auditors. Mr. Ma holds various degrees including a Master of Science and a Bachelor of Business Administration conferred by The Chinese University of Hong Kong and a Bachelor of Laws conferred by the University of London. In addition, Mr. Ma is an independent non-executive director of Universe International Holdings Limited (stock code: 1046), Ming Fai International Holdings Limited (stock code: 3828) and China Tianrui Group Cement Company Limited (stock code: 1252; appointed on 9 December 2011), these companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He resigned as an independent non-executive director of Fava International Holdings Limited (a company listed on the GEM Board of The Stock Exchange of Hong Kong Limited; stock code: 8108) on 31 October 2011. Mr. Ma also ceased to be a council member of HKICPA with effect from 16 December 2011.

Mr. Anthony John Earle Grey, aged 76, has been an independent non-executive director of the Company since May 2010. He is also a member of the Audit Committee of the Company. Mr. Grey graduated with a BA (Hons) degree in History and a Juris Doctor from the University of Toronto. He founded Pancontinental Mining Limited (previously listed on the Australian Securities Exchange), a major diversified mining house with interests in gold, base metals, coal, industrial minerals and uranium. Mr. Grey had been the Chairman of Kingsgate Consolidated Limited, a gold mining company listed on the Australian Securities Exchange, and held the role for 4 years. Mr. Grey was also a director of the World Gold Council, the International Nuclear Law Association, the National Mutual Royal Bank and the chairman of the World Nuclear Association. Mr. Grey is currently the non-executive chairman of International Ferro Metals Limited, an integrated ferrochrome producer listed on the London Stock Exchange; a non-executive director of Mega Uranium Limited, a mineral resources company with a focus on uranium projects and listed on the Toronto Stock Exchange; and a non-executive director of Intercontinental Potash Corporation, a premium potash producer listed on the Toronto Venture Exchange.

Ms. Pang Yuen Shan, Christina, aged 39, has been an independent non-executive director since May 2011. She is also the Chairman of both the Remuneration Committee and the Nomination Committee and a member of the Audit Committee of the Company. Ms. Pang graduated from City University of Hong Kong in 1995 and obtained a Bachelor of Laws (LL.B) with Honours. She also obtained a Master of Laws in International & Commercial Law (LL.M) from University of Sheffield, the United Kingdom in 1996, a Postgraduate Certificate in Laws (PCLL) from City University of Hong Kong in 1997. Ms. Pang has been qualified as a practicing solicitor since September 1999. Ms. Pang was an in-house legal counsel with the Young Champion Group between April 2000 and September 2002. Ms. Pang is currently acting as the in-house legal counsel of Waldorf Group. She is now also a consultant lawyer of Tso Au Yim & Yeung, a solicitors firm in Hong Kong, and an independent non-executive director of Talent Property Group Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited; stock code: 760; appointed on 31 January 2012).

Ms. Pang resigned as an executive director of New Smart Energy Group Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited; stock code: 91) on 15 June 2011. She had been an independent non-executive director of such company from 1 August 2009 to 29 September 2009 and then re-designated as an executive director from 30 September 2009.

COMPANY SECRETARY

Mr. Chan Ka Wing, aged 39, has served as the Chief Financial Officer in charge of overall financial operation, company secretarial and investor relations matters of the Group since June 2010. Mr. Chan has over 15 years of experience in auditing, accounting and finance. Prior to joining the Group, Mr. Chan had worked in one of the international accounting firms for over 8 years and served as the financial controller in several companies listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Chan obtained a Bachelor's degree in Commerce from Concordia University, Canada. He is an associate member of the HKICPA and a member of the American Institute of Certified Public Accountants.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance in sustaining its healthy growth and maintaining its corporate transparency and accountability. The Board is committed to strengthening the Group's corporate governance practices for the promotion of shareholder value and investor confidence.

The "Code on Corporate Governance Practices" (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been revised and renamed as the "Corporate Governance Code and Corporate Governance Report" with effect from 1 April 2012. As this Corporate Governance Report covers the year ended 31 December 2011, all the corporate governance principles and code provisions mentioned herein refer to those stated in the CG Code, not the revised Corporate Governance Code.

The Board considers that during the year ended 31 December 2011, the Company has applied the principles and complied with the code provisions set out in the CG Code, except for the code provisions A.2.1 and E.1.2. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviations are summarized below.

A. THE BOARD

A1. RESPONSIBILITIES AND DELEGATION

The Board is responsible for the leadership, control and management of the Company and oversees the Group's business, strategic decision and performances in the attainment of the objective of ensuring effective functioning and growth of the Company and enhancing value to investors. All the directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

The Board reserves for its decision all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have timely access to all relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The Executive Committee and the senior management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers. The Board has the full support of the senior management to discharge its responsibilities.

Corporate Governance Report

A2. BOARD COMPOSITION

The composition of the Board as at 31 December 2011 is as follow:

Executive directors:

Mr. Cheung Wai Yin, Wilson	*(Chairman of the Board, Chief Executive Officer, Chairman of the Executive Committee and Member of the Remuneration Committee)*
Mr. Liu Hui Cai	*(Member of the Executive Committee)*
Mr. Lau Chi Yan, Pierre	*(Member of the Executive Committee)*

Independent non-executive directors:

Mr. Anthony John Earle Grey	*(Member of the Audit Committee)*
Mr. Ma Chun Fung, Horace	*(Chairman of the Audit Committee and Member of the Remuneration Committee)*
Ms. Pang Yuen Shan, Christina	*(Chairman of the Remuneration Committee and Member of the Audit Committee)*

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications of the Company.

The Board has met the requirements of the Listing Rules for having a minimum of three independent non-executive directors, with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise as required under the Listing Rules. The three independent non-executive directors represent at least one-third of the Board.

The members of the Board have experience and skills appropriate for the business requirements and objectives of the Group. Each executive director supervises specific area of the Group's businesses in accordance with his expertise. The independent non-executive directors bring different business and financial expertise, experiences and independent judgment to the Board and they are invited to serve on the Board committees of the Company. Through participation in Board meetings, taking the lead in managing issues involving potential conflict of interests, the independent non-executive directors had made various contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders.

The biographical details of the directors of the Company (being the directors set out above and Mr. Tian Lidong, who has been appointed as an additional executive director with effect from 18 April 2012) are set out under "Directors and Senior Management Profile" in this annual report. None of the members of the Board is related to one another.

The Company has received written annual confirmation from each independent non-executive director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Corporate Governance Report

A3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Cheung Wai Yin, Wilson, an executive director of the Company, has taken up the offices of Chairman and Chief Executive Officer upon the resignation of Mr. Hsu Chen Shen with effect from 24 June 2011. Although this constitutes a deviation from the abovementioned code provision of the CG Code, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership and allows for effective and efficient planning and implementation of business strategies and decisions.

The Board also considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board shall review this structure from time to time to ensure appropriate and timely action to meet changing circumstances.

A4. APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the directors of the Company, except Mr. Liu Hui Cai whose term of office is 1 year, is appointed for a term of 3 years. They are also subject to retirement by rotation and re-election in accordance with the Company's Bye-laws (the "Bye-laws").

Throughout the year ended 31 December 2011, the Company has not yet set up a nomination committee and the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors. To comply with the new code provision of the revised Corporate Governance Code, which requires a listed issuer to establish a nomination committee by 1 April 2012, the Board approved the setting up of its Nomination Committee on 30 March 2012.

The Company has adopted Directors' Nomination Procedures as a written guideline in providing a formal, considered and transparent procedure to the Board for evaluating and selecting candidates for directorships. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

Besides, the procedures and process of appointment, re-election and removal of directors are laid down in the Bye-laws. According to the Bye-laws, one-third of the directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting provided that every director shall be subject to retirement at an annual general meeting at least once every three years. In addition, any new director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the first general meeting after appointment. The retiring directors are eligible for re-election by the shareholders at the respective general meetings. The above provisions comply with the code provision A.4.2 of the CG Code, which stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; and all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment.

Corporate Governance Report

Pursuant to the aforesaid provisions in the Bye-laws, Ms. Pang Yuen Shan, Christina, who has been appointed as an independent non-executive director of the Company with effect from 20 May 2011, will hold office until the forthcoming special general meeting to be held on 9 May 2012, whereas Mr. Liu Hui Cai and Mr. Anthony John Earle Grey shall retire by rotation at the forthcoming 2012 annual general meeting. In addition, according to the Board's decision, Mr. Tian Lidong, who has been appointed as an executive director of the Company with effect from 18 April 2012, will hold office until the said annual general meeting. All of the above four retiring directors, being eligible, will offer themselves for re-election at the respective general meetings. The Board recommended the re-appointment of these retiring directors. The Company's circular dated 16 April 2012 relating to the holding of the Company's special general meeting on 9 May 2012, has set out the detailed information of Ms. Pang Yuen Shan, Christina standing for re-election at the said meeting. Besides, the Company's circular, sent together with this annual report, contained the detailed information of the other three directors standing for re-election at the said annual general meeting.

During the year ended 31 December 2011, the Board, through its meetings held on the following dates, performed the following works regarding matters relating to the board composition and nomination of directors:

(i) 29 March 2011 (with the presence of Mr. Cheung Wai Yin, Wilson, Mr. Lau Chi Yan, Pierre, Mr. Hsu Chen Shen, Mr. Yang Hsien Lin, Mr. Anthony John Earle Grey, Mr. Ma Chun Fung, Horace and Dr. Hsiao Horng Ching and the absence of Mr. Liu Hui Cai): review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group; recommendation of the re-election of the retiring directors standing for re-election at the 2011 annual general meeting of the Company; and assessment of the independence of all the Company's then independent non-executive directors.

(ii) 24 June 2011 (with the presence of Mr. Cheung Wai Yin, Wilson, Mr. Lau Chi Yan, Pierre, Mr. Anthony John Earle Grey, Mr. Ma Chun Fung, Horace and Ms. Pang Yuen Shan, Christina and the absence of Mr. Liu Hui Cai): acceptance of the resignation of Mr. Hsu Chen Shen as an executive director, the Chairman, the Chief Executive Officer and a member of the Remuneration Committee of the Company; appointment of Mr. Cheung Wai Yin, Wilson to take up the offices of the Chairman, the Chief Executive Officer and a member of the Remuneration Committee of the Company.

A5. TRAINING AND CONTINUING DEVELOPMENT FOR DIRECTORS

Each newly appointed director receives induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors will be arranged whenever necessary.

A6. BOARD MEETINGS

A6.1 Board Practices and Conduct of Meetings

Schedules for regular Board meetings are normally agreed with directors in advance to facilitate attendance. In addition, notice of at least 14 days is given of a regular Board meeting. For other Board meetings, reasonable notice is generally given.

Draft agenda of each Board meeting is usually sent to all directors together with the notice of meeting in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chief Financial Officer, Company Secretary and senior management normally attend regular Board meetings and, when necessary, other Board meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible to take and keep minutes of all Board meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon making request to the Board.

The Company's Bye-laws contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest. According to the current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

A6.2 Directors' Attendance Records in Board Meetings

During the year ended 31 December 2011, 6 Board meetings were held, out of which 4 were regular meetings held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

Corporate Governance Report

The attendance records of each director at the Board meetings held during the year ended 31 December 2011 are set out below:

Name of Director	**Attendance/Number of Board Meetings**
Executive directors	
Mr. Cheung Wai Yin, Wilson	6/6
Mr. Liu Hui Cai	1/6
Mr. Lau Chi Yan, Pierre	6/6
Mr. Hsu Chen Shen *(Note 1)*	1/2
Mr. Yang Hsien Lin *(Note 2)*	1/2
Independent non-executive directors	
Mr. Anthony John Earle Grey	6/6
Mr. Ma Chun Fung, Horace	6/6
Ms. Pang Yuen Shan, Christina *(Note 3)*	4/4
Dr. Hsiao Horng Ching *(Note 4)*	1/2

Notes:

1. Mr. Hsu Chen Shen resigned as an executive director of the Company on 24 June 2011. Before his resignation, there were a total of 2 Board meetings held during the year ended 31 December 2011.

2. Mr. Yang Hsien Lin resigned as an executive director of the Company on 19 April 2011. Before his resignation, there were a total of 2 Board meetings held during the year ended 31 December 2011.

3. Ms. Pang Yuen Shan, Christina was appointed as an independent non-executive director of the Company on 20 May 2011. Subsequent to her appointment, there were a total of 4 Board meetings held during the year ended 31 December 2011.

4. Dr. Hsiao Horng Ching retired as an independent non-executive director of the Company at the conclusion of the Company's annual general meeting held on 20 May 2011. Before his retirement, there were a total of 2 Board meetings held during the year ended 31 December 2011.

A7. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code"). Each director has been given a copy of the Own Code. Specific enquiry has been made of all the Company's directors and they have confirmed their compliance with the Own Code throughout the year ended 31 December 2011.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

B. BOARD COMMITTEES

Throughout the year ended 31 December 2011, the Board has established three Board committees, namely, the Executive Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available on the Stock Exchange's website (www.hkexnews.hk) and on the Company's website (except for the written terms of reference of the Executive Committee which is available to shareholders upon request). All the Board committees should report to the Board on their decisions or recommendations made.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out in section A6.1 above.

B1. EXECUTIVE COMMITTEE

The Executive Committee comprises all the executive directors of the Company with the Chairman of the Board, Mr. Cheung Wai Yin, Wilson, acting as the Chairman of this Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Company's strategic plans and operations of all business units of the Company and discusses and makes decisions on matters relating to the management and day-to-day operations of the Company.

B2. REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, being one executive director, Mr. Cheung Wai Yin, Wilson, and two independent non-executive directors, namely Ms. Pang Yuen Shan, Christina and Mr. Ma Chun Fung, Horace. The Chairman of this Committee is Ms. Pang Yuen Shan, Christina.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of directors and members of senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Group as well as market practice and conditions.

Corporate Governance Report

During the year under review, the Remuneration Committee has met twice and performed the following major tasks:

– Generally reviewed the remuneration packages of the directors and the senior management and made relevant recommendation to the Board; and

– Considered and recommended the increment of the remuneration of Mr. Cheung Wai Yin, Wilson for his taking up of additional roles of the Chairman, the Chief Executive Officer and a member of the Remuneration Committee of the Company.

The attendance records of the foregoing 2 Remuneration Committee meetings are set out as follows:

Name of Remuneration Committee Member	**Attendance/Number of Remuneration Committee Meetings**
Ms. Pang Yuen Shan, Christina *(Note 1)*	1/1
Mr. Ma Chun Fung, Horace	2/2
Mr. Cheung Wai Yin, Wilson *(Note 2)*	N/A
Dr. Hsiao Horng Ching *(Note 3)*	1/1
Mr. Hsu Chen Shen *(Note 4)*	1/1

Notes:

1. Ms. Pang Yuen Shan, Christina was appointed as an independent non-executive director and the chairman of the Remuneration Committee of the Company on 20 May 2011. Subsequent to her appointment, there was 1 Remuneration Committee meeting held during the year ended 31 December 2011.

2. Mr. Cheung Wai Yin, Wilson was appointed as a member of the Remuneration Committee on 24 June 2011. Subsequent to his appointment, no Remuneration Committee meeting was held during the year ended 31 December 2011.

3. Dr. Hsiao Horng Ching retired as an independent non-executive director and the chairman of the Remuneration Committee of the Company at the conclusion of the Company's annual general meeting held on 20 May 2011. Before his retirement, there was 1 Remuneration Committee meeting held during the year ended 31 December 2011.

4. Mr. Hsu Chen Shen resigned as an executive director and a member of the Remuneration Committee of the Company on 24 June 2011. Before his resignation, there was 1 Remuneration Committee meeting held during the year ended 31 December 2011.

Details of the remuneration of each of the directors of the Company for the year ended 31 December 2011 are set out in Note 11 to the financial statements contained in this annual report.

Corporate Governance Report

B3. AUDIT COMMITTEE

The Audit Committee comprises a total of three members, being the three existing independent non-executive directors, namely Mr. Ma Chun Fung, Horace, Mr. Anthony John Earle Grey and Ms. Pang Yuen Shan, Christina. The Chairman of this Committee is Mr. Ma Chun Fung, Horace, who possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

During the year under review, the Audit Committee has met twice and performed the following major tasks:

– Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2010, the related accounting principles and practices adopted by the Group and the relevant audit findings, the report from the management on the Company's internal control and risk management review and processes; and recommendation of the re-appointment of the external auditor.

– Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2011, the related accounting principles and practices adopted by the Group and the relevant audit findings.

The external auditor attended the above-mentioned two meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

The attendance records of the foregoing 2 Audit Committee meetings are set out as follows:

Name of Audit Committee Member	**Attendance/Number of Audit Committee Meetings**
Mr. Ma Chun Fung, Horace	2/2
Mr. Anthony John Earle Grey	2/2
Ms. Pang Yuen Shan, Christina *(Note 1)*	1/1
Dr. Hsiao Horng Ching *(Note 2)*	1/1

Corporate Governance Report

Notes:

1. Ms. Pang Yuen Shan, Christina was appointed as an independent non-executive director and a member of the Audit Committee of the Company on 20 May 2011. Subsequent to her appointment, there was 1 Audit Committee meeting held during the year ended 31 December 2011.

2. Dr. Hsiao Horng Ching retired as an independent non-executive director and a member of the Audit Committee of the Company at the conclusion of the Company's annual general meeting held on 20 May 2011. Before his retirement, there was 1 Audit Committee meeting held during the year ended 31 December 2011.

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2011.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard the interests of shareholders and the Group's assets and for reviewing the effectiveness of such system on an annual basis. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

E. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The financial statements of the Company for the year ended 31 December 2011 were audited by Elite Partners CPA Limited (which was appointed as the Company's external auditor on 2 March 2012 in place of Pan-China (H.K.) CPA Limited).

The statement of the said external auditor about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" in this annual report.

Corporate Governance Report

The fees paid/payable to the Company's external auditor in respect of audit services and non-audit services for the year ended 31 December 2011 are analyzed below:

Type of services provided by the external auditor	**Fees paid/payable**
	HK$'000
Audit services:	
– Audit for the year ended 31 December 2011	1,700
Non-audit services:	
– Interim review for the six months ended 30 June 2011	150
TOTAL:	1,850

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of its corporate information, which enables shareholders and investors to make the best investment decision.

The Company maintains a website at www.dejinresources.com, as a communication platform with shareholders and investors, where information and updates on the Company's business developments and operations and other information are available for public access. Investors may write directly to the Company's principal place of business in Hong Kong for any inquiries.

Shareholders' meetings provide an opportunity for communication between the Board and the shareholders. Board members and appropriate senior staff of the Group are available at the meeting to answer any questions raised by shareholders.

Code provision E.1.2 of the CG Code stipulates that the chairman of a listed issuer should attend the issuer's annual general meeting. Mr. Hsu Chen Shen, the former Chairman of the Company, was unable to attend the Company's annual general meeting held on 20 May 2011 due to other business engagement, and Mr. Cheung Wai Yin, Wilson, the then Vice-Chairman of the Company, was delegated to attend and chair the meeting on behalf of Mr. Hsu and to communicate with the shareholders of the Company.

G. SHAREHOLDER RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, the rights of shareholders for proposing resolutions are contained in the Bye-laws.

All resolutions put forward at shareholders' meetings of listed issuers shall be voted by poll pursuant to the Listing Rules. The poll voting results shall be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.dejinresources.com) after a shareholders' meeting.

Directors' Report

The directors present their annual report together with the audited consolidated financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in Note 24 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 32 to 33.

The state of affairs of the Group as at 31 December 2011 are set out in the consolidated statement of financial position on pages 34 to 35.

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

SUMMARY FINANCIAL INFORMATION

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 reclassified as appropriate, is set out on page 3.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 37 and Note 40 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in Note 17 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the share capital and share options of the Company during the year are set out in Notes 38 and 39 to the consolidated financial statements respectively.

CONVERTIBLE NOTES

Details of the movements in the convertible notes of the Company during the year are set out in Note 37 to the consolidated financial statements.

Directors' Report

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2011, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK$1,089,483,000 (2010: HK$81,339,000). In addition, the share premium of the Company amounted to approximately HK$4,183,629,000 (2010: HK$3,800,543,000) which may be distributed in the form of fully paid bonus shares.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$10,000 (2010: Nil).

PRE-EMPTIVE RIGHTS

There is no provision 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.

DIRECTORS

The directors during the year were:

Executive directors:

Mr. Cheung Wai Yin, Wilson	
Mr. Lau Chi Yan, Pierre	
Mr. Liu Hui Cai	
Mr. Hsu Chen Shen	(resigned on 24 June 2011)
Mr. Yang Hsien Lin	(resigned on 19 April 2011)

Independent non-executive directors:

Mr. Ma Chun Fung, Horace	
Mr. Anthony John Earle Grey	
Ms. Pang Yuen Shan, Christina	(appointed on 20 May 2011)
Dr. Hsiao Horng Ching	(resigned on 20 May 2011)

Pursuant to clause 87 of the Company's Bye-laws, Mr. Liu Hui Cai and Mr. Anthony John Earle Grey shall retire by rotation at the Company's forthcoming annual general meeting.

On 30 March 2012, the Board approved the appointment of Mr. Tian Lidong as an executive director of the Company effective from 18 April 2012. Pursuant to the Board's decision, Mr. Tian Lidong shall hold office until the said annual general meeting.

All of the above retiring directors, being eligible, will offer themselves for re-election at the said annual general meeting.

Directors' Report

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 9 to 10.

DIRECTORS' SERVICE CONTRACTS

Mr. Cheung Wai Yin, Wilson entered into a service contract with the Company for a term of 3 years commencing on 12 April 2010.

Mr. Lau Chi Yan, Pierre entered into a service contract with the Company for a term of 3 years commencing on 9 September 2009.

Mr. Liu Hui Cai entered into a service contract with the Company for a term of 1 year commencing on 12 August 2011.

Mr. Anthony John Earle Grey entered into a service contract with the Company for a term of 3 years commencing on 6 May 2010.

Mr. Ma Chun Fung, Horace entered into a service contract with the Company for a term of 3 years commencing on 29 June 2010.

Ms. Pang Yuen Shan, Christina entered into a service contract with the Company for a term of 3 years commencing on 20 May 2011.

Mr. Tian Lidong shall enter into a service contract with the Company for a term of 3 years commencing on 18 April 2012.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Note 43 to the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries, or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Report

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2011, the interests of directors of the Company in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in the issued ordinary shares of the Company

Name of director	Capacity	Number of ordinary shares interested	Percentage# of the Company's issued share capital
Mr. Cheung Wai Yin, Wilson	Beneficial owner	3,000,000	0.03%
	Interest held by controlled corporation *(Note)*	100,000,000	1.09%
		103,000,000	1.12%

Note: Mr. Cheung Wai Yin, Wilson was deemed to be interested in 100,000,000 shares of the Company which were held by Knight Asia Investments Limited, a controlled corporation of Mr. Cheung pursuant to the SFO.

The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2011.

In addition to the above, on 9 December 2011, options to subscribe for a total of 184,000,000 shares were offered by the Company to the Company's five directors (i.e. Mr. Cheung Wai Yin, Wilson: 80,000,000; Mr. Lau Chi Yan, Pierre: 80,000,000; Mr. Ma Chun Fung, Horace: 8,000,000; Mr. Anthony John Earle Grey: 8,000,000; Ms. Pang Yuen Shan, Christina: 8,000,000). On 3 January 2012, the above-mentioned five directors accepted such offer of options in full. The interests of these five directors in such options were reported and updated in the register subsequent to the financial year end.

Save as disclosed above and in Note 39 to the consolidated financial statements, as at 31 December 2011, none of the directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in Note 39 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Directors' Report

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2011, the following parties had interests of 5% or more of the issued shares and underlying shares of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

A. Long position in issued ordinary shares of the Company

Name of substantial shareholder	Capacity	Number of ordinary shares interested	*Notes*	Percentage# of the Company's issued share capital
Perfect Direct Limited	Beneficial owner	899,999,999	*1&4*	9.81%
Sleek Thrive Limited	Interest held by controlled corporation	899,999,999	*1&4*	9.81%
Mr. Woo Hung Chow	Interest held by controlled corporation	899,999,999	*1&4*	9.81%
Mr. Tian Zhao Rui	Interest held by controlled corporation	899,999,999	*1&4*	9.81%
Mr. Mow Tai Loy	Interest held by controlled corporation	899,999,999	*1&4*	9.81%
Ms. Yiu Mei Lan	Interest held by spouse	899,999,999	*2&4*	9.81%
Mr. Mow Yan Loy, Milton	Interest held by controlled corporation	899,999,999	*1&4*	9.81%
Ms. Peggy Wong	Interest held by spouse	899,999,999	*2&4*	9.81%
Super Master Investments Limited	Beneficial owner	815,000,000	*3&4*	8.88%
Mr. Cheng Pak Lung	Interest held by controlled corporation	815,000,000	*3&4*	8.88%

Notes:

1. These shares were held by Perfect Direct Limited, a controlled corporation of Sleek Thrive Limited (a corporation wholly owned by Mr. Woo Hung Chow), Mr. Tian Zhao Rui, Mr. Mow Tai Loy and Mr. Mow Yan Loy, Milton.

2. Ms. Yiu Mei Lan and Ms. Peggy Wong were deemed to be interested in these shares through the interests of their spouses, Mr. Mow Tai Loy and Mr. Mow Yan Loy, Milton, respectively.

3. These shares were held by Super Master Investments Limited, a controlled corporation of Mr. Cheng Pak Lung.

4. These substantial shareholders had interests in both issued shares and underlying shares of the Company.

The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2011.

Directors' Report

B. Long position in the underlying shares of the Company (physically settled unlisted equity derivatives) – convertible notes

Name of substantial shareholder	Capacity	Number of underlying shares in respect of the convertible notes issued	*Notes*	Percentage# of the underlying shares over the Company's issued share capital
Perfect Direct Limited	Beneficial owner	2,148,333,335	*1&4*	23.42%
Sleek Thrive Limited	Interest held by controlled corporation	2,148,333,335	*1&4*	23.42%
Mr. Woo Hung Chow	Interest held by controlled corporation	2,148,333,335	*1&4*	23.42%
Mr. Tian Zhao Rui	Interest held by controlled corporation	2,148,333,335	*1&4*	23.42%
Mr. Mow Tai Loy	Interest held by controlled corporation	2,148,333,335	*1&4*	23.42%
Ms. Yiu Mei Lan	Interest held by spouse	2,148,333,335	*2&4*	23.42%
Mr. Mow Yan Loy, Milton	Interest held by controlled corporation	2,148,333,335	*1&4*	23.42%
Ms. Peggy Wong	Interest held by spouse	2,148,333,335	*2&4*	23.42%
Super Master Investments Limited	Beneficial owner	500,000,000	*3&4*	5.45%
Mr. Cheng Pak Lung	Interest held by controlled corporation	500,000,000	*3&4*	5.45%

Notes:

1. Sleek Thrive Limited, Mr. Woo Hung Chow, Mr. Tian Zhao Rui, Mr. Mow Tai Loy and Mr. Mow Yan Loy, Milton were deemed to be interested in these 2,148,333,335 underlying shares of the Company, which may be issued and allotted upon exercise of the conversion rights attaching to the convertible notes in an aggregate principal amount of HK$1,289,000,001 at the initial conversion price of HK$0.60 per conversion share. Such convertible notes were held by Perfect Direct Limited, a controlled corporation of Sleek Thrive Limited (a corporation wholly owned by Mr. Woo Hung Chow), Mr. Tian Zhao Rui, Mr. Mow Tai Loy and Mr. Mow Yan Loy, Milton.

2. Ms. Yiu Mei Lan and Ms. Peggy Wong were deemed to be interested in these underlying shares of the Company through the interests of their spouses, Mr. Mow Tai Loy and Mr. Mow Yan Loy, Milton respectively.

Directors' Report

3. Mr. Cheng Pak Lung was deemed to be interested in these 500,000,000 underlying shares of the Company, which may be issued and allotted upon exercise of the conversion rights attaching to the convertible notes in an aggregate principal amount of HK$300,000,000 at the initial conversion price of HK$0.60 per conversion share. Such convertible notes were held by Super Master Investments Limited, a controlled corporation of Mr. Cheng Pak Lung.

4. These substantial shareholders had interests in both issued shares and underlying shares of the Company.

\# The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2011.

Save as disclosed above, as at 31 December 2011, no person, other than the directors of the Company whose interests are set out in the section headed "Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of the Company required to be kept pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

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. During the year ended 31 December 2011, a total of 586,000,000 share options were granted by the Company, details of which are set out in Note 39 to the consolidated financial statements, and the closing prices of the shares immediately before the date of offer and the date of acceptance of the offer of such options were HK$0.081 and HK$0.066, respectively. No share options were lapsed or cancelled during the year ended 31 December 2011.

At the Company's annual general meeting held on 20 May 2011, the Board was authorized to grant options up to 914,073,266 shares of the Company, being approximately 9.35% of the issued share capital of the Company as at the date of this annual report (30 March 2012). As mentioned above, options to subscribe for a total of 586,000,000 shares of the Company has been granted. Accordingly, the Board may further grant options up to 328,073,266 shares, representing approximately 3.36% of the issued share capital of the Company as at the date of this annual report.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers were as follows:

Purchases

– the largest supplier accounted for approximately 67% of the total purchases for the year
– five largest suppliers in aggregate approximately 88% of the total purchases for the year

Sales

– the largest customer accounted for approximately 81% of the total sales for the year
– five largest customers in aggregate approximately 86% of the total sales for the year

Directors' Report

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

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 11 to 21.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, it is confirmed that there is sufficient public float of at least 25% of the Company's total issued share capital as at the date of this report.

AUDIT COMMITTEE

The Audit Committee of the Company, which comprises three independent non-executive directors of the Company, namely, Mr. Ma Chun Fung, Horace, Mr. Anthony John Earle Grey and Ms. Pang Yuen Shan, Christina, has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including the review of these annual results.

AUDITOR

The consolidated financial statements of the Group for the financial years ended 31 December 2009 and 31 December 2010 were audited by Elite Partners CPA Limited and Pan-China (H.K.) CPA Limited respectively. Due to the corporate restructuring between Pan-China (H.K.) CPA Limited and Elite Partners CPA Limited, Pan-China (H.K.) CPA Limited has resigned with effect from 2 March 2012 and Elite Partners CPA Limited has been appointed as auditor of the Company with effect from 2 March 2012 to fill the casual vacancy occasioned by the resignation of Pan-China (H.K.) CPA Limited until the conclusion of the next annual general meeting of the Company.

The consolidated financial statements for the year ended 31 December 2011 were audited by Elite Partners CPA Limited who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Elite Partners CPA Limited as auditor of the Company.

By order of the Board
Cheung Wai Yin, Wilson
Chairman

Hong Kong, 30 March 2012

Independent Auditor's Report

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants
CAREA

To the members of Dejin Resources Group Company Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Dejin Resources Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 112, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 whether the financial statements are free from material misstatement.

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

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

Independent Auditor's Report

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.

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2012

Yip Kai Yin
Practising Certificate Number P05131

Room 921-921A, 9/F.,
Star House, 3 Salisbury Road,
Tsimshatsui, Kowloon, Hong Kong

Consolidated Income Statement

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	6	**134,036**	804,305
Cost of sales		**(106,475)**	(616,793)
Gross profit		**27,561**	187,512
Investment and other income	7	**37**	4,559
Other gains and losses	8	**244,531**	184,284
Selling and distribution costs		**(5,521)**	(31,006)
Administrative expenses		**(117,110)**	(124,533)
Other operating expenses		**(52,717)**	(40,045)
Operating profit		**96,781**	180,771
Finance costs	9	**(76,057)**	(111,030)
Profit before taxation	10	**20,724**	69,741
Income tax credit/(expense)	13	**7,448**	(15,633)
Profit for the year		**28,172**	54,108
Profit/(loss) for the year attributable to:			
Owners of the Company		**48,679**	52,305
Non-controlling interests		**(20,507)**	1,803
		28,172	54,108
Dividends	15	**–**	–
Earnings per share	16		
– Basic and diluted		**0.54 HK cents**	1.34 HK cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Profit for the year		**28,172**	54,108
Other comprehensive income:			
Revaluation of land and buildings:			
– Disposal of subsidiaries	46	**–**	(22,201)
Exchange differences arising from:			
– Translation of foreign subsidiaries		**5,131**	4,226
– Disposal of subsidiaries	46	**–**	(5,093)
		5,131	(23,068)
Total comprehensive income for the year		**33,303**	31,040
Total comprehensive income for the year attributable to:			
Owners of the Company		**53,956**	30,002
Non-controlling interests		**(20,653)**	1,038
		33,303	31,040

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	17	**21,545**	24,938
Exploration and evaluation assets	23	**120,284**	78,044
Biological assets	20	**290,000**	334,000
Land use rights	18	**35,472**	35,103
Goodwill	21	**–**	844,275
Mining rights	22	**6,531,645**	6,532,545
		6,998,946	7,848,905
Current assets			
Inventories	25	**15,426**	275
Trade and bills receivables	26	**55,048**	126,342
Prepayments, deposits and other receivables	27	**110,699**	182,624
Cash and bank balances	28	**9,788**	57,084
		190,961	366,325
Current liabilities			
Bank borrowings	29	**–**	42,882
Trade payables	30	**2,015**	25,661
Other payables and accruals	31	**20,126**	68,321
Obligations under finance leases – Due within one year	32	**1,192**	–
Amount due to a related company	33	**37**	37
Tax liabilities		**46,330**	44,584
		69,700	181,485
Net current assets		**121,261**	184,840

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Total assets less current liabilities		**7,120,207**	8,033,745
Non-current liabilities			
Promissory notes	*36*	**76,294**	82,907
Convertible notes	*37*	**1,108,309**	2,448,523
Obligations under finance leases – Due more than one year	*32*	**1,998**	–
Deferred tax liabilities	*34*	**91,193**	126,310
Provision for land restoration and environmental cost	*35*	**64,052**	64,052
		1,341,846	2,721,792
Net assets		**5,778,361**	5,311,953
Capital and reserves			
Share capital	*38*	**917,407**	820,740
Reserves	*40*	**4,849,889**	4,459,495
Equity attributable to owners of the Company		**5,767,296**	5,280,235
Non-controlling interests		**11,065**	31,718
Total equity		**5,778,361**	5,311,953

Approved and authorised for issue by the board of directors on 30 March 2012.

Cheung Wai Yin, Wilson
Director

Lau Chi Yan, Pierre
Director

Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current asset			
Interests in subsidiaries	24	**7,539,624**	7,514,372
Current assets			
Prepayments, deposits and other receivables	27	**6,700**	15,325
Cash and bank balances	28	**3,646**	711
		10,346	16,036
Current liability			
Other payables and accruals	31	**16,280**	33,844
Net current liabilities		**(5,934)**	(17,808)
Total assets less current liabilities		**7,533,690**	7,496,564
Non-current liabilities			
Deferred tax liabilities	34	**19,197**	43,315
Promissory notes	36	**76,294**	82,907
Convertible notes	37	**1,108,309**	2,448,523
		1,203,800	2,574,745
Net assets		**6,329,890**	4,921,819
Capital and reserves			
Share capital	38	**917,407**	820,740
Reserves	40	**5,412,483**	4,101,079
Total equity		**6,329,890**	4,921,819

Approved and authorised for issue by the board of directors on 30 March 2012.

Cheung Wai Yin, Wilson
Director

Lau Chi Yan, Pierre
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Convertible notes reserve HK$'000	Asset revaluation reserve HK$'000	Exchange reserve HK$'000	Share based payment reserve HK$'000	Retained profits HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 January 2010	104,378	194,519	286	–	22,201	4,045	821	383,986	–	710,236
Profit for the year	–	–	–	–	–	–	–	52,305	1,803	54,108
Other comprehensive income for the year	–	–	–	–	(22,201)	(867)	–	–	–	(23,068)
Total comprehensive income for the year	–	–	–	–	(22,201)	(867)	–	52,305	1,803	31,040
Issue of convertible notes	–	–	–	686,402	–	–	–	–	–	686,402
Deferred tax relating to transactions with owners	–	–	–	(113,257)	–	–	–	–	–	(113,257)
Conversion of convertible notes	715,333	3,602,197	–	(353,948)	–	–	–	–	–	3,963,582
Exercise of share options	1,029	3,827	–	–	–	–	(821)	–	–	4,035
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	29,915	29,915
As at 31 December 2010	820,740	3,800,543	286	219,197	–	3,178	–	436,291	31,718	5,311,953
As at 1 January 2011	**820,740**	**3,800,543**	**286**	**219,197**	**–**	**3,178**	**–**	**436,291**	**31,718**	**5,311,953**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**48,679**	**(20,507)**	**28,172**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**5,277**	**–**	**–**	**(146)**	**5,131**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**5,277**	**–**	**48,679**	**(20,653)**	**33,303**
Placing of new shares	**35,000**	**70,000**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**105,000**
Share issuance expenses	**–**	**(843)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(843)**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**42,225**	**–**	**–**	**42,225**
Conversion of convertible notes	**61,667**	**313,929**	**–**	**(30,513)**	**–**	**–**	**–**	**–**	**–**	**345,083**
Cancellation of convertible notes	**–**	**–**	**–**	**(91,538)**	**–**	**–**	**–**	**33,178**	**–**	**(58,360)**
As at 31 December 2011	**917,407**	**4,183,629**	**286**	**97,146**	**–**	**8,455**	**42,225**	**518,148**	**11,065**	**5,778,361**

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Profit before taxation		**20,724**	69,741
Adjustments for:			
Finance costs		**120**	53
Imputed interest on promissory notes and convertible notes		**75,937**	110,977
Share option expenses		**42,225**	–
Interest income		**(20)**	(402)
Dividend income received from financial assets at fair value through profit or loss		**–**	(5)
Loss on disposal of property, plant and equipment		**2,207**	–
Loss/(gain) arising from changes in fair value less estimated point-of-sale		**44,000**	(3,000)
Gain on disposal of subsidiaries		**–**	(193,368)
Gain on disposal of financial assets at fair value through profit or loss		**–**	(38)
Depreciation		**4,627**	16,932
Amortisation of land use rights		**609**	522
Amortisation of mining rights		**900**	2,645
Gain on cancellation of convertible notes		**(1,150,160)**	–
Impairment of goodwill		**844,275**	4,062
Provision for obsolete inventories		**–**	34,736
Impairment of trade and other receivables		**17,646**	11,761
Operating (loss)/profit before working capital changes		**(96,910)**	54,616
(Increase)/decrease in inventories		**(15,142)**	3,677
Decrease/(increase) in trade and bills receivables		**70,191**	(272,840)
Decrease/(increase) in prepayments, deposits and other receivables		**55,496**	(183,782)
(Decrease)/increase in trade payables		**(23,646)**	38,025
(Decrease)/increase in other payables and accruals		**(49,219)**	465,922
Cash (used in)/generated from operations		**(59,230)**	105,618
Interest received		**20**	402
Interest paid		**(120)**	(53)
Dividend income received		**–**	5
Corporate income tax paid		**(1,806)**	(4,552)
Net cash (used in)/generated from operating activities		**(61,136)**	101,420
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,954)**	(17,243)
Purchase of exploration and evaluation assets		**(38,544)**	(4,884)
Proceed from disposal of financial assets at fair value through profit or loss		**–**	2,975
Cash effect of acquisition of subsidiaries	*45*	**–**	(34,579)
Cash effect of disposal of subsidiaries	*46*	**–**	153,305
Net cash (used in)/generated from investing activities		**(41,498)**	99,574

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Cash flows from financing activities		
Increase of discounted bills with recourse	**–**	491,821
Repayment of bank loans	**(42,882)**	(496,840)
Repayment of obligations under finance leases	**(1,089)**	–
Repayment of promissory notes	**(10,000)**	(310,000)
Proceed from placing of shares	**104,157**	–
Proceed from obligations under finance leases	**4,279**	–
Proceed from exercise of share options	**–**	4,035
Net cash generated from/(used in) financing activities	**54,465**	(310,984)
Net decrease in cash and cash equivalents	**(48,169)**	(109,990)
Cash and cash equivalents as at 1 January	**57,084**	172,310
Effect of foreign exchange rate changes, net	**873**	(5,236)
Cash and cash equivalents as at 31 December represented by cash and bank balances	**9,788**	57,084

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

1. GENERAL INFORMATION

Dejin Resources Group Company Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability. The addresses of the registered office and the principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Room 2601-04 and 38-40, 26/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong respectively. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in Note 24 to the consolidated financial statements. The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

2.1 Standards and Interpretations adopted in the current period

In the current year, the Group has adopted the following new and revised standards, amendments and interpretations (hereinafter collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are relevant to and effective for the Group's financial period beginning on 1 January 2011:

HKFRS 1 (Amendment)	Amendments 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)	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

Except as described below, the adoption of the new and revised HKFRSs has no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

2.1 Standards and Interpretations adopted in the current period (continued)

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 was revised to include a new definition of related party and to provide a partial exemption from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with:

(a) a government that has control, joint control or significant influence over the reporting entity; and

(b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Improvements to HKFRSs 2010 – Improvements to HKFRSs 2010

The improvements comprise a number of improvements to Standards including the following that are considered to be relevant to the Company:

Amendments to HKFRS 7 Financial Instrument Disclosures: Clarification of disclosures

The Amendments clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required for renegotiated loans. The Company has amended its disclosures accordingly.

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

2.2 Standards and Interpretations in issued but not yet adopted

The Group has not early applied any of the following new and revised standards, amendments and interpretations which have been issued but are not yet effective for annual periods beginning on 1 January 2011:

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] – 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 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

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

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

2.2 Standards and Interpretations in issued but not yet adopted (continued)

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Company expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Company is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Company expects to adopt HKFRS 13 prospectively from 1 January 2013.

Amendments to HKAS 1 change the accompanying of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Company expects to adopt the amendments from 1 January 2013.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Company expects to adopt HKAS 19 (2011) from 1 January 2013.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation (continued)

The consolidated financial statements have been prepared on the historical cost basis except for biological assets that is measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.2 Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in existing subsidiaries

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of consolidation (continued)

Changes in the Group's ownership interest in existing subsidiaries (continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to accumulated losses). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3.3 Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Business combinations (continued)

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

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

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that rise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

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

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Business combinations (continued)

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

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

3.4 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually as described in Note 3.14.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses, except that when an item of property, plant and equipment is classified as held for sale, which is not depreciated and is measured at the lower of carrying amount and fair value less costs to sell. 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/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Property, plant and equipment (continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charges to the consolidated income statement in reporting period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the use of an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost that assets or as a replacement.

Depreciation is provided to write off the cost or revalued amounts less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	over the lease terms
Leasehold improvements	20%
Plant, machinery and moulds	10% – 33%
Furniture, fixtures and equipment	20% – 33%
Motor vehicles	20%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting period. The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to retained earnings on the disposal of land and buildings.

Construction in progress represents factory buildings, plant and machinery under construction and installation, which is stated at cost less any impairment losses and is not depreciated. Cost comprises direct costs of construction, installation and testing. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

3.6 Biological assets

Biological assets represent timber holdings and are measured at fair value less estimated point-of-sale costs. The fair value of biological assets is determined based on the income capitalisation approach. This approach determines value based on the income-producing potential of the trees being appraised. Change in fair value less estimated point-of sale costs of the biological assets is included in profit or loss for the reporting period in which it arises.

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Land use rights

All lands in the PRC are state-owned and no individual land ownership right exists. The Group acquired the rights to use certain lands and the premiums paid for such rights are recorded as land use rights, which are stated at cost and amortised over the lease term using the straight-line method.

3.8 Mining rights

Mining rights acquired separately are initially measured at cost. Mining rights are reclassified from exploration and evaluation assets at the carrying amount when the technical feasibility and commercial viability of extracting mineral resources are demonstrable. Mining rights with finite useful lives are carried at costs less accumulated amortisation and any identified impairment loss. Amortisation for mining rights with finite useful lives is provided using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the mineral mines.

3.9 Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses. Exploration and evaluation assets include topographical and geological survey drilling, exploratory drillings, sampling and trenching and expenditure incurred for the technical feasibility studies and incurred to secure further mineralisation in the mine ore. Expenditure incurred prior to obtaining the exploration and evaluation rights to explore an area are written off as incurred. Once the technical feasibility and commercial viability of extracting the mineral resource had been determined and that the project reaches development phase, exploration and evaluation costs capitalised are amortised. If exploration property is abandoned during the evaluation stage, the total expenditure thereon will be written off.

3.10 Financial instruments

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

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

3.10.1 Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Financial instruments (continued)

3.10.1 Financial assets (continued)

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Financial instruments (continued)

3.10.1 Financial assets (continued)

Financial assets at FVTPL (continued)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the consolidated statement of comprehensive income.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment (see the accounting policy in respect of impairment loss on financial assets below).

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

AFS financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amount due from a non-controlling interest of a subsidiary, pledged bank deposit and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Financial instruments (continued)

3.10.1 Financial assets (continued)

Loans and receivables (continued)

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

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

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

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Financial instruments (continued)

3.10.1 Financial assets (continued)

Impairment of financial assets (continued)

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the reporting period.

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

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3.10.2 Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Financial instruments (continued)

3.10.2 Financial liabilities and equity instruments (continued)

Financial liabilities at FVTPL (continued)

A financial liability is classified as held for trading if:

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

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the consolidated statement of comprehensive income.

Other financial liabilities

Other financial liabilities (including trade and other payables, amount due to a non-controlling interest of a subsidiary, convertible bonds and promissory note) are subsequently measured at amortised cost using the effective interest method.

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Financial instruments (continued)

3.10.2 Financial liabilities and equity instruments (continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Convertible notes

Convertible notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Financial instruments (continued)

3.10.2 Financial liabilities and equity instruments (continued)

Derecognition

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

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

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

3.12 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of presentation in the statement of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.13 Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the reporting period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Foreign currencies (continued)

For the purposes for presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the reporting period, unless exchange rates fluctuate significantly during that reporting period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to noncontrolling interests as appropriate).

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

3.14 Impairment

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Impairment (continued)

Impairment of tangible and intangible assets other than goodwill (continued)

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Impairment of goodwill

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Impairment of exploration and evaluation assets

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

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

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

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For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Impairment (continued)

Impairment of exploration and evaluation assets (continued)

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

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

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

3.15 Revenue recognition

Revenue comprises the fair value for the sale of goods and the use by others of the Group's assets yielding interest and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

- Interest income is recognised on a time-proportion basis using the effective interest method.

- Rental income is recognised on a time-proportion basis over the lease terms.

3.16 Borrowing costs

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

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Income taxes

Income tax comprises current tax and deferred tax.

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Retirement benefit costs and short term employee benefits

Retirement benefits to employees are provided through defined contribution plans.

3.18.1 Defined contribution plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Hong Kong Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the Hong Kong Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the Hong Kong Scheme. The assets of the Hong Kong 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 Hong Kong Scheme.

Pursuant to the relevant regulations of the government of the People's Republic of China except Hong Kong and Macau (the "PRC"), subsidiaries of the Company operating in the PRC participate in a local municipal government retirement benefits scheme (the "PRC Scheme"), whereby the subsidiaries are required to make contributions, as calculated under the rules specified by the relevant PRC local government authorities, to the PRC Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries. The only obligation of the Group with respect to the PRC Scheme is to pay the ongoing required contributions under the PRC Scheme mentioned above. Contributions under the PRC Scheme are charged to profit or loss as incurred. There are no provisions under the PRC Scheme whereby forfeited contributions may be used to reduce future contributions.

3.18.2 Short term employee benefits

(i) Provisions for bonus due are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

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For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Share-based employee compensation

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").

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in profit or loss in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

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

3.20 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

3.20.1 Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

3.20.2 Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 Provision, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18 Revenue.

3.22 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

4.1 Useful life of property, plant and equipment

The Group estimates the useful life of property, plant and equipment in order to determine the amount of depreciation expense to be recorded. The useful life is estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the asset, as well as technical obsolescence arising from changes in the market demand or service output of the asset. The Group also performs annual review on whether the assumption made on useful life continues to be valid.

4.2 Estimated impairment of assets

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

4.3 Estimated 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 unit 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 unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. For the year ended 31 December 2011, impairment losses of goodwill amounted to HK$838,958,000 and HK$5,317,000 were recognised for mining business and forestry business respectively (2010: impairment loss of goodwill amounted to HK$4,062,000 was recognised for lighting business).

4.4 Estimated impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers/borrowers and current market conditions. Management will reassess the impairment of receivables at the end of the reporting period.

4.5 Income taxes

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the amount of the provision for income taxes and the timing of payment of related taxes. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that are initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which the tax outcome is realisable.

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.6 Fair value of biological assets

The Group's management estimates the current market prices for biological assets at the end of reporting period less estimated point-of-sales costs with reference to market prices and professional valuations. Management considers that there is presently an absence of effective financial instruments for hedging against the pricing risks with the underlying agricultural produce. Un-anticipated volatile changes in market prices of the underlying agricultural produce could significantly affect the fair values of these biological assets and result in fair value re-measurement losses in future accounting periods.

The Group's forestry business is subject to the usual agricultural hazards from fire, wind and insects. Forces of nature such as temperature and rainfall may also affect harvest efficiency. Management considers adequate preventive measures are in place and the relevant legislation under forestry law in the PRC will assist in minimising exposure. Nevertheless, un-anticipated factors affecting harvestable agricultural produce may result in re-measurement or harvest losses in future accounting periods.

4.7 Impairment of mining rights

The carrying values of mining rights are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amounts of mining rights, or, where appropriate, the cash-generating units to which they belong, are calculated as the higher of its fair values less costs to sell and value in use. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

4.8 Provision for land restoration and environmental cost

The provision for land restoration and environmental cost is based on estimates of future payments made by management. Estimates used are subjective in nature and involve uncertainties and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The aggregate carrying value of provision was HK$64,052,000 (2010: HK$64,052,000).

4.9 Net realisable value of inventories

Net realisable values of inventories are the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the end of the reporting period.

4.10 Fair values of financial assets and liabilities

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values of financial assets and financial liabilities.

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

5. SEGMENT INFORMATION

Information reported to the Board of Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered by the Group's operating divisions.

In prior year, with the acquisitions of (i) the entire equity interest in Goldpic Investments Limited; and (ii) the entire equity interest in Mark Unison Limited (Note 45), the Group changed the structure of internal organization which resulted in redesignation of its operating segments. Under the new structure of internal organization, the information reported to the Chief Executive Officer is analysed based on the types of goods delivered, including (i) lighting products (export and PRC markets) for lighting operation; (ii) timber for forestry operation; and (iii) gold ore concentrates for mining operation.

The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

1. Lighting operation
2. Forestry operation
3. Mining operation

5.1 Segment revenue and results

	Segment revenue		Segment results	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Lighting operation				
– Export market	**116,676**	735,518	**22,778**	128,318
– PRC market	**–**	20,055	**–**	28,691
Forestry operation	**3,146**	7,036	**633**	5,343
Mining operation	**14,214**	41,696	**4,150**	25,160
Total	**134,036**	804,305	**27,561**	187,512
Interest income and other gains			**244,568**	188,843
Central administration costs			**(175,348)**	(195,584)
Finance costs			**(76,057)**	(111,030)
Profit before taxation			**20,724**	69,741

Segment revenue reported above represented revenue generated from external customers. There were no inter-segment sales in the current year (2010: Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment result represented the profit earned by each segment without allocation of corporate income as disclosed in Note 8 and expenses, central administration costs, directors' remuneration, loss on disposal of property, plant and equipment and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

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5. SEGMENT INFORMATION (continued)

5.2 Segment assets and liabilities

	Segment assets		Segment liabilities	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Lighting operation	**189,901**	269,460	**49,164**	117,303
Forestry operation	**349,442**	398,029	**78,469**	90,379
Mining operation	**6,649,518**	7,531,704	**55,592**	130,321
Subtotal	**7,188,861**	8,199,193	**183,225**	338,003
Unallocated	**1,046**	16,037	**1,228,321**	2,565,274
Total	**7,189,907**	8,215,230	**1,411,546**	2,903,277

1. For internal reports that are regularly reviewed by the chief operating decision maker, lighting division for both export market and PRC market is considered as one reportable segment for the purpose of allocating resources to segments and assessing their performance for segment assets, segment liabilities and other segment information.

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

   – all assets are allocated to reportable segments other than goodwill, intangible assets and assets used jointly by reportable segments.

   – all liabilities are allocated to reportable segments other than derivative financial instruments, bank borrowings, deferred tax liabilities and liabilities for which reportable segments are jointly liable.

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

5. SEGMENT INFORMATION (continued)

5.3 Other segment information

	Depreciation and amortisation		Capital expenditures	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Lighting operation	**–**	14,825	**–**	3,032
Forestry operation	**2,239**	1,255	**412**	5,251
Mining operation	**3,897**	4,019	**41,086**	10,846
	6,136	20,099	**41,498**	19,129

In addition to the depreciation and amortisation reported above, the impairment losses of HK$17,646,000 (2010: HK$11,761,000) and HK$844,275,000 (2010: HK$4,062,000) were recognised in respect of trade and other receivables and goodwill respectively. These impairment losses were attributable to the following reportable segments:

	Impairment losses recognised					
	Property, plant and equipment		Trade and other receivables		Goodwill	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Lighting operation	**–**	–	**1,103**	11,761	**–**	4,062
Forestry operation	**–**	–	**–**	–	**5,318**	–
Mining operation	**–**	–	**16,543**	–	**838,957**	–
	–	–	**17,646**	11,761	**844,275**	4,062

The Group also recognised the loss arising from changes in fair value less estimated point-of-sale cost of timber holdings of approximately HK$44,000,000 (2010: gain of HK$3,000,000) which was related to forestry operation.

Notes to Consolidated Financial Statements

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5. SEGMENT INFORMATION (continued)

5.4 Geographical information

The Group's operations were located in the following geographical areas. The following table provided an analysis of the Group's revenue from external customers and assets by geographical locations:

	Segment revenue from external customers		Segment assets	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States of America	**116,676**	689,785	**27,057**	126,303
The PRC	**17,360**	68,787	**6,970,967**	8,013,971
Canada	**–**	20,912	**363**	2,746
Others*	**–**	24,821	**191,520**	72,210
	134,036	804,305	**7,189,907**	8,215,230

* Others represented unallocated items.

5.5 Information about major customers

Included in revenue of approximately HK$134,036,000 (2010: HK$804,305,000) was revenue of approximately HK$108,608,000 (2010: HK$392,177,000) which arose from sales to the Group's largest customer. No other single customer contributed 10% or more to the Group's revenue for the years ended 31 December 2011 and 31 December 2010.

6. REVENUE

Revenue, which was also the Group's turnover, represented the net invoiced value of goods sold, after allowances for returns and trade discounts during the year. An analysis of revenue was as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Sales of lighting products	**116,676**	755,573
Sales of timbers	**3,146**	7,036
Sales of gold ore concentrates	**14,214**	41,696
	134,036	804,305

Notes to Consolidated Financial Statements

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7. INVESTMENT AND OTHER INCOME

	Group	
	2011	2010
	HK$'000	*HK$'000*
Bank interest income	**20**	402
Gross rental income from investment properties	**–**	482
Dividend income	**–**	5
Other income	**17**	3,670
	37	4,559

The following was an analysis of investment and other income:

Loan and receivables (including cash and bank balances)	**20**	402
Dividend income received from financial assets at fair value through profit or loss	**–**	5
Investment income received from non-financial assets	**17**	4,152
	37	4,559

8. OTHER GAINS AND LOSSES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Gain on disposal of subsidiaries	**–**	193,368
Gain on cancellation of convertible notes	**1,150,160**	–
Gain on disposal of financial assets designated as at FVTPL	**–**	38
(Loss)/gain arising from changes in fair value less estimated point-of-sale cost of timber holdings	**(44,000)**	3,000
Net foreign exchange gain	**292**	3,701
Impairment loss recognised in respect of goodwill	**(844,275)**	(4,062)
Impairment loss recognised in respect of trade and other receivables	**(17,646)**	(11,761)
	244,531	184,284

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9. FINANCE COSTS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**–**	53
Interest on obligations under finance leases	**120**	–
Imputed interest on promissory notes	**3,387**	32,412
Imputed interest on convertible notes	**72,550**	78,565
	76,057	111,030

10. PROFIT BEFORE TAXATION

Profit before taxation was arrived at after charging:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Amortisation of land use rights	**609**	522
Amortisation of mining right	**900**	2,645
Auditor's remuneration	**1,700**	1,700
Staff costs (including directors' remuneration *(Note 11)*)		
– Wages and salaries	**14,884**	60,751
– Defined contribution scheme	**311**	4,492
– Equity-settled share-based payments	**30,696**	–
	45,891	65,243
Cost of inventories sold	**93,856**	271,914
Depreciation of property, plant and equipment	**4,627**	16,932
Loss on disposal of property, plant and equipment	**2,207**	–
Operating lease payments in respect of:		
– Land and buildings	**2,559**	1,998
Impairment loss recognised in respect of goodwill	**844,275**	–
Impairment loss recognised in respect of trade and other receivables	**17,646**	–
Equity-settled share-based expenses	**11,529**	–
Provision for obsolete inventories	**–**	34,736
Research and development costs	**–**	4,058

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11. DIRECTORS' REMUNERATION

Remuneration of the directors disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, was as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Fees:		
Executive directors	**315**	590
Independent non-executive directors	**479**	440
	794	1,030
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	**3,478**	5,095
Discretionary bonuses	**187**	988
Equity-settled share-based payments	**11,528**	–
Contributions to pension schemes	**12**	9
	15,205	6,092
Independent non-executive directors:		
Salaries, allowances and benefits in kind	**–**	–
Equity-settled share-based payments	**1,728**	–
	17,727	7,122

During the year, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors have waived any emoluments during the year (2010: Nil).

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11. DIRECTORS' REMUNERATION (continued)

(a) Executive directors

The emoluments paid to the executive directors during the year were as follows:

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Equity-settled share-based payments	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2011					
Mr. Cheung Wai Yin, Wilson[1]	**–**	**1,823**	**–**	**5,764**	**7,587**
Mr. Liu Hui Cai[2]	**–**	**500**	**–**	**–**	**500**
Mr. Lau Chi Yan, Pierre	**240**	**–**	**–**	**5,764**	**6,004**
Mr. Hsu Chen Shen[3]	**50**	**850**	**120**	**–**	**1,020**
Mr. Yang Hsien Lin[4]	**25**	**305**	**67**	**–**	**397**
	315	**3,478**	**187**	**11,528**	**15,508**
2010					
Mr. Hsu Chen Shen[3]	100	1,700	338	–	2,138
Mr. Cheung Wai Yin, Wilson[1]	–	900	–	–	900
Mr. Liu Hui Cai[2]	–	195	–	–	195
Mr. Yang Hsien Lin[4]	100	900	312	–	1,312
Mr. Lau Chi Yan, Pierre	240	–	–	–	240
Mr. Hsu Shui Sheng[5]	50	500	286	–	836
Mrs. Hsu Wei Jui Yun[6]	–	–	–	–	–
Mr. Pak Ping Chun[7]	100	900	52	–	1,052
	590	5,095	988	–	6,673

1. Mr. Cheung Wai Yin, Wilson was appointed as an executive director and Vice Chairman on 12 April 2010, and was subsequently appointed as the Chairman of the Company on 24 June 2011.

2. Mr. Liu Hui Cai was appointed as an executive director on 12 August 2010.

3. Mr. Hsu Chen Shen resigned as an executive director and the Chairman of the Company on 24 June 2011.

4. Mr. Yang Hsien Lin resigned as an executive director on 19 April 2011.

5. Mr. Hsu Shui Sheng resigned as an executive director and Vice-Chairman on 8 June 2010.

6. Mrs. Hsu Wei Jui Yun resigned as an executive director on 13 January 2010.

7. Mr. Pak Ping Chun resigned as an executive director on 28 December 2010.

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For the year ended 31 December 2011

11. DIRECTORS' REMUNERATION (continued)

(b) Independent non-executive directors

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

	Fees	Salaries, allowance and benefits in kind	Equity-settled share-based payments	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2011				
Mr. Ma Chun Fung, Horace[1]	**120**	**–**	**576**	**696**
Mr. Anthony John Earle Grey[2]	**234**	**–**	**576**	**810**
Ms. Pang Yuen Shan, Christina[3]	**75**	**–**	**576**	**651**
Dr. Hsiao Horng Ching[4]	**50**	**–**	**–**	**50**
	479	**–**	**1,728**	**2,207**
2010				
Mr. Ma Chun Fung, Horace[1]	60	–	–	60
Mr. Anthony John Earle Grey[2]	140	–	–	140
Dr. Hsiao Horng Ching[4]	120	–	–	120
Mr. Lu Zi Chin[5]	60	–	–	60
Mr. Cheng Yung Hui[6]	60	–	–	60
	440	–	–	440

1. Mr. Ma Chun Fung, Horace was appointed as an independent non-executive director on 29 June 2010.

2. Mr. Anthony John Earle Grey was appointed as an independent non-executive director on 6 May 2010.

3. Ms. Pang Yuen Shan, Christina was appointed as an independent non-executive director on 20 May 2011.

4. Dr. Hsiao Horng Ching resigned as an independent non-executive director on 20 May 2011.

5. Mr. Lu Zi Chin resigned as an independent non-executive director on 29 June 2010.

6. Mr. Cheng Yung Hui resigned as an independent non-executive director on 4 November 2010.

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

12. EMPLOYEES' EMOLUMENTS

Of the five highest paid employees for the year, three (2010: all) were directors of the Company whose remuneration were set out in Note 11 above.

Out of the five highest paid employees, one employee (2010: Nil) whose remuneration fell within HK$1,000,000 to HK$3,000,000 and one employee (2010: Nil) fell within Nil to HK$1,000,000.

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

13. INCOME TAX CREDIT/(EXPENSE)

Income tax recognised in profit or loss

	Group	
	2011	2010
	HK$'000	*HK$'000*
Current tax:		
PRC enterprise income tax	**(1,806)**	(6,675)
Other jurisdictions	**(1,746)**	(8,958)
	(3,552)	(15,633)
Deferred tax charge to profit and loss *(Note 34)*	**11,000**	–
	7,448	(15,633)

No provision for Hong Kong profits tax has been made since the Group incurred taxation losses for the year (2010: Nil). The PRC enterprise income tax has been provided at the rate of 25% (2010: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the countries in which the Group operates.

The tax charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Profit before taxation	**20,724**	69,741
Tax at the statutory tax rates	**5,181**	17,435
Tax losses not recognised	**28,805**	15,305
Difference from tax rate of other jurisdictions	**(2,185)**	(2,003)
Income not subject to tax	**(285,545)**	(26,900)
Expenses not deductible for tax	**246,296**	13,919
Tax losses utilized from previous period	**–**	(2,123)
Income tax (credit)/expense for the year	**(7,448)**	15,633

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

13. INCOME TAX CREDIT/(EXPENSE) (continued)

Income tax recognised directly in equity

	Group	
	2011	2010
	HK$'000	*HK$'000*
Deferred tax		
Arising on transactions with owners:		
– Initial recognition of the equity component of convertible notes	–	(113,257)
Total income tax recognised directly in equity	–	(113,257)

14. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company for the year ended 31 December 2011 amounted to approximately HK$974,966,000 (2010: loss of approximately HK$111,753,000) which has been dealt with in the financial statements of the Company (Note 40(b)).

15. DIVIDENDS

The Directors do not recommend the payment of any final dividend in respect of the year ended 31 December 2011 (2010: Nil).

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For the year ended 31 December 2011

16. EARNINGS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purpose of basic earnings per share attributable to owners of the Company	**48,679**	52,305
Effect of dilutive potential ordinary shares:		
Imputed interest on convertible notes	**72,550**	78,565
Earnings for the purpose of diluted earnings per share attributable to owners of the Company	**121,229**	130,870

	2011	2010
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**9,065,710**	3,907,827
Effect of dilutive potential ordinary shares:		
Convertible notes issued by the Company	**1,963,333**	2,827,918
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**11,029,043**	6,735,745

For the year ended 31 December 2011, no dilutive earnings per share has been presented as the outstanding share options for the year had no dilutive effect on the basic earnings per share as the exercise price of the share options was higher than the average market price of the Company's ordinary shares.

For the years ended 31 December 2011 and 31 December 2010, no dilutive earnings per share had been presented as the conversion of the Company's outstanding convertible notes could result in an increase in the earnings per share.

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For the year ended 31 December 2011

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant, machinery and moulds HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At cost:							
As at 1 January 2010	122,130	29,196	116,660	23,850	17,375	1,347	310,558
Additions	131	1,619	4,033	544	8,511	2,405	17,243
Acquisition of subsidiaries	2,110	1,199	5,503	440	5,265	–	14,517
Disposal of subsidiaries	(122,130)	(29,702)	(121,606)	(23,191)	(14,635)	(3,522)	(314,786)
Exchange realignment	82	796	5,394	340	540	19	7,171
As at 31 December 2010 and as at 1 January 2011	**2,323**	**3,108**	**9,984**	**1,983**	**17,056**	**249**	**34,703**
Additions	**–**	**–**	**1,430**	**70**	**1,326**	**128**	**2,954**
Disposal	**–**	**(1,297)**	**(180)**	**(743)**	**(402)**	**–**	**(2,622)**
Exchange realignment	**98**	**31**	**171**	**21**	**371**	**14**	**706**
As at 31 December 2011	**2,421**	**1,842**	**11,405**	**1,331**	**18,351**	**391**	**35,741**
Accumulated depreciation and impairment:							
As at 1 January 2010	–	21,635	79,086	22,552	9,123	–	132,396
Charge for the year	82	2,072	10,315	1,213	3,250	–	16,932
Acquisition of subsidiaries	487	–	1,921	11	134	–	2,553
Eliminated on disposal of subsidiaries	–	(23,900)	(88,791)	(22,946)	(9,622)	–	(145,259)
Exchange realignment	20	547	2,771	320	(515)	–	3,143
As at 31 December 2010 and as at 1 January 2011	**589**	**354**	**5,302**	**1,150**	**2,370**	**–**	**9,765**
Charge for the year	**6**	**285**	**174**	**258**	**3,904**	**–**	**4,627**
Disposal	**–**	**–**	**(30)**	**(313)**	**(72)**	**–**	**(415)**
Exchange realignment	**25**	**1**	**85**	**4**	**104**	**–**	**219**
As at 31 December 2011	**620**	**640**	**5,531**	**1,099**	**6,306**	**–**	**14,196**
Net carrying value:							
As at 31 December 2011	**1,801**	**1,202**	**5,874**	**232**	**12,045**	**391**	**21,545**
As at 31 December 2010	1,734	2,754	4,682	833	14,686	249	24,938

The Group's leasehold land and buildings included above were located in the PRC and held under the medium lease term.

Motor vehicles with net book value of HK$5,035,000 as at 31 December 2011 (2010: Nil) were held under finance leases as disclosed in Note 32 to the consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

18. LAND USE RIGHTS

Land use rights represented the Group's interest in the rights to use the land in the PRC, which were held under medium term leases. The movements were as follow:

		Group	
		2011	2010
	Note	***HK$'000***	*HK$'000*
At cost:			
As at 1 January		**35,103**	30,669
Acquisition of subsidiaries	*45*	**–**	4,077
Amortisation		**(609)**	(522)
Exchange realignment		**978**	879
As at 31 December		**35,472**	35,103

19. INVESTMENT PROPERTIES

		Group	
		2011	2010
	Note	***HK$'000***	*HK$'000*
At fair value:			
As at 1 January		**–**	3,850
Disposal of subsidiaries	*46*	**–**	(3,850)
As at 31 December		**–**	–

20. BIOLOGICAL ASSETS

	Group	
	2011	2010
	HK$'000	*HK$'000*
At fair value less estimated point-of-sale:		
As at 1 January	**334,000**	331,000
(Loss)/gain arising from changes in fair value less estimated point-of-sale	**(44,000)**	3,000
As at 31 December	**290,000**	334,000

The Group's biological assets represented the tree resources comprising pine, Chinese fir and other trees located in northern part of Guangdong Province (the "Tree Resources"). The Tree Resources were valued at 31 December 2011 and 31 December 2010 by Castores MAGI, an independent professional qualified valuer. The valuer applied an income capitalization approach based on projected wood flows of the Group's Tree Resources, the projected future cash flows, based on their assessments of current and projected timber log prices, and a discount rate of 13.48% (2010: 12.26%).

The discount rate used in the valuation of the Tree Resources was determined by reference to published discount rates, cost of equity analysis, country risk, business risk, surveyed opinion of forest valuers practice and the implied discount rate of forest sales transactions in the PRC over a period of time, with more weight given to the weighted average cost of equity.

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21. GOODWILL

		Group	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Cost:			
As at 1 January		**879,584**	40,626
Acquisition of subsidiaries	*45*	**–**	838,958
As at 31 December		**879,584**	879,584
Accumulated impairment:			
As at 1 January		**35,309**	31,247
Impairment loss		**844,275**	4,062
As at 31 December		**879,584**	35,309
Net carrying amount:			
As at 31 December		**–**	844,275

Impairment test for cash-generating units containing goodwill

The carrying amount of goodwill has been allocated to the cash-generating units ("CGU") for impairment test according to business as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Lighting business	**–**	–
Forestry business	**–**	5,317
Mining business	**–**	838,958
	–	844,275

The recoverable amounts of the above CGU of forestry business and mining business have been determined based on value-in-use calculations using cash flow projections based on financial budgets covering a five year period and approved by senior management. The key assumptions included stable profit margins, which have been determined based on past experience in this market. The management believed that this was the best available input for forecasting this mature market. The discount rates applied to cash flow projections for forestry business and mining business were 13.48% (2010: 12.26%) and 24.25% (2010: 22.10%). Cash flows beyond the 5-year period for forestry business and mining business were extrapolated using a growth rate 3% (2010: 5%) and 5% (2010: 5%) which were similar to the average long-term growth rates of the forestry and mining industries.

For the year ended 31 December 2011, impairment losses of goodwill amounted to HK$838,958,000 and HK$5,317,000 were recognised for mining business and forestry business respectively (2010: impairment loss of goodwill amounted to HK$4,062,000 was recognised for lighting business).

Notes to Consolidated Financial Statements

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22. MINING RIGHTS

		Group	
		2011	2010
	Note	***HK$'000***	*HK$'000*
As at 1 January		**6,532,545**	–
Acquisition of subsidiaries	*45*	**–**	6,535,190
Amortisation		**(900)**	(2,645)
As at 31 December		**6,531,645**	6,532,545

In May 2010, the Group completed the acquisitions of entire equity interests in Goldpic Investments Limited and Mark Unison Limited which its subsidiaries held the exploitation rights to gold mines located in Hebei ("Hebei Gold Mines") and in Shandong ("Shandong Gold Mines") respectively. The exploitation rights to the Hebei Gold Mines and Shandong Gold Mines have been granted by Land and Resources Bureau of Hebei and Shandong, the PRC respectively. Details of Hebei Gold Mines and Shandong Gold Mines have been disclosed in page 7 to this annual report.

The Directors considered that no impairment loss shall be recognised for the year ended 31 December 2011 as there was no indication for provision of impairment loss being identified.

23. EXPLORATION AND EVALUATION ASSETS

		Group	
		2011	2010
	Note	***HK$'000***	*HK$'000*
As at 1 January		**78,044**	–
Acquisition of subsidiaries	*45*	**–**	71,018
Additions		**38,544**	4,884
Exchange realignment		**3,696**	2,142
As at 31 December		**120,284**	78,044

Exploration and evaluation assets were related to Hebei Gold Mines and Shandong Gold Mines as disclosed in Note 22 to the consolidated financial statements.

The Directors considered that no impairment loss shall be recognised for the year ended 31 December 2011 as there was no indication for provision of impairment loss being identified.

Notes to Consolidated Financial Statements

For the year ended 31 December 2011

24. INTERESTS IN SUBSIDIARIES

	Company 2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**7,414,210**	7,414,210
Due from subsidiaries	**163,165**	100,162
	7,577,375	7,514,372
Impairment loss	**(37,751)**	–
	7,539,624	7,514,372

The balances with subsidiaries for the years ended 31 December 2011 and 31 December 2010 were unsecured, interest-free and were not repayable within twelve months after the end of the reporting date.

Particulars of the principal subsidiaries were as follows:

Name	Place of incorporation/ registration and operation	Nominal value of issued and paid-up share/ registered capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
Bright Group (BVI) Limited	BVI/Hong Kong	US$702 Ordinary	100	–	Investment holding
Million Gold Fortune Limited	Hong Kong	HK$1 Ordinary	–	100	Investment holding
Beijing Tsingha Deshi Technology Company Limited	PRC	RMB15,000,000	–	75	Investment holding
Chengde Longxin Mining Company Limited	PRC	RMB10,000,000	–	60	Exploitation of gold mines
Dejin Resources Management Limited	Hong Kong	HK$1 Ordinary	–	100	Provision for management services
Dejin Resources Limited	Hong Kong	HK$1 Ordinary	–	100	Investment holding
Longhua County Longde Mining Company Limited	PRC	RMB3,200,000	–	70.3	Exploitation of gold mines
Qinglong Manchu Autonomous County Zijin Mining Development Company Limited	PRC	RMB5,000,000	–	67.5	Exploitation of gold mines
Qinglong Manchu Autonomous County Qidaohe Huangjin Company Limited	PRC	RMB2,000,000	–	67.5	Exploitation of gold mines

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24. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operation	Nominal value of issued and paid-up share/ registered capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
Qinglong Manchu Autonomous County Chilong Mining Development Company Limited	PRC	RMB11,800,000	–	67.5	Exploitation of gold mines
Qinglong Manchu Autonomous County Dayingzi Huangjin Company Limited	PRC	RMB2,000,000	–	67.5	Exploitation of gold mines
Qinglong Manchu Autonomous County Tsingda Dejin Gold Mine Company Limited	PRC	RMB10,000,000	–	67.5	Exploitation of gold mines
Mark Unison Limited	BVI/Hong Kong	US$1 Ordinary	–	100	Investment holding
Uni-Bright Development Limited	Hong Kong	HK$1 Ordinary	–	100	Investment holding
Yintai Huanghui Mining Company Limited	PRC	USD30,000,000	–	90	Exploitation of gold mines
Whole Bright Industries (Macao Commercial Offshore) Limited	Macau	MOP100,000	–	100	Trading of lighting products
Asiacorp Universal Limited	BVI/Hong Kong	US$1 Ordinary	–	100	Investment holding
環宇世紀林業（深圳）有限公司	PRC	HK$4,000,000	–	100	Tree plantation, research and development on plantation related technologies, and sale and distribution of plantation products

The above table listed 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.

None of the subsidiaries had issued any debt securities for the years ended 31 December 2011 and 31 December 2010.

Notes to Consolidated Financial Statements

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25. INVENTORIES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Raw materials	**15,426**	–
Finished goods	**–**	275
	15,426	275

26. TRADE AND BILLS RECEIVABLES

An aged analysis of the trade and bills receivables at the end of the reporting period, based on the invoice date and net of provisions, was as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
0 – 30 days	**31,348**	33,648
31 – 90 days	**71**	79,229
91 – 180 days	**141**	11,708
181 – 360 days	**15,898**	733
Over 360 days	**7,590**	1,024
	55,048	126,342

Trading terms with customers are largely on credit, except for new customers, where trade deposits, advances or payments in advance are normally required. Invoices are normally payable within 30 to 90 days of issuance by letters of credit or on an open account basis. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest bearing.

Impairment loss in respect of trade receivable is recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivable directly. The movement in the provision for impairment of trade receivable was as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
As at 1 January	**33,751**	21,990
Impairment loss	**17,646**	11,761
As at 31 December	**51,397**	33,751

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26. TRADE AND BILLS RECEIVABLES (continued)

At the end of each reporting period, the Group's provision for impairment of trade receivable was individually determined based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised.

The Group allowed a credit period from 30 to 90 days (2010: 30 to 90 days) to its customers.

The carrying value of trade and bills receivables is considered as reasonable approximation of fair value. Impairment of trade receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors and default or delinquency in payments are considered indicators that the trade receivable is impaired. All of the Group's trade receivables have been reviewed for indicators of impairment. As at 31 December 2011, the Group determined no trade receivables (2010: Nil) as individually written off and certain trade receivables were found to be impaired and bad debts of approximately HK$17,646,000 (2010: approximately HK$11,761,000) has been recognised accordingly. The impaired trade receivables were due from customers experiencing financial difficulties that were in default or delinquency of payments.

An aged analysis of trade and bills receivables past due but not impaired was as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Neither past due nor impaired	**31,419**	112,877
1 – 90 days	**141**	11,708
91 – 270 days	**15,898**	733
Over 270 days	**7,590**	1,024
Total trade and bills receivables, net	**55,048**	126,342

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. The Group's management considered that trade receivables that were past due but not impaired at the end of the reporting period were of good credit quality. The Group did not hold any collateral over these balances.

Included in trade and bills receivables were the following amounts denominated in a currency other than the functional currency of the entity to which they related:

	Group	
	2011	2010
	HK$'000	*HK$'000*
US dollars	**30,272**	126,342

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27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

All of the prepayments, deposits and other receivables were expected to be recovered or recognised as expense within one year. Except for an amount of approximately HK$770,000, which was expected to be recovered on recognised as expense more than one year, was recognised as at 31 December 2010.

28. CASH AND BANK BALANCES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**9,788**	57,084	**3,646**	711

At the end of the reporting period, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$3,733,000 (2010: approximately HK$25,574,000). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

29. BANK BORROWINGS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Current		
Discounted bills with recourse – secured *(Note)*	**–**	42,882

Note: Balance represented proceeds from bank on discounted bills as at 31 December 2010 which were secured by the related bill receivables and bore interest ranging from 5% to 8% per annum.

As at 31 December 2010, all of the Group's bank borrowings were denominated in US dollars. The Group's bank borrowing facilities were HK$97 million, of which approximately of HK$43 million had been utilised as at the end of the reporting period.

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30. TRADE PAYABLES

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
0 – 90 days	**2,008**	25,654
91 – 180 days	**–**	–
181 – 360 days	**–**	–
Over 360 days	**7**	7
	2,015	25,661

The trade payables were non-interest bearing and were normally settled on 60 days terms.

31. OTHER PAYABLES AND ACCRUALS

All of the Group's and the Company's other payables and accruals were expected to be settled or recognised as income within one year or were repayable on demand.

32. OBLIGATIONS UNDER FINANCE LEASES

The Group's entered into several finance leases for certain motor vehicles. All finance leases were on a fixed repayment basis and the average effective borrowing rate ranged from 2.5% to 2.8% per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The Group				
Amounts payment under finance leases:				
Within one year	**1,323**	–	**1,192**	–
In more than one year but not more than two years	**1,128**	–	**1,010**	–
In more than two years but not more than three years	**776**	–	**683**	–
In more than three years but not more than five years	**352**	–	**305**	–
	3,579	–	**3,190**	–
Less: Future finance charges	**(389)**	–	**–**	–
Present value of lease obligations	**3,190**	–	**3,190**	–
Less: Amount due for settlement within one year shown under current liabilities			**(1,192)**	–
			1,998	–

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets.

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33. AMOUNT DUE TO A RELATED COMPANY

	Group		
	Maximum debit balance	**2011**	2010
	HK$'000	***HK$'000***	*HK$'000*
瑩輝興業股份有限公司	37	**37**	37

The amount due to a related company was unsecured, non-interest bearing and was repayable on demand. The amount represented reimbursement payable to the related company, 瑩輝興業股份有限公司, for expenses and purchases paid on behalf of the Group. The related company is a company which is beneficially owned by a director of the Company.

34. DEFERRED TAX LIABILITIES

	Group					
	Convertible notes	**Revaluation of investment properties**	**Revaluation of leasehold land and buildings**	**Revaluation of biological assets**	**Revaluation of land use rights**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2010	–	488	13,163	82,750	245	96,646
Disposal of subsidiaries	–	(488)	(13,163)	246	(245)	(13,650)
Initial recognition of equity component of convertible notes	113,257	–	–	–	–	113,257
Conversion of convertible notes	(69,943)	–	–	–	–	(69,943)
As at 31 December 2010 and as at 1 January 2011	**43,314**	**–**	**–**	**82,996**	**–**	**126,310**
Conversion of convertible notes	**(6,029)**	**–**	**–**	**–**	**–**	**(6,029)**
Cancellation of convertible notes	**(18,088)**	**–**	**–**	**–**	**–**	**(18,088)**
Deferred tax credited to profit or loss	**–**	**–**	**–**	**(11,000)**	**–**	**(11,000)**
As at 31 December 2011	**19,197**	**–**	**–**	**71,996**	**–**	**91,193**

The Group has not recognised deferred tax assets in respect of cumulative tax losses in certain subsidiaries of HK$20,223,000 as at 31 December 2011 (2010: HK$23,084,000) as it is not probable that future profits will be available against which the losses can be utilised.

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35. PROVISION FOR LAND RESTORATION AND ENVIRONMENTAL COST

		Group	
		2011	2010
	Note	***HK$'000***	*HK$'000*
As at 1 January		**64,052**	–
Acquisition of subsidiaries	*45*	**–**	64,052
As at 31 December		**64,052**	64,052

In accordance with relevant PRC rules and regulations, the Group is obligated to accrue the costs of land reclamation and mine closures of the Group's existing mines. The provision for land restoration and environmental cost has been determined by the Directors based on their best estimates.

36. PROMISSORY NOTES

	Group and Company	
	2011	2010
	HK$'000	*HK$'000*
As at 1 January	**82,907**	–
Fair value at the date of issue	**–**	360,495
Imputed interest	**3,387**	32,412
	86,294	392,907
Settlement during the year	**(10,000)**	(310,000)
As at 31 December	**76,294**	82,907

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During the year ended 31 December 2011, the Promissory Note in the principal amount of HK$10,000,000 was settled by the Company. As at 31 December 2011, the carrying amount of the Promissory Note was approximately HK$76,294,000.

For the year ended 31 December 2010

On 13 May 2010, the Company issued a zero-coupon promissory note due 2013 in the principal amount of HK$400,000,000 ("Promissory Note") as part of the consideration for the acquisition of entire equity interests in Goldpic Investments Limited (Note 45). The effective interest rate of the Promissory Note was 3.47% per annum. During the year ended 31 December 2010, the Promissory Note in the principal amount of HK$310,000,000 was settled by the Company. As at 31 December 2010, the carrying amount of the Promissory Note was approximately HK$82,907,000.

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37. CONVERTIBLE NOTES

	Group and Company	
	2011	2010
	HK$'000	*HK$'000*
Proceed of issue:	–	6,950,000
Equity component	–	(686,402)
Liability component at date of issue	–	6,263,598

The movements in liability and equity component of the convertible notes were set out as follows:

	Equity component	Liability component	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2010	–	–	–
Issue of Convertible Notes	686,402	6,263,598	6,950,000
Imputed interest	–	78,565	78,565
Deferred tax relating to transactions with owners	(113,257)	–	(113,257)
Conversion of Convertible Notes	(353,948)	(3,893,640)	(4,247,588)
As at 31 December 2010 and as at 1 January 2011	**219,197**	**2,448,523**	**2,667,720**
Imputed interest	**–**	**72,550**	**72,550**
Conversion of Convertible Notes	**(30,513)**	**(339,052)**	**(369,565)**
Cancellation of Convertible Notes *(Note (b))*	**(91,538)**	**(1,073,712)**	**(1,165,250)**
As at 31 December 2011	**97,146**	**1,108,309**	**1,205,455**

Notes:

(a) On 3 May 2010, the Company issued two zero-coupon convertible notes in aggregate principal amount of HK$6,950,000,000 ("Convertible Notes") as to HK$5,920,000,000 and HK$1,030,000,000 for part of consideration for the acquisitions of the entire equity interests in Goldpic Investments Limited ("Hebei Acquisition") and Mark Unison Limited ("Shandong Acquisition") respectively.

The maturity date of Convertible Notes is on 13 May 2013 ("Maturity Date") and will be redeemed at its principal amount at the Maturity Date by the Company. The Convertible Notes are convertible into ordinary shares of the Company at any time after 13 May 2010 up to, and excluding, the close of business on the Maturity Date at a conversion price of HK$0.6 per share. The conversion option component of the Convertible Notes will be settled by an exchange of a fixed number of cash for a fixed number of the Company's own equity instruments and accordingly is classified as an equity instrument of the Company.

Notes to Consolidated Financial Statements

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37. CONVERTIBLE NOTES (continued)

Notes: (continued)

The Convertible Notes contain two components, liability and equity components. The equity component is included in the convertible notes reserve. The effective interest rate of the liability component was 3.47% per annum. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The value of the equity conversion component, calculated with reference to valuation carried out by Castores MAGI, an independent professional qualified valuer, was included in shareholders' equity in convertible notes reserve. The fair values of the liability component and the equity conversion component were determined at issuance of the Convertible Notes.

During the year ended 31 December 2010, the Convertible Notes in the principal amount of HK$4,292,000,000 were converted into the ordinary shares of the Company. As at 31 December 2010, the carrying amounts of the liability and equity components of the Convertible Notes were approximately HK$2,448,523,000 and HK$219,197,000 respectively.

(b) For the Hebei Acquisition and Shandong Acquisition, the Hebei and Shandong vendors have agreed to warrant and guarantee to the Group that the Hebei Actual Profit and Shandong Actual Profit will, in aggregate, be not less than HK$950 million and HK$160 million from 13 May 2010 to 31 December 2011 (the "Profit Guarantee Period") respectively. As securities for the performance of profit guarantee obligations, the Hebei and Shandong vendors have deposited the certificates in respect of the Convertible Notes in the principal amount of HK$950 million and HK$160 million respectively to the Company upon the completion of the acquisitions which took place on 13 May 2010.

In accordance with the Hebei Acquisition Agreement and Shandong Acquisition Agreement, if an aggregate consolidated loss is recorded for the Profit Guarantee Period, all of the Pledged Convertible Notes held by the Company shall be cancelled.

For the year ended 31 December 2011, both of the Hebei Acquisition and Shandong Acquisition reported consolidated losses for the Profit Guarantee Period. As such, all of the Pledged Convertible Notes with the carrying amount of liability component of approximately HK$1,073.7 million were cancelled. The cancellation of these Pledged Convertible Notes led to a gain of approximately HK$1,150.2 million.

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38. SHARE CAPITAL

	Notes	Company Number of shares '000	Nominal values HK$'000
Authorised:			
Ordinary shares of HK$0.1 each			
As at 1 January 2010		2,000,000	200,000
Increase during the year	*(a)*	23,000,000	2,300,000
As at 31 December 2010, as at 1 January 2011 and as at 31 December 2011		**25,000,000**	**2,500,000**
Issued and fully paid:			
Ordinary shares of HK$0.1 each			
As at 1 January 2010		1,043,778	104,378
Issuance of shares pursuant to conversion of convertible notes	*(b)*	7,153,333	715,333
Exercise of share options	*(c)*	10,288	1,029
As at 31 December 2010 and as at 1 January 2011		**8,207,399**	**820,740**
Placing of share	*(d)*	**350,000**	**35,000**
Issuance of shares pursuant to conversion of convertible notes	*(b)*	**616,667**	**61,667**
As at 31 December 2011		**9,174,066**	**917,407**

The movements in the Company's share capital were as follows:

(a) Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting held on 3 May 2010, the authorised share capital of the Company increased from HK$200,000,000 to HK$2,500,000,000 by the creation of an additional 23,000,000,000 unissued ordinary shares of HK$0.1 each, such new shares ranking pari passu in all respects with the existing shares of the Company.

(b) Pursuant to ordinary resolutions passed by the shareholders of the Company at a special general meeting held on 3 May 2010, the Company issued two convertible notes in the aggregate principal amount of HK$6,950,000,000 with a conversion price of HK$0.6 each for the acquisition of the entire equity interests in Goldpic Investments Limited and Mark Unison Limited. Details of the convertible notes issued by the Company were set out in Note 37 to the consolidated financial statements.

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38. SHARE CAPITAL (continued)

(b) (continued)

During the year ended 31 December 2011, the principal amount of HK$370,000,000 of the convertible notes were converted which resulted in an aggregate of 616,666,666 ordinary shares being issued by the Company. Details of the conversion of convertible notes were summarised as follow:

Date of conversion of convertible notes	**Number of ordinary shares issued**	**Conversion price** *HK$*	**Aggregate consideration** *HK$*
18 January 2011	**166,666,667**	**0.6**	**100,000,000**
23 February 2011	**416,666,666**	**0.6**	**250,000,000**
28 September 2011	**33,333,333**	**0.6**	**20,000,000**
	616,666,666		**370,000,000**

During the year ended 31 December 2010, the principal amount of HK$4,292,000,000 of the convertible notes were converted which resulted in an aggregate of 7,153,333,331 ordinary shares being issued by the Company. Details of the conversion of convertible notes were summarised as follows:

Date of conversion of convertible notes	Number of ordinary shares issued	Conversion price *HK$*	Aggregate consideration *HK$*
26 May 2010	1,150,000,000	0.6	690,000,000
28 May 2010	128,333,333	0.6	77,000,000
9 June 2010	483,333,333	0.6	290,000,000
28 June 2010	823,333,333	0.6	494,000,000
23 July 2010	1,038,333,333	0.6	623,000,000
6 August 2010	500,000,000	0.6	300,000,000
8 September 2010	1,329,999,999	0.6	798,000,000
18 September 2010	30,000,000	0.6	18,000,000
11 October 2010	670,000,000	0.6	402,000,000
8 November 2010	1,000,000,000	0.6	600,000,000
	7,153,333,331		4,292,000,000

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38. SHARE CAPITAL (continued)

(c) During the year ended 31 December 2010, an aggregate of 10,288,000 ordinary shares of HK$0.1 were issued in respect the exercise of share options by employees under the share option scheme. Details of the exercise of share options were summarised as follows:

Date of exercise of share options	Number of ordinary shares issued	Exercise price *HK$*	Aggregate consideration received *HK$*
14 January 2010	10,288,000	0.472	4,855,936

(d) Pursuant to the placing agreement on 11 January 2011, Knight Asia Investments Limited and Super Master Investments Limited, shareholders of the Company, entered into an agreement with Senrigan Capital Group Limited, pursuant to which Super Master and Knight Asia have agreed to sell, in aggregate, 350,000,000 shares to Senrigan Capital at HK$0.3 per share. At the same date, the Company issued 250,000,000 shares to Super Master and 100,000,000 shares to Knight Asia.

Date of issued	**Number of ordinary shares issued**	**Issued price** ***HK$***	**Aggregate consideration received** ***HK$***
17 January 2011	**350,000,000**	**0.3**	**105,000,000**

39. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's Directors, including independent non-executive Directors, employees, whether full-time or part-time, of the Group or any Invested Entity (as defined in the Scheme), suppliers of goods or services to the Group or any Invested Entity, customers of the Group or any Invested Entity, person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or holder of securities issued by any member of the Group or any Invested Entity.

At the Company's annual general meeting held on 20 May 2011, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 25 April 2002 (the "Terminated Scheme") and the adoption of a new share option scheme (the "New Scheme"). The New Scheme shall be valid and effective for a period of ten years commencing on 20 May 2011.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes adopted by the Company must not exceed 30% of the total number of shares in issue from time to time. The maximum entitlement of each eligible participant (including both exercised and outstanding options) under the Scheme is 1% of the shares of the Company in issue within any 12-month period. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in advance in a general meeting of the Company.

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39. SHARE OPTION SCHEME (continued)

Each grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive Directors of the Company. In addition, any grant of share options to a substantial shareholder or an independent non-executive Directors of the Company, or to any of their associates, resulting in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person, in a 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, is subject to shareholders' approval in advance in a general meeting of the Company.

The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the Directors, save that such period shall not be more than 10 years from the date of the offer of the share options, subject to the provisions for early termination set out in the Scheme. There is no specific requirement that an option must be held for any minimum period before it can be exercised but the Board of Directors is empowered to impose at its discretion any such minimum period at the time of offering any particular options.

The exercise price of the share options is determined by the Directors, but shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of the share options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of a share of the Company.

On 9 December 2011, a total of 586,000,000 share options were granted under the New Scheme. The estimated fair value of the share options granted was approximately HK$42,225,000. The closing price of the Company's share immediately preceding the date of the grant was HK$0.081. No share options were exercised or cancelled during the year.

All of the outstanding 10,288,000 share options granted under the Terminated Scheme had been exercised during the year ended 31 December 2010.

The fair value of the granted share options was calculated by Castores MAGI, an independent professional qualified valuer. The fair value of the granted share options was calculated using the Black-Scholes model. The inputs in the model were as follows:

Share price as at grant date:	HK$0.093
Exercise price:	HK$0.1
Expected volatility	75.507%
Risk-free rate:	1.35%

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39. SHARE OPTION SCHEME (continued)

Expected volatility was determined by using the historical volatility of the Company's share price before the grant date. The variables and assumptions used in comprising the fair value of share options were based on Directors' best estimates.

Details of the share options granted under the New Scheme and Terminated Scheme the during the years ended 31 December 2011 and 31 December 2010 to subscribe for the shares in the Company were as follows:

2011 ("New Scheme")

				Number of share options			
Option holder	Date of grant	Exercise price per share	Exercisable period	Outstanding as at 1 January 2011	Granted during the year	Exercised during the year	Outstanding as at 31 December 2011
Directors							
Cheung Wai Yin. Wilson	9 December 2011	HK$0.1	3 January 2012 to 8 December 2021	–	80,000,000	–	80,000,000
Lau Chi Yan, Pierre	9 December 2011	HK$0.1	3 January 2012 to 8 December 2021	–	80,000,000	–	80,000,000
Anthony John Earle Grey	9 December 2011	HK$0.1	3 January 2012 to 8 December 2021	–	8,000,000	–	8,000,000
Ma Chun Fung, Horace	9 December 2011	HK$0.1	3 January 2012 to 8 December 2021	–	8,000,000	–	8,000,000
Pang Yuen Shan, Christina	9 December 2011	HK$0.1	3 January 2012 to 8 December 2021	–	8,000,000	–	8,000,000
				–	184,000,000	–	184,000,000
Employees	9 December 2011	HK$0.1	3 January 2012 to 8 December 2021	–	242,000,000	–	242,000,000
Consultants	9 December 2011	HK$0.1	3 January 2012 to 8 December 2021	–	160,000,000	–	160,000,000
				–	586,000,000	–	586,000,000

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39. SHARE OPTION SCHEME (continued)

2010 ("Terminated Scheme")

Option holder	Date of grant	Exercise price per share	Exercisable period	Number of share options: Outstanding as at 1 January 2010	Granted during the year	Exercised during the year	Outstanding as at 31 December 2010
Employees	29 May 2008	HK$0.472	29 May 2008 to 28 May 2010	10,288,000	–	(10,288,000)	–
				10,288,000	–	(10,288,000)	–

Share options and weight average exercise price were presented as follows:

	2011 Number of shares	**2011** Weighted average exercise price *HK$*	2010 Number of shares	2010 Weighted average exercise price *HK$*
Outstanding share options as at 1 January	**–**	**–**	10,288,000	0.472
Granted during the year	**586,000,000**	**0.1**	–	–
Exercised during the year	**–**	**–**	(10,288,000)	0.472
Outstanding share options as at 31 December	**586,000,000**	**0.1**	–	–

All share options have been accounted for under HKFRS 2. The outstanding share options as at 31 December 2011 had weighted average exercise prices of HK$0.1 and a weighted average remaining contractual life of 10 years.

40. RESERVES

(a) Group

The movements of the Group's reserves were presented in the consolidated statement of changes in equity on page 37 of the consolidated financial statements.

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40. RESERVES (continued)

(b) Company

	Share premium HK$'000	Contributed surplus HK$'000	Convertible notes reserve HK$'000	Share based payment reserve HK$'000	Retained profits HK$'000	Total HK$'000
As at 1 January 2010	194,519	43,515	–	821	149,577	388,432
Net loss for the year	–	–	–	–	(111,753)	(111,753)
Exercise of share options	3,827	–	–	(821)	–	3,006
Issuance of convertible notes	–	–	686,402	–	–	686,402
Deferred tax relating to transactions with owners	–	–	(113,257)	–	–	(113,257)
Conversion of convertible notes	3,602,197	–	(353,948)	–	–	3,248,249
As at 31 December 2010 and as at 1 January 2011	**3,800,543**	**43,515**	**219,197**	**–**	**37,824**	**4,101,079**
Placing of new shares	**70,000**	**–**	**–**	**–**	**–**	**70,000**
Share issuance expenses	**(843)**	**–**	**–**	**–**	**–**	**(843)**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**42,225**	**–**	**42,225**
Net profit for the year	**–**	**–**	**–**	**–**	**974,966**	**974,966**
Conversion of convertible notes	**313,929**	**–**	**(30,513)**	**–**	**–**	**283,416**
Cancellation of convertible notes	**–**	**–**	**(91,538)**	**–**	**33,178**	**(58,360)**
As at 31 December 2011	**4,183,629**	**43,515**	**97,146**	**42,225**	**1,045,968**	**5,412,483**

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40. RESERVES (continued)

(c) Nature and purpose of reserves

Contributed surplus

The contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1999, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its members out of its contributed surplus in certain circumstances.

Share based payment reserve

The share based payment reserve represents the portion of the grant date fair value of unexercised share options granted to the directors, the employees and the consultants of the Company that has been recognised in accordance with the accounting policy adopted for share-based payment in Note 3.19.

Convertible notes reserve

The convertible notes reserve represents the amount allocated to the equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes in Note 3.10.2.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

41. CONTINGENT LIABILITIES

At the end of reporting period, the Group and the Company had no material contingent liabilities (2010: Nil).

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42. OPERATING LEASE COMMITMENTS

The Group leased certain of its office premises, staff quarters and warehouses under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

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

	Group	
	2011	2010
	Office premises	Office premises, staff quarters and warehouses
	HK$'000	*HK$'000*
Within one year	**1,661**	1,661
In the second to fifth years, inclusive	**830**	2,491
	2,491	4,152

43. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Purchase of services from a related party

For the year ended 31 December 2010, the Group paid hotel room charges and food and beverage charges to a related company for an aggregate amount of approximately HK$320,000 for the provision of services to the Group's business partners and business associates during their visits to the Group's factory in the PRC.

In the opinion of the directors, the transactions were made in the normal course of business and according to the prices and terms similar to those charged to and contracted with other major customers of the supplier.

The related party was a company which was beneficially owned by a Director of the Company.

(b) Compensation of key management personnel of the Group:

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
Short term employee benefits	**4,471**	7,122
Share-based payments	**13,256**	–
	17,727	7,122

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44. LITIGATION

In October 2011, 北京清大德氏科技有限公司 (transliterated as Beijing Tsingda Deshi Technology Limited) ("Tsingda Deshi"), a joint venture company established in the PRC with limited liability, 75% of the entire registered capital of which is owned by the Company, was aware of an order (the "Distress Order") made by 河北省承德市中級人民法院 (transliterated as The Intermediate People's Court of Chengde City, the Hebei Province), for the freeze of (i) the assets of Tsingda Deshi in its two subsidiaries, namely the 80% equity interests in 承德隆鑫礦業有限公司 ("Longxin Mining") and the 93.75% equity interests in 隆化縣龍德礦業有限公司 ("Longde Mining"); and (ii) the exploitation licence of Longxin Mining and Longde Mining, respectively pending the outcome of a contractual claim (the "Litigation") taken out by the plaintiff against Tsingda Deshi.

The plaintiff is one of the shareholders of Longxin Mining. The plaintiff alleged that pursuant to an agreement (the "Alleged Agreement") between him (for himself and on behalf of a minority shareholder of Longxin Mining) and Tsingda Deshi, which was dated 26 March 2010, in relation to the subscription for 80% equity interest in Longxin Mining by Tsingda Deshi and further capital injection by Tsingda Deshi to the gold mine owned by Longxin Mining, Tsingda Deshi has failed to inject such capital and was in breach of the Alleged Agreement.

The Company was informed by the legal representative of Tsingda Deshi that Tsingda Deshi has neither entered into the Alleged Agreement nor any other written or verbal agreements (either explicit or implicit) with the plaintiff regarding its interest in Longxin Mining and/or Longde Mining. The Board noted that the Alleged Agreement was dated before the completion (the "Completion") of the acquisition of the gold mines in Hebei Province, the PRC in May 2010 pursuant to the sale and purchase agreement (the "SPA") entered into by the Group on 16 September 2009. Nevertheless, the Board takes the view that the Company is fully protected by the warranties given by the vendor in the SPA given that the Group was not aware of the Alleged Agreement before Completion. Hence, the Board believes that the Litigation should not have a material impact on the Group's operation and assets.

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45. ACQUISITION OF SUBSIDIARIES

There was no transaction for business combination during the year ended 31 December 2011.

On 16 September 2009, Best Commerce Limited, a wholly owned subsidiary of the Company, entered into acquisition agreements with Silver Mark Enterprises Limited and Wingem Investments Limited for the acquisitions of the entire equity interests in Goldpic Investments Limited ("Goldpic") and Mark Unison Limited ("Mark Unison") respectively for an aggregate consideration of HK$7,410 million which were payable by (i) HK$60 million in cash; (ii) the issue of promissory note in the principal amount of HK$400 million; and (iii) the issue of convertible notes in the principal amount of HK$6,950 million.

The principal activities of Goldpic and Mark Unison were investment holding and the principal activities of their subsidiaries were engaged in gold mine exploitation and gold ore concentrates processing. The acquisitions were completed in May 2010.

Goldpic and Mark Unison were acquired to diversify the existing business of the Group so as to broaden its revenue base and maintain a stable income stream for the Group in the future. The Group obtained control of Goldpic and Mark Unison though its voting power and board composition over Goldpic and Mark Unison.

The identified net assets and liabilities recognised at the date of acquisition and goodwill were set out as follows:

		2010	
	Carrying value	Fair value adjustment	Fair value
	HK$'000	*HK$'000*	*HK$'000*
Fair value of net assets acquired:			
Property, plant and equipment	11,964		11,964
Mining rights	–	6,535,190	6,535,190
Land use rights	4,077		4,077
Exploration and exploitation costs	71,018		71,018
Inventories	257		257
Cash and bank balances	25,421		25,421
Other receivables	2,789		2,789
Other payables	(25,212)		(25,212)
Provision for land restoration and environment cost	(64,052)		(64,052)
	26,262		6,561,452
Non-controlling interests			(29,915)
			6,531,537
Total cost of acquisition:			
Fair value of the consideration for the acquisition:			
– Cash			60,000
– Issuance of promissory notes *(Note 36)*			360,495
– Issuance of convertible notes *(Note 37)*			6,950,000
			7,370,495
Goodwill			838,958

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45. ACQUISITION OF SUBSIDIARIES (continued)

Acquisition-related costs amounting to HK$2,172,000 had been excluded from the consideration transferred and had been recognised as an expense during the year.

The non-controlling interests in Goldpic and Mark Unison recognised at the acquisition date were measured by reference to its proportionate shares of the recognised amounts of the identifiable net assets of Goldpic and Mark Unison respectively.

Net cash outflow on acquisition:

	Group 2010 *HK$'000*
Consideration paid in cash	60,000
Less: Cash and bank balances acquired of	(25,421)
	34,579

Impact of acquisitions on the results of the Group

Included in the results for the year were a profit of approximately HK$2,665,000 and a loss of approximately HK$1,000 attributable to the mining business operated by Goldpic and Mark Unison respectively. Revenue for the year included HK$41,696,000 and HK$Nil in respect of Goldpic and Mark Unison respectively.

During the end of the reporting period, the revenue and results of mining business amounted to HK$41,696,000 and HK$7,807,000 respectively.

46. DISPOSAL OF SUBSIDIARIES

There was no transaction for disposal of subsidiary for the year ended 31 December 2011. Disposal of subsidiaries during the year ended 31 December 2010 were summarised as follows:

(a) On 25 June 2010, Bright Group (BVI) Limited, a wholly owned subsidiary of the Company entered into two sale and purchase agreements with Ultra Fast Holdings Limited for the disposal of the entire equity interests in Perfect Rich Holdings Limited and its subsidiary and Bright China Investment Holdings Limited and its subsidiaries at a cash consideration of HK$14,000,000 and HK$500,000 respectively. The transactions were completed in July 2010.

(b) On 31 August 2010, Bright Group (BVI) Limited, a wholly owned subsidiary of the Company entered into a sale and purchase agreement with Brand One Holdings Limited for the disposal of the entire equity interests in Willy Garden Limited and its subsidiary at a cash consideration of HK$82,000,000. The transaction was completed in October 2010.

(c) On 15 October 2010, Bright Group (BVI) Limited, a wholly owned subsidiary of the Company entered into a sale and purchase agreement with Union Classic Investment Limited for the disposal of the entire equity interests in Full Scene Development Limited and its subsidiary at a cash consideration of HK$65,000,000. The transaction was completed in November 2010.

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46. DISPOSAL OF SUBSIDIARIES (continued)

The net assets disposed of in the transaction and gain on disposal arising were as follows:

	Group 2010 *HK$'000*
Fair value of net liabilities disposed of:	
Property, plant and equipment	169,527
Investment properties	3,850
Inventories	80,081
Trade receivables	302,541
Prepayments, deposits and other receivables	55,438
Cash and bank balances	11,375
Trade payable	(122,334)
Other payables and accruals	(477,462)
Amount due to a related company	(393)
Deferred tax liabilities	(13,650)
Tax liabilities	(10,367)
Exchange reserves	(5,093)
Property revaluation reserves	(22,201)
Net liabilities	(28,688)
Consideration:	
Cash consideration received	164,680
Gain on disposal of subsidiaries	193,368
Net cash inflow from disposal:	
Consideration received in cash	164,680
Less: Cash and bank balances disposed of	(11,375)
	153,305

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47. RISK MANAGEMENT OBJECTIVES AND POLICES

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates, currency exchange rates, credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risks is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes.

The Group's principal financial instruments mainly comprise of cash and cash equivalents, trade and bills receivables, prepayments, deposits and other receivables, amount due to a related company, trade payables and other payables and accruals. The most significant financial risks to which the Group is exposed and the financial risk management policies and practices used to manage these risks are described below.

Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rates except for bank overdrafts. A reasonably possible change in interest rate in the next twelve months is assessed, which could have immaterial change in the Group's profits after tax and retained earnings. Changes in interest rates have no impact on the Group's other components of equity. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense.

Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is United States dollar ("US$") and Renminbi ("RMB"). The Group reviews its foreign currency exposures regularly and does not consider its foreign exchange risk to be significant.

Foreign currency risk exposure

The following table detailed the Group's exposure at the end of the reporting period to foreign currency risk from the financial assets and financial liabilities denominated in a currency other than the functional currency to which the operating entities related:

	Group	
	2011	2010
	US$'000	*US$'000*
Trade and bills receivables	**3,881**	16,198

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47. RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

Foreign currency risk (continued)

Foreign currency risk sensitivity analysis

The Group was mainly exposed to the fluctuation in US$ against RMB.

The following table indicated the approximate change in the Group's profit after tax and retained earnings in response to the reasonable possible strengthening/weakening in US$ against RMB. There was no impact on other components of consolidated equity. Differences resulting from the translation of the financial statements of foreign operations into the group's presentation currency were excluded.

	2011		2010	
	Increase/ (Decrease) in foreign exchange rates	**Effect on profit after tax and retained earnings**	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained earnings
	%	***HK$'000***	%	*HK$'000*
US$	**2.89%**	**814**	3.76%	2,034
	(2.89%)	**(814)**	(3.76%)	(2,034)

The sensitivity rate of 2.89% (2010: 3.76%) was used when reporting foreign currency risk internally to key management personnel and represented management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusted their translation at the year end for a 2.89% (2010: 3.76%) change in foreign currency rates. The functional currency of the Group's major operating subsidiaries was in RMB. A strengthening/weakening of the above foreign currencies against RMB at the end of each reporting period would have had a profit/loss effect respectively to the amounts shown above, on the basis that all other variables remained constant.

The Company was not exposed to any foreign currency risk.

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For the year ended 31 December 2011

47. RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

Credit risk

The Group's exposure to credit risk was mainly limited to the carrying amounts of financial assets recognised at the end of the reporting date, as summarised below:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Classes of financial assets:				
Trade and bills receivables	**55,048**	126,342	**–**	–
Prepayments, deposits and other receivables	**110,699**	182,624	**6,700**	15,325
Cash and bank balances	**9,788**	57,084	**3,646**	711
	175,535	366,050	**10,346**	16,036

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. The Group closely monitors the concentration of credit risk on individual customers based on their credit worthiness. The Group has certain concentrations of credit risk as 45% (2010: 72%) of the Group's trade receivables were due from the Group's two largest customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables were disclosed in Note 26 to the consolidated financial statements.

Liquidity risk

The Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise additional funding from the realisation of its assets if required.

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47. RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

Liquidity risk (continued)

As at 31 December 2011 and 31 December 2010, the remaining contractual maturity of the Group's and the Company's financial liabilities which were based on undiscounted cash flows were summarised below:

	Group					
	On demand or less than 1 month	1-3 months	3 to less than 6 months	6 to less than 12 months	1-5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2011						
Non-derivative financial assets						
Trade and bill receivables	**31,348**	**71**	**141**	**15,898**	**7,590**	**55,048**
Prepayments, deposit and other receivables	**2,757**	**33,336**	**47,255**	**27,351**	**–**	**110,699**
Cash and bank balances	**9,788**	**–**	**–**	**–**	**–**	**9,788**
	43,893	**33,407**	**47,396**	**43,249**	**7,590**	**175,535**
Non-derivative financial liabilities						
Trade payables	**–**	**(2,008)**	**–**	**–**	**(7)**	**(2,015)**
Other payables and accruals	**–**	**(20,126)**	**–**	**–**	**–**	**(20,126)**
Obligations sunder finance leases	**–**	**(199)**	**(298)**	**(695)**	**(1,998)**	**(3,190)**
Promissory notes	**–**	**–**	**–**	**–**	**(76,294)**	**(76,294)**
Convertible notes	**–**	**–**	**–**	**–**	**(1,108,309)**	**(1,108,309)**
Amount due to a related company	**(37)**	**–**	**–**	**–**	**–**	**(37)**
	(37)	**(22,333)**	**(298)**	**(695)**	**(1,186,608)**	**(1,209,971)**
As at 31 December 2010						
Non-derivative financial assets						
Trade and bill receivables	33,648	79,229	11,708	733	1,024	126,342
Prepayments, deposit and other receivables	35,830	52,889	56,340	36,795	770	182,624
Cash and bank balances	57,084	–	–	–	–	57,084
	126,562	132,118	68,048	37,528	1,794	366,050
Non-derivative financial liabilities						
Trade payables	–	(25,654)	–	–	(7)	(25,661)
Other payables and accruals	–	(68,321)	–	–	–	(68,321)
Bank borrowings	–	(42,882)	–	–	–	(42,882)
Promissory notes	–	–	–	–	(82,907)	(82,907)
Convertible notes	–	–	–	–	(2,448,523)	(2,448,523)
Amount due to a related company	(37)	–	–	–	–	(37)
	(37)	(136,857)	–	–	(2,531,437)	(2,668,331)

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47. RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

Liquidity risk (continued)

	Company					
	On demand or less than 1 month	**1-3 months**	**3 to less than 6 months**	**6 to less than 12 months**	**1-5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2011						
Non-derivative financial assets						
Prepayments, deposit and other receivables	**–**	**6,700**	**–**	**–**	**–**	**6,700**
Cash and bank balances	**3,646**	**–**	**–**	**–**	**–**	**3,646**
	3,646	**6,700**	**–**	**–**	**–**	**10,346**
Non-derivative financial liabilities						
Promissory notes	**–**	**–**	**–**	**–**	**(76,294)**	**(76,294)**
Convertible notes	**–**	**–**	**–**	**–**	**(1,108,309)**	**(1,108,309)**
Other payables and accruals	**–**	**(16,280)**	**–**	**–**	**–**	**(16,280)**
	–	**(16,280)**	**–**	**–**	**(1,184,603)**	**(1,200,883)**
As at 31 December 2010						
Non-derivative financial assets						
Prepayments, deposit and other other receivables	–	14,555	–	–	770	15,325
Cash and bank balances	711	–	–	–	–	711
	711	14,555	–	–	770	16,036
Non-derivative financial liabilities						
Promissory notes	–	–	–	–	(82,907)	(82,907)
Convertible notes	–	–	–	–	(2,448,523)	(2,448,523)
Other payables and accruals	–	(33,844)	–	–	–	(33,844)
	–	(33,844)	–	–	(2,531,430)	(2,565,274)

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47. RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

Fair values

The fair values of the Group's financial assets and liabilities were not materially different from their carrying amounts because of the immediate or short term maturity.

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

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

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

– Level 3: (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

48. CAPITAL MANAGEMENT

Capital includes equity attributable to owners of the Company. The primary objectives of the Group's capital management are:

(a) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(b) To support the Group's stability and growth; and

(c) To provide capital for the purpose of strengthening the Group's risk management capability. The Group actively and regularly reviews and manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 2010.

The financial leverage of the Group as at 31 December 2011, as compared to 31 December 2010 has been disclosed in the management discussion and analysis.

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49. EVENT AFTER THE REPORTING PERIOD

On 23 March 2012, the Group entered into the subscription agreement with Sino Flourish Investments Limited (the "Subscriber"), an independent third party, pursuant to which the Subscriber has agreed to subscribe for and the Company has conditionally agreed to allot and issue 300,000,000 ordinary shares of the Company at a net subscription price of approximately HK$0.098 per ordinary share. The net proceeds from the said subscription were estimated to be approximately HK$29.4 million, which will be used as general working capital of the Group. Details of the transaction contemplated under the agreement were disclosed in the announcement dated 23 March 2012.

50. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

51. APPROVAL OF THE FINANCIAL STATEMENTS

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