DEJIN RESOURCES GROUP COMPANY LIMITED

德金資源集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1163)

2012

Annual Report

CONTENTS

CORPORATE INFORMATION

As at 23 April 2013

DIRECTORS

Executive Directors

Mr. Cheung Wai Yin, Wilson
(Chairman and Chief Executive Officer)
Mr. Tian Lidong
Mr. Lau Chi Yan, Pierre
Mr. Mow Tai Loy
Mr. Zhao Zhibin

Independent Non-executive Directors

Mr. Ma Chun Fung, Horace
Ms. Pang Yuen Shan, Christina
Mr. Fu Wing Kwok, Ewing

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. Fu Wing Kwok, Ewing

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. Ma Chun Fung, Horace
Mr. Cheung Wai Yin, Wilson

PRINCIPAL BANKERS

The Hongkong & 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

	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**35,881**	134,036	804,305	691,775	683,154
(Loss)/profit before taxation	**(4,267,732)**	20,724	69,741	89,002	32,942
Income tax credit/(expense)	**52,088**	7,448	(15,633)	(14,270)	(7,287)
(Loss)/profit for the year	**(4,215,644)**	28,172	54,108	74,732	25,655
Non-controlling interests	**15,959**	20,507	(1,803)	–	–
(Loss)/profit for the year attributable to owners of the Company	**(4,199,685)**	48,679	52,305	74,732	25,655
(Loss)/earnings per share		(Represented)	(Represented)	(Represented)	(Represented)
Basic and diluted (HK cents)	**(152.04) cents**	2.15 cents	5.35 cents	45.91 cents	19.86 cents

ASSETS, LIABILITIES, NON-CONTROLLING INTERESTS AND EQUITY

As at 31 December

	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets					
Non-current assets	**2,941,205**	6,998,946	7,848,905	553,060	271,782
Current assets	**55,113**	190,961	366,325	510,642	451,465
Total assets	**2,996,318**	7,189,907	8,215,230	1,063,702	723,247
Liabilities					
Non-current liabilities	**98,114**	1,341,846	2,721,792	96,646	11,564
Current liabilities	**916,409**	69,700	181,485	256,820	228,385
Total liabilities	**1,014,523**	1,411,546	2,903,277	353,466	239,949
Net assets	**1,981,795**	5,778,361	5,311,953	710,236	483,298
Equity					
Share capital	**34,581**	917,407	820,740	104,378	51,899
Reserves	**1,952,684**	4,849,889	4,459,495	605,858	431,399
Equity attributable to owners of the Company	**1,987,265**	5,767,296	5,280,235	710,236	483,298
Non-controlling interests	**(5,470)**	11,065	31,718	–	–
Total equity	**1,981,795**	5,778,361	5,311,953	710,236	483,298

CHAIRMAN'S STATEMENT

I would like 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 2012. During the year under review, the Group reported a turnover of approximately HK$35.9 million and recorded a loss attributable to the shareholders of the Company of approximately HK$4,199.7 million.

Since the Acquisition was completed in 2010, the worldwide economy has not been good and the capital market in Hong Kong has been sluggish. The share prices of the Company have, since then, been on the decline generally, thereby posing difficulties for the Company to raise funds through capital market. The development process of the gold mines has been in a slow pace thereby causing the development of gold mines not in line with the initial plan, such as (i) commercial production has not yet commenced at some gold mines in the People's Republic of China (the "PRC"); and (ii) the market consolidation of the gold mining industry as recently encouraged by the PRC government has resulted in a slow progress of reorganizing and integrating the gold mines of the Company with other gold mines in the vicinity. However, management kept working with local governments of Longhua County and Qinglong County in order to secure the Group's leading position in these regions.

In order to accelerate the exploration and exploitation process at our existing gold mines, the Group will consider any form of cooperation with qualified partners to develop the gold mines. Such kind of collaboration will reduce the Group's initial capital outlay which will definitely relieve the Group's existing financial burden and shorten the development time that will maximize the Group's benefit as a whole.

In relation to the Convertible Notes which will mature on 13 May 2013, the board of directors of the Company (the "Board") wishes to inform that the Company is in the process of negotiation with the holders of the Convertible Notes (the "Note Holders") for the proposed amendments of terms (the "Proposed Amendments") of the Convertible Notes.

As at the date hereof, no formal agreement has been entered into between the Company and the Note Holders relating to the Proposed Amendments. However, the Company has already been able to obtain the preliminary consent of a majority of the Note Holders in relation to the Proposed Amendments. The Company will continue to try its best effort to negotiate with the remaining Note Holders so as to obtain a unanimous consent for the Proposed Amendments. The Company will not preclude the possibility to put forward the Proposed Amendments to the relevant courts for sanction by way of a scheme of arrangement.

On behalf of 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 2012 amounted to HK$35.9 million (31 December 2011: HK$134.0 million), representing a 73.2% decrease over the previous year. The sharp decrease was attributable to several factors including the sluggish economy leading to a significant reduction of sales orders of lighting products and the weak performance reported from both forestry and gold mining segments.

Loss attributable to the owners of the Company for the year amounted to HK$4,199.7 million (31 December 2011: profit of HK$48.7 million). The loss mainly arose from the poor performance of all business segments, the non-cash imputed interest on promissory notes and convertible notes issued by the Company, the impairment loss recognised in respect of mining rights, exploration assets, biological assets, trade and other receivables and the absence of gain on cancellation of convertible notes during the year ended 31 December 2011.

As at 31 December 2012, the Group's equity attributable to owners of the Company amounted to HK$1,987.3 million, a decrease of HK$3,780.0 million over the audited figure as at 31 December 2011 of HK$5,767.3 million. The net asset value per share attributable to owners of the Company as at 31 December 2012 was HK$0.57 (31 December 2011: Represented HK$2.51).

GOLD MINING SEGMENT

For the year under review, the total amount of unprocessed gold ore sold to customers was approximately HK$4.7 million. Except for several gold mines in Qinglong County, commercial production has not yet commenced at the Company's acquired gold mines in Shandong and Longhua County respectively. The Group is currently reviewing the development status of each mine in order to allocate appropriate resources to individual mines. The Group will plan to explore the gold mines in Qinglong County first due to the established infrastructure in place. Affected by the litigation, management considers it is not appropriate to allocate resources to Longhua mines at this moment until we have obtained a satisfactory settlement of the litigation. Regarding the Shandong mines, maintenance works will be continued as the Group would not have sufficient resources to explore all of our mines at the same time. On the other hand, we are working closely with the local government to accelerate the integration of the gold mine resources in Qinglong County and Longhua County. Several potential gold mine proposals have been presented to the Group for the purpose of consolidation and reorganisation of gold mines in these two Counties, however, in light of the current liquidity position of the Group, management is conservative about these potential projects. As at the date of this report, the Group has not yet entered into any verbal or written agreement to acquire any potential gold mines and therefore no material capital commitments have to be disclosed.

We have engaged an independent qualified professional valuer to formulate and express an independent opinion on the market value of the gold mine resources in Hebei Province and Shandong Province ("mining rights"). Due to the tight cashflows of the Group, the production schedules of respective gold mines have been re-assessed and delayed accordingly which has significantly affected the carrying amount of the mining rights calculated under the basis of discount cash flow valuation method. As such, the Group recognised the impairment loss of approximately HK$3,922.4 million as at the year ended 31 December 2012 and the market value of the mining rights reduced to HK$2,800.0 million as at 31 December 2012.

The reason for impairment loss of mining rights recognised in the consolidated financial statements of approximately HK$3.9 billion was mainly due to the recoverable amounts of the mining rights being lower than their respective carrying amounts as at 31 December 2012. In assessing the recoverable amounts of the mining rights, the Company assessed the value in use for the mining rights by appointing an independent professional valuation firm, Castores MAGI Asia Limited, who use the income approach under the basis of discounted cashflow valuation method (the "DCF").

The sources and inputs of the DCF mainly consist of (i) sales of gold ore, taken the assumption based on the average gold ore price based on the gold comparables disclosed in the Shanghai Gold Exchange, supported by the corresponding gold mine production schedule; and (ii) major operating expenses, taken the assumption based on actual daily operating expenditures, taking into account management's best estimate of future cash outflow including changes in working capital and the incremental capital expenditure foreseeable to be incurred. In the opinion of the Directors, such adopted DCF method would best reflect the value in use of the Group's mining rights.

The discount rate used for the above DCF projections is formulated by the weighted average cost of capital ("WACC"). The WACC included two major components which are cost of equity and cost of debt. The cost of equity is determined by assessing key assumptions of (i) market risk premium and (ii) beta coefficient. The WACC adopted is 25% which is nearly the same as in 2011. The following sets out the summary of the variable used for valuation as at 31 December 2012:

Cost of equity	21%
Risk fee rate	2.95%
Beta	1.78
Market return	13.08%
Country risk premium	2.0%
Business risk	1.0%
Intangible asset risk	1.0%
Discount rate	25%

In the opinion of the Directors, the method used to determine the recoverable amounts of the mining rights are consistent since the acquisition of the gold mines in May 2010. The major reason for the significant decrease in the recoverable amounts of the mining rights as at 31 December 2012 was mainly due to the re-assessment of production schedule of gold mines which the Group is required to make such re-assessment on yearly basis in accordance with HKAS 36 "Impairment of assets". In assessing the production schedule, the Group considers various factors, including but not limited to, time schedule of exploration, future cash flows for capital investments and expected market condition.

Due to the tight liquidity of the Group expected in coming year due to the maturity of the Convertible Notes in May 2013, the production schedule of gold mines has been re-assessed and re-scheduled. The major factors included in the production schedule which significantly affected the recoverable amounts of gold mines include: (i) the delay in exploitation of gold mine affected the time value of money of the mining rights; and (ii) lowering the level of capital investments in production phase affected the expected production volume of gold. As a result, the recoverable amounts of the mining rights were significantly lower than the carrying amounts and the impairment loss has been recognised accordingly.

LIGHTING SEGMENT

Turnover derived from the lighting segment amounted to approximately HK$28.8 million, representing a fall of about 75.3% as compared to last year. The contraction of customer orders, rising labor costs and high inflation were the major factors to account for the poor performance of the lighting segment. Faced with global economic uncertainties, customers were very cautious in placing orders during the reporting year. Management is now developing the domestic lighting market to cope with shrinking orders from overseas. The Company managed to retain experienced sales manager to explore the potential of the second and third tier markets. Management believes that revenue generated from domestic lighting market will be increased in the coming years and gradually replace the shrinking overseas markets. In order to increase the competitiveness of our products, the Group is currently in negotiation with certain research teams in universities to develop the energy-saving products and LED lighting products which will be more stable, environmentally-friendly and cost effective.

FORESTRY SEGMENT

The performance of the forestry segment remained unsatisfactory and the turnover was approximately HK$2.4 million, compared to HK$3.1 million reported last year. As at 31 December 2012, the Group holds forestry rights certificates issued by State Forestry Administration. Such tree resources are situated in the north-central part of Guangdong Province. Due to the stringent environmental law implemented in the PRC, we have not obtained sufficient logging quota permit as previously projected. Therefore, the logging schedule has been slowing down and resulted in the drop of turnover in recent years. The Group is actively looking for experienced business partners to assist the Group to obtain more logging quota permit so as to increase the turnover in the coming years. Further, management will continue to put more efforts into marketing campaigns in order to stimulate the demand of timber products. With reference to its estimated market value provided by an independent qualified professional valuer, the Group recognised the impairment loss arising from changes in fair value less estimated point-of-sale cost of timber holdings approximately HK$210.0 million as at the year ended 31 December 2012. It was mainly due to the recoverable amounts of the biological assets being lower than their respective carrying amounts as at 31 December 2012.

In assessing the recoverable amounts of the biological assets, the Group assessed the value in use for the biological assets by appointing an independent professional valuation firm, Castores MAGI Asia Limited, who use the income capitalization approach under DCF.

The sources and inputs of the DCF mainly consist of (i) sales of timber, taken the assumption based on the average timber price disclosed in the Chinese timber industry information site, supported by the corresponding logging plan schedule; and (ii) major operating expenses, taken the assumption based on actual daily operating expenditures, taking into account management's best estimate of future cash outflow including changes in working capital and the incremental capital expenditure foreseeable to be incurred. In the opinion of the Directors, such adopted DCF method would best reflect the value in use of the Group's fair value less estimated point-of-sale of timber holdings.

During the year ended 31 December 2012, the Group carried out the revision of the forestry business performance. During the revision, the Group revealed that the Logging permit issued by the government in 2011 and 2012 is far less than the Group's expectation. Therefore, the actual production volume cannot achieve the production capacity per the logging plan in 2 successive years. As such, the Group revises the logging plan which is approximately to the actual production plan in 2011 and 2012.

In addition, the production costs of timber are expected to be increased in coming years in light of the appreciation of the RMB and high increment in labor costs in the PRC. Therefore, the fair value less cost to sales of timber has been dropped as at 31 December 2012 compared to 2011.

PROSPECTS

The Group will continue to devote more efforts to procuring the consolidation and reorganisation of the gold mine resources in Longhua County and Qinglong County, so that the progress of gold exploitation works in these two jurisdictions can be commenced as early as possible. To accelerate the development of our gold mine resources, the Group is actively looking for qualified venture partners with extensive mining experience to commence the exploration and exploitation activities at our selected gold mines. In addition, the Group will keep looking for opportunities to raise funds to finance capital expenditures at our gold mines and provide sufficient funds for expanding exploration activities.

FINANCIAL RESOURCES AND LIQUIDITY

The financial leverage of the Group as at 31 December 2012, compared to 31 December 2011, is summarized below:

	As at	
	31 December 2012 HK$'000	31 December 2011 HK$'000
Debt		
– from obligations under finance leases	**1,409**	3,190
– from promissory notes	**10,860**	76,294
– from convertible notes	**832,308**	1,108,309
Total debt	**844,577**	1,187,793
Cash and bank balances	**7,550**	9,788
Net debt	**837,027**	1,178,005
Total capital (Equity and total debt)	**2,826,372**	6,966,154
Total assets	**2,996,318**	7,189,907
Financial leverage		
– total debt to total capital	**29.9%**	17.1%
– total debt to total assets	**28.2%**	16.5%
– net debt to total capital	**29.6%**	16.9%
– net debt to total assets	**27.9%**	16.4%

GOLD RESOURCES

The following is a statement of gold resources of the Group as at 31 December 2012:

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	206.0	Resources	PRC	333	10.2

CAPITAL STRUCTURE

On 9 May 2012, Capital Reorganisation involving the Share Consolidation, Share Sub-division and Share Reduction was approved by the shareholders of the Company. Subsequent to the Capital Reorganisation, the paid up capital of an issued share of the Company was reduced from HK$0.1 each to HK$0.01 each. During the year, a total of 558,333,333 ordinary shares (equivalent to 139,583,333 ordinary shares after Share Consolidation) of the Company were allotted and issued as a result of the conversion of the convertible notes before the Capital Reorganisation.

In addition, the Company also completed (i) two subscriptions of new shares in March and May 2012 respectively; and (ii) a placing of new shares in October 2012, and successfully raised the net amount of approximately HK$95.5 million for settlement of the promissory notes and general working capital purpose. As at 31 December 2012, the issued share capital of the Company was reduced to HK$34.6 million (31 December 2011: HK$917.4 million), represented by approximately 3,458.1 million ordinary shares as at 31 December 2012 (31 December 2011: approximately 9,174.1 million ordinary shares).

PLEDGE OF ASSETS

As at 31 December 2012, the Group had no assets pledged for general banking facilities granted to the Group or as security for any debt or borrowings (31 December 2011: Nil).

CONTINGENT LIABILITIES

As at 31 December 2012, the Group had no material contingent liabilities (31 December 2011: 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 and Renminbi. The Group will continue to review its foreign exchange exposure regularly and might consider using financial instruments to hedge against foreign exchange exposure at appropriate times. There were no derivative financial instruments employed during the year ended 31 December 2012.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2012, the Group had approximately 70 employees (31 December 2011: approximately 150 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 of the Group 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 2013

EXECUTIVE DIRECTORS

Mr. Cheung Wai Yin, Wilson, aged 42, 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 17 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 currently an executive director of Merdeka Resources Holdings Limited (a company listed on the GEM Board of The Stock Exchange of Hong Kong Limited; stock code: 8163). Mr. Cheung is a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Hong Kong Securities Institute. He holds a Master of Science degree in Financial Engineering from City University of Hong Kong and Bachelor's degrees in Arts and Administrative Studies from York University, Canada.

Mr. Tian Lidong, aged 49, 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 24 years of experience in corporate management. Mr. Tian was a member of 11th Hebei Provincial People's Congress (第十一屆河北省人大代表). He is currently 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 37, 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 has over 13 years of experience in the field of information system, operational system and general management. Mr. Lau is currently an executive director of Merdeka Resources Holdings Limited (a company listed on the GEM Board of the Stock Exchange of Hong Kong Limited; stock code: 8163). Besides, Mr. Lau has been active in public services in Mainland China. He is 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).

Mr. Zhao Zhibin, aged 57, was appointed as an executive director of the Company on 14 December 2012. He is also a member of the Executive Committee of the Company. Mr. Zhao completed professional finance program in 邯鄲職工大學. Mr. Zhao has over 21 years of experience in banking industry. Prior to his appointment, Mr. Zhao has held senior positions in Industrial and Commercial Bank of China in Handan, Hebei Province.

Mr. Mow Tai Loy, aged 44, was appointed as an executive director of the Company on 14 December 2012. He is also a member of the Executive Committee of the Company. Mr. Mow has over 16 years of experience in the manufacturing industry, financial management, accounting, corporate finance and business development. He had been worked in key accounting, manufacturing management and business development positions in companies listed on the Main Board of The Stock Exchange of Hong Kong Limited. He obtained a Master Degree in Business from University of Newcastle, Australia.

As at 23 April 2013

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ma Chun Fung Horace, aged 42, 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 HKICPA, a fellow member of Association of Chartered Certified Accountants, a Certified Internal Auditor registered with the Institute of Internal Auditors and holder of Certification of Control Self-Assessment of the Institute of Internal Auditors. Mr. Ma also 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, England. Mr. Ma was a council member of HKICPA between 2009 and 2011. Currently, Mr. Ma is an independent non-executive director of Ming Fai International Holdings Limited (stock code: 3828), Universe International Holdings Limited (stock code: 1046) and China Tianrui Group Cement Company Limited (stock code: 1252), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Ms. Pang Yuen Shan, Christina, aged 40, has been an independent non-executive director of the Company 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) and Speedy Global Holdings Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited; stock code: 540). 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.

Mr. Fu Wing Kwok, Ewing, aged 43, was appointed as an independent non-executive director of the Company on 31 January 2013. He is also a member of the Audit Committee of the Company. Mr. Fu is currently the chief financial officer and company secretary of Hoifu Energy Group Limited (stock code: 7). Mr. Fu is also currently an independent non-executive director of China Energy Development Holdings Limited (stock code: 228). Both companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He holds a bachelor degree in science with major in accounting of Bemidji State University, USA and is a member of both American Institute of Certified Public Accountants and HKICPA. He has over 18 years of experience in auditing and accounting field. Mr. Fu was an independent non-executive director of Century Ginwa Retail Holdings Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited; stock code: 162) from 8 January 2007 to 27 September 2011 and Hao Wen Holdings Limited (a company listed on the GEM Board of The Stock Exchange of Hong Kong Limited; stock code: 8019) from 30 November 2009 to 11 January 2011.

COMPANY SECRETARY

Mr. Chan Ka Wing, aged 40, 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 a member of both HKICPA and American Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of corporate governance in maintaining its corporate transparency and accountability. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct of the Group's business.

The Company has applied the principles as contained in the former Code on Corporate Governance Practices (the "Former CG Code"), for the period from 1 January to 31 March 2012, and the Corporate Governance Code (the "CG Code"), for the period from 1 April to 31 December 2012, 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").

The Board considers that during the year ended 31 December 2012, the Company has applied with the code provisions set out in the Former CG Code and the CG Code, except for the code provisions A.2.1 and A.6.7. 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, take decisions objectively and act 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.

A2. Board Composition

The composition of the Board as at 31 December 2012 is as follow:

Executive directors:

Mr. Cheung Wai Yin, Wilson	*(Chairman of the Board, Chief Executive Officer, Chairman of the Executive Committee, Member of the Remuneration Committee and Member of the Nomination Committee)*
Mr. Tian Lidong	*(Member of the Executive Committee)*
Mr. Lau Chi Yan, Pierre	*(Member of the Executive Committee)*
Mr. Mow Tai Loy	*(Member of the Executive Committee)*
Mr. Zhao Zhibin	*(Member of the Executive Committee)*

Independent non-executive directors:

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

Note: Subsequent to the year end, Mr. Fu Wing Kwok, Ewing was appointed and Mr. Anthony John Earle Grey resigned as an independent non-executive director and a member of the Audit Committee of the Company on 31 January 2013.

Throughout the year ended 31 December 2012, the Board has met the requirements of the Listing Rules 3.10 and 3.10A of having three independent non-executive directors (representing at least one-third of the Board) with one of them possessing appropriate professional qualifications, and accounting and related financial management expertise.

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/her expertise. The independent non-executive directors bring different business and financial expertise, experience 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 and the relationship between Board members, if any, are set out under "Directors and Senior Management Profile" in this annual report.

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 light of the independence guidelines set out in the Listing Rules.

A3. Chairman and Chief Executive

Code provision A.2.1 of the Former CG Code and 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 currently holds the offices of Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Group with 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

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Bye-laws (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 submit himself/herself for re-election by shareholders at the first general meeting after appointment. The retiring directors are eligible for re-election by the shareholders at the respective general meetings.

Each director, including the independent non-executive directors, is engaged for a term of 3 years, subject to renewal upon expiry of the term. They are also subject to re-election in accordance with the Bye-laws provisions as mentioned above.

Pursuant to the Bye-laws provisions stated in the foregoing paragraph, Mr. Cheung Wai Yin, Wilson and Mr. Ma Chun Fung, Horace shall retire by rotation at the forthcoming annual general meeting of the Company (the "2013 AGM"), whereas Mr. Fu Wing Kwok, Ewing, who has been appointed as an independent non-executive director of the Company with effect from 31 January 2013, will hold office until the 2013 AGM. Besides, according to the Board's decision, Mr. Mow Tai Loy and Mr. Zhao Zhibin, having been appointed as executive directors of the Company on 14 December 2012, will hold office until the 2013 AGM. All of the above five directors are eligible for re-election at the 2013 AGM.

Mr. Ma Chun Fung, Horace has indicated to the Board that since he wants to devote more time to his other business commitment, he will not offer himself for re-election and will therefore retire at the 2013 AGM. The other four retiring directors (i.e. Mr. Cheung Wai Yin, Wilson, Mr. Mow Tai Loy, Mr. Zhao Zhibin and Mr. Fu Wing Kwok, Ewing) have indicated that they will offer themselves for re-election at the 2013 AGM. The Board recommended the re-appointment of the said four retiring directors standing for re-election at the 2013 AGM. The Company's circular, sent together with this annual report, contains detailed information of these four directors pursuant to the requirements of the Listing Rules.

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 for directors are arranged whenever necessary. In addition, reading material on new or changes to salient laws and regulations applicable to the Group are provided to directors from time to time for their studying and reference.

During the year ended 31 December 2012, the directors complied with the code provision A.6.5 of the CG Code on participation in continuous professional training as follows:

– All directors (i.e. Mr. Cheung Wai Yin, Wilson, Mr. Tian Lidong, Mr. Lau Chi Yan, Pierre, Mr. Mow Tai Loy, Mr. Zhao Zhibin, Mr. Ma Chun Fung, Horace, Ms. Pang Yuen Shan, Christina, Mr. Lui Hui Cai, Mr. Anthony John Earle Grey) received regular briefings and updates from the Company Secretary on the Group's business, operations and corporate governance matters.

– Mr. Ma Chun Fung, Horace and Ms. Pang Yuen Shan, Christina attended seminars, which are relevant to their duties and responsibilities, organized by professional firms/institutions.

A6. Directors' Attendance Records

The attendance records of each director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 December 2012 are set out below:

	Attendance/Number of Meetings					
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**	**Special General Meeting**
Executive directors:						
Mr. Cheung Wai Yin, Wilson	9/9	N/A	2/2	1/1	1/1	1/1
Mr. Tian Lidong *(Note 1)*	6/6	N/A	N/A	N/A	1/1	0/1
Mr. Lau Chi Yan, Pierre	9/9	N/A	N/A	N/A	1/1	1/1
Mr. Mow Tai Loy *(Note 2)*	–	N/A	N/A	N/A	–	–
Mr. Zhao Zhibin *(Note 2)*	–	N/A	N/A	N/A	–	–
Mr. Liu Hui Cai *(Note 3)*	0/4	N/A	N/A	N/A	0/1	0/1
Independent non-executive directors:						
Mr. Ma Chun Fung, Horace	9/9	3/3	2/2	1/1	1/1	1/1
Ms. Pang Yuen Shan, Christina	9/9	3/3	2/2	1/1	1/1	1/1
Mr. Anthony John Earle Grey *(Note 4)*	9/9	3/3	N/A	N/A	0/1	0/1
Mr. Fu Wing Kwok, Ewing *(Note 4)*	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

1. Mr. Tian Lidong was appointed as an executive director of the Company on 18 April 2012. Subsequent to his appointment, 6 Board meetings and 1 annual general meeting and 1 special general meeting were held during the year ended 31 December 2012.

2. Mr. Mow Tai Loy and Mr. Zhao Zhibin were appointed as executive directors of the Company on 14 December 2012. Subsequent to their appointment, no Board meeting and no general meeting was held during the year ended 31 December 2012.

3. Mr. Liu Hui Cai retired as an executive director of the Company on 31 May 2012. Before his retirement, 4 Board meetings and 1 annual general meeting and 1 special general meeting were held during the year ended 31 December 2012.

4. Mr. Fu Wing Kwok, Ewing was appointed and Mr. Anthony John Earle Grey resigned as an independent non-executive director and the Audit Committee member of the Company on 31 January 2013.

In addition, the Chairman of the Board held a meeting with the independent non-executive directors without the presence of executive directors during the year under review.

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. Each director has been given a copy of the Model Code. Specific enquiry has been made of all the Company's directors and they have confirmed their compliance with the Model Code throughout the year ended 31 December 2012.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines"), governing securities transactions by employees who are likely to possess inside 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.

A8. Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the CG Code.

During the year under review, the Board has performed such corporate governance functions as follows: (i) reviewed and developed the Company's corporate governance policies and practices in response to the implementation of the CG Code, (ii) reviewed and monitored the training and continuous professional development of directors and senior management, (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, (iv) reviewed and monitored the compliance of the Model Code and the Employee Written Guidelines, and (v) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

B. BOARD COMMITTEE

To comply with the new code provision A.5.1 of the CG Code, effective on 1 April 2012, requiring a listed issuer to establish a nomination committee, the Board approved the setting up of its Nomination Committee on 30 March 2012. Accordingly, there are currently four Board committees, namely, the Executive Committee, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the affairs of the Company. 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 are available to shareholders upon request). All the Board committees should report to the Board on their decisions or recommendations made.

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 the Remuneration 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 (i.e. the model described in the code provision B.1.2(c)(ii) is adopted). 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.

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

– Generally review the remuneration packages of the executive directors and made recommendation to the Board;

– Consider the increment of the remuneration of the independent non-executive directors due to the significant increase in their responsibilities and time contributed to the Company; and

– Consider the terms and conditions of the service agreements with Mr. Mow Tai Loy and Mr. Zhao Zhibin upon their appointment as executive directors of the Company.

The attendance records of each Committee member at the Remuneration Committee meetings held during the year ended 31 December 2012 are set out in section A6 above.

Details of the remuneration of each of the directors of the Company for the year ended 31 December 2012 are set out in Note 11 to the consolidated financial statements contained in this annual report.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of a senior management for the year ended 31 December 2012 falls within the band from HK$1,000,001 to HK$1,500,000.

B3. Nomination Committee

The Nomination Committee was set up on 30 March 2012 to comply with code provision A.5.1 of the CG Code. It comprises a total of 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. Accordingly, a majority of the members are independent non-executive directors. The chairman of the Nomination Committee is Ms. Pang Yuen Shan, Christina.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and recommending any changes to the Board; identifying qualified and suitable individuals to become Board members and selecting and making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the Chief Executive of the Company.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the integrity, experience, skills and professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

Prior to the setting up of the Nomination Committee, the Board as a whole was responsible for the said duties of the Nomination Committee. The Board, through its meeting held on 30 March 2012 (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), performed the following works during the year ended 31 December 2012 regarding matters relating to the board composition and nomination of directors:

– 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 Company's annual general meeting held on 31 May 2012 (the "2012 AGM");

– Assessment of the independence of all the Company's then independent non-executive directors;

– Considering the setting up and the composition of the Nomination Committee; and

– Appointment of Mr. Tian Lidong as an executive director of the Company.

Subsequent to the setting up of the Nomination Committee, the following major tasks have been performed by the Nomination Committee during the year under review:

– Appointment of Mr. Mow Tai Loy and Mr. Zhao Zhibin as the executive directors of the Company; and

– Review of the structure, size and composition of the Board subsequent to the said appointment of executive directors of the Company.

The attendance records of each Committee member at the Nomination Committee meeting held during the year ended 31 December 2012 are set out in section A6 above.

B4. 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. Fu Wing Kwok, Ewing and Ms. Pang Yuen Shan, Christina. The chairman of the Audit Committee is Mr. Ma Chun Fung, Horace, who possesses the appropriate professional qualifications, and 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 performed the following major tasks:

- Review and discussion of the matters relating to the resignation of Pan-China (H.K.) CPA Limited and the appointment of Elite Partners CPA Limited as auditor of the Company;

- Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2011, 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; and

- Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2012, the related accounting principles and practices adopted by the Group.

The external auditor was invited to attend two of the Audit Committee meetings held during the year under review 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 each Committee member at the Audit Committee meetings held during the year ended 31 December 2012 are set out in section A6 above.

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 2012. The management has provided such explanation and information to the Board as necessary to enable the Board to assess the financial information and position of the Group.

As set out in the "Consolidated Statement of Comprehensive Income" and the "Consolidated Statement of Financial Position" respectively in this annual report:

(i) The Group incurred a net loss of approximately HK$4,215.6 million for the year ended 31 December 2012 and the Group's current liabilities exceeded its current assets by approximately HK$861.3 million as at 31 December 2012; and

(ii) The outstanding principal amount of convertible notes ("CN") of approximately HK$843.0 million will be matured on 13 May 2013.

As set out in Note 3.1 to the consolidated financial statements ("Note 3.1"), the above conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Company is considering amending certain terms and conditions of the CN which may include an extension of the maturity date and a revision of the conversion price etc. As at the date of this report, no formal agreement has been entered into between the Company and the holders of the CN relating to the amendments of CN, though, to the best knowledge of the directors of the Company, over 75% of the holders of CN have expressed their willingness to extend the maturity date of the CN.

As explained in the Independent Auditor's Report and Note 3.1 contained in this annual report, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Company's reaching an agreement with the holders of the CN for the amendment and whether all relevant approvals such as shareholders' approval, regulatory approvals and where necessary the court approvals can be obtained. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for future liabilities which might arise and to reclassify non-current assets and non-current liabilities to current respectively.

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 and the Board 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. COMPANY SECRETARY

The Company Secretary of the Company is Mr. Chan Ka Wing, who fulfils the qualification requirements laid down in the Listing Rules. Biographical details of Mr. Chan are set out in the section headed "Directors and Senior Management Profile" of this annual report. During the year ended 31 December 2012, Mr. Chan has taken not less than 15 hours of relevant professional training.

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor about its reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" in this annual 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 2012 are analyzed below:

Type of services provided by the external auditor	**Fees paid/payable** HK$'000
Audit services:	
– Audit fee for the year ended 31 December 2012	850
Non-audit services:	
– Interim review on financial results for the six months ended 30 June 2012	150
TOTAL:	1,000

G. 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. Shareholders and investors may send written enquiries or requests to the Company as follows:

Address: Room 2601-04 and 38-40, 26/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong
Fax number: (852) 2598 0968

Inquiries are dealt with in an informative and timely manner.

Besides, 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 A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. The former independent non-executive director was unable to attend the special general meeting of the Company held on 9 May 2012 and the 2012 AGM due to his business engagement.

H. SHAREHOLDER RIGHTS

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. The Company's shareholders may convene a special general meeting or put forward proposals at shareholders' meetings as follows:

(1) Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company at the date of deposit of the requisition may request the Board to convene a special general meeting pursuant to clause 58 of the Bye-laws by sending a written requisition to the Board or the Company Secretary at the Company's principal place of business in Hong Kong. The objects of the meeting must be stated in the written requisition.

(2) Shareholder(s) representing not less than one-twentieth of the total voting rights at the date of the requisition or not less than 100 shareholders may put forward a proposal at a shareholders' meeting, pursuant to the Companies Act 1981 of Bermuda, by sending a written requisition to the Board or the Company Secretary at the Company's principal place of business in Hong Kong. The proposal should be stated in the written requisition and such written requisition should be submitted as early as practicable to enable the Company to make necessary arrangement (in case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and in case of any other requisition, not less than one week before the meeting).

(3) If a shareholder wishes to propose a person other than a retiring director for election as a director of the Company at a general meeting, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's principal place of business in Hong Kong, or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the dispatch of the notice of such general meeting and end 7 days prior to the date of such general meeting.

For the avoidance of doubt, shareholder(s) must provide their full name, contact details and identification, in the originally signed written requisition, notice or statement (as the case may be), in order to give effect thereto. Information of shareholder(s) may be disclosed as required by law.

During the year under review, the Company has not made any significant changes to the Bye-laws. An up-to-date version of the Bye-laws is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Bye-laws for further details of the rights of shareholders.

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 2012.

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 23 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 31 and 32.

The state of affairs of the Group as at 31 December 2012 are set out in the consolidated statement of financial position on pages 33 and 34.

The directors did not recommend the payment of a final dividend in respect of the year ended 31 December 2012.

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 36 and Note 38 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 36 and 37 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 35 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

No distributable reserves of the Company as at 31 December 2012, calculated in accordance with the Companies Act 1981 of Bermuda (2011: distributable reserves of HK$1,089,483,000). In addition, the share premium of the Company amounted to approximately HK$5,505,211,000 (2011: HK$4,183,629,000) which may be distributed in the form of fully paid bonus shares.

CHARITABLE DONATIONS

During the year, the Group did not make charitable donations (2011: HK$10,000).

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. Tian Lidong	(appointed on 18 April 2012)
Mr. Zhao Zhibin	(appointed on 14 December 2012)
Mr. Mow Tai Loy	(appointed on 14 December 2012)
Mr. Liu Hui Cai	(retired on 31 May 2012)

Independent non-executive directors:

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

Pursuant to clause 87 of the Company's Bye-laws, Mr. Cheung Wai Yin, Wilson and Mr. Ma Chun Fung, Horace shall retire by rotation at the 2013 AGM.

On 14 December 2012, the Board approved the appointment of both Mr. Mow Tai Loy and Mr. Zhao Zhibin as executive directors of the Company. Pursuant to the Board's decision, they shall hold office until the 2013 AGM.

Subsequent to the year end, on 31 January 2013, the Board accepted the resignation of Mr. Anthony John Earle Grey as an independent non-executive director of the Company and resolved to appoint Mr. Fu Wing Kwok, Ewing as an independent non-executive director of the Company with effect from 31 January 2013. Pursuant to clause 86(2)(b) of the Company's Bye-laws, Mr. Fu Wing Kwok, Ewing shall hold office until the 2013 AGM.

All of the above retiring directors are eligible for re-election at the 2013 AGM. It is noted that Mr. Cheung Wai Yin, Wilson, Mr. Mow Tai Loy, Mr. Zhao Zhibin and Mr. Fu Wing Kwok, Ewing will offer themselves for re-election at the 2013 AGM; whereas Mr. Ma Chun Fung, Horace will not offer himself for re-election and he will therefore retire at the 2013 AGM.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS' SERVICE CONTRACTS

Pursuant to Rule 13.68 of the Listing Rules, the following service contracts between the Company and its directors are exempt from the shareholders' approval requirement.

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 renewed his service contract with the Company for a term of 3 years commencing on 9 September 2012.

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

Both Mr. Mow Tai Loy and Mr. Zhao Zhibin entered into service contracts with the Company for a term of 3 years commencing on 14 December 2012.

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. Fu Wing Kwok, Ewing entered into a service contract with the Company for a term of 3 years commencing on 31 January 2013.

Mr. Anthony John Earle Grey, the former independent non-executive director, entered into a service contract with the Company for a term of 3 years commencing on 6 May 2010. He resigned on 31 January 2013.

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

As at 31 December 2012, the interests of directors of the Company in the shares and underlying 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, or as the Company is aware were as follows:

A. Long positions in the issued ordinary shares of the Company

Name of director	Capacity	Number of ordinary shares interested *(Note 3)*	Percentage of the Company's issued share capital *(Note 3)*
Mr. Cheung Wai Yin, Wilson	Beneficial owner	1,750,000	0.05%
	Interest held by controlled corporation *(Note 1)*	25,000,000	0.72%
		26,750,000	0.77%
Mr. Tian Lidong	Interest held by controlled corporation *(Note 2)*	75,000,000	2.17%

Note 1: Mr. Cheung Wai Yin, Wilson was deemed to be interested in these 25,000,000 shares of the Company which were held by Knight Asia Investments Limited, a controlled corporation of Mr. Cheung pursuant to the SFO.

Note 2: Mr. Tian Lidong was deemed to be interested in these 75,000,000 shares of the Company which were held by Sino Flourish Investments Limited, a controlled corporation of Mr. Tian pursuant to the SFO.

Note 3: On 12 November 2012, the Company proposed to effect the capital reorganisation which became effective on 10 January 2013. Details of the capital reorganisation were set out in the Company's announcements dated 12 November 2012 and 9 January 2013 and the Company's circular dated 10 December 2012. The percentage here represents the number of ordinary shares interested divided by the number of the Company's issued shares at 31 December 2012, before the said capital reorganisation.

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

B. Long positions in the underlying shares of the Company (physically settled unlisted equity derivatives) – share options

Name of director	Capacity	Number of underlying shares interested *(Note 2)*	Percentage of underlying shares over the Company's issued share capital *(Note 2)*
Mr. Cheung Wai Yin, Wilson	Beneficial owner	20,000,000	0.58%
Mr. Lau Chi Yan, Pierre	Beneficial owner	20,000,000	0.58%
Mr. Ma Chun Fung, Horace	Beneficial owner	2,000,000	0.06%
Ms. Pang Yuen Shan, Christina	Beneficial owner	2,000,000	0.06%
Mr. Anthony John Earle Grey (resigned on 31 January 2013)	Beneficial owner	2,000,000	0.06%

Notes:

1. Details of the above share options granted by the Company as required to be disclosed pursuant to the Listing Rules are set out in Note 37 to the consolidated financial statements.

2. The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2012, before the Company's capital reorganisation as mentioned in Note 3 of the above paragraph A.

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

Name of director	Capacity	Number of underlying shares interested *(Note 2)*	Percentage of underlying shares over the Company's issued share capital *(Note 2)*
Mr. Mow Tai Loy	Interest held by controlled corporation *(Note 1)*	141,250,000	4.08%

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

C. Long positions in the underlying shares of the Company (physically settled unlisted equity derivatives) – convertible notes (Continued)

Notes:

1. Mr. Mow Tai Low was a director of Perfect Direct Limited. He was deemed to be interested in these 141,250,000 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$339,000,000 at the conversion price of HK$2.4 per conversion share. Such convertible notes were held by Perfect Direct Limited.

2. The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2012, before the Company's capital reorganisation as mentioned in Note 3 of the above paragraph A.

Save as disclosed above and in Note 37 to the consolidated financial statements, as at 31 December 2012, 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.

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

As at 31 December 2012, the following parties had interests of 5% or more of the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or as the Company is aware:

Long positions in issued ordinary shares of the Company

Name of substantial shareholder	Capacity	Number of ordinary shares interested *(Note 3)*	*Notes*	Percentage of the Company's issued share capital *(Note 3)*
Innovation Union Investments Limited	Beneficial owner	570,000,000	*1*	16.48%
Mr. Kang Shifeng	Interest held by controlled corporation	570,000,000	*1*	16.48%
Super Master Investments Limited	Beneficial owner	253,750,000	*2*	7.34%
Mr. Cheng Pak Lung	Interest held by controlled corporation	253,750,000	*2*	7.34%

Notes:

1. These shares were held by Innovation Union Investments Limited, a controlled corporation of Mr. Kang Shifeng.

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

3. The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2012, before the Company's capital reorganisation as mentioned in Note 3 of paragraph A of the above section headed "Directors' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations".

Save as disclosed above, as at 31 December 2012, no person 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 make contribution to the Group. Details of the movements of the share options granted by the Company are set out in Note 37 to the consolidated financial statements.

The total number of shares of the Company currently available for issue under the share option scheme is 8,201,831 shares, representing approximately 2.37% 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 into 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 are as follows:

Purchases

– the largest supplier accounted for approximately 17% of the total purchases for the year
– the five largest suppliers in aggregate accounted for approximately 74% of the total purchases for the year

Sales

– the largest customer accounted for approximately 41% of the total sales for the year
– the five largest customers in aggregate accounted for approximately 88% of the total sales for the year

None of the directors of the Company, or any of their associates or any shareholder (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 20.

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, Ms. Pang Yuen Shan, Christina and Mr. Fu Wing Kwok, Ewing, 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.

AUDITORS

The consolidated financial statements of the Company for the financial year ended 31 December 2010 were audited by Pan-China (H.K.) CPA Limited. 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 and Elite Partners CPA Limited has been appointed as auditor of the Company with effect from 2 March 2012.

The consolidated financial statements of the Company for the years ended 31 December 2011 and 2012 were audited by Elite Partners CPA Limited who shall retire and, being eligible, offer themselves for re-appointment at the 2013 AGM of the Company. A resolution will be proposed at the 2013 AGM to re-appoint Elite Partners CPA Limited as auditor of the Company.

By order of the Board
Cheung Wai Yin, Wilson
Chairman

Hong Kong, 28 March 2013

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

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 31 to 100, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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 information.

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.

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 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 3 to the financial statements which indicates that as of 31 December 2012, the Group's current liabilities exceed its current assets by approximately HK$861,296,000. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Company to reach an agreement with the holders of the convertible notes for the amendment and whether all relevant approvals such as shareholders' approval, regulatory approvals and where necessary the court approvals can be obtained. This condition indicates the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 28 March 2013

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 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	6	**35,881**	134,036
Cost of sales		**(31,570)**	(106,475)
Gross profit		**4,311**	27,561
Investment and other income	7	**126**	37
Other gains and losses	8	**(4,180,961)**	244,531
Selling and distribution costs		**(864)**	(5,521)
Administrative expenses		**(47,878)**	(117,110)
Other operating expenses		**(4,131)**	(52,717)
Operating (loss)/profit		**(4,229,397)**	96,781
Finance costs	9	**(38,335)**	(76,057)
(Loss)/profit before taxation	10	**(4,267,732)**	20,724
Income tax credit	13	**52,088**	7,448
(Loss)/profit for the year		**(4,215,644)**	28,172
(Loss)/profit for the year attributable to:			
Owners of the Company		**(4,199,685)**	48,679
Non-controlling interests		**(15,959)**	(20,507)
		(4,215,644)	28,172
Dividends	15	**–**	–
(Loss)/earnings per share	16		(Represented)
– Basic and diluted		**(152.04) HK cents**	2.15 HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
(Loss)/profit for the year		**(4,215,644)**	28,172
Other comprehensive income:			
Exchange differences arising from:			
– Translation of foreign subsidiaries		**6,121**	5,131
– Disposal of subsidiaries	*43*	**1,827**	–
Total comprehensive (expense)/income for the year		**(4,207,696)**	33,303
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(4,191,161)**	53,956
Non-controlling interests		**(16,535)**	(20,653)
		(4,207,696)	33,303

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	*17*	**12,704**	21,545
Exploration and evaluation assets	*22*	**11,934**	120,284
Biological assets	*19*	**80,000**	290,000
Land use rights	*18*	**36,567**	35,472
Mining rights	*21*	**2,800,000**	6,531,645
		2,941,205	6,998,946
Current assets			
Inventories	*24*	**7,168**	15,426
Trade and bills receivables	*25*	**28,897**	55,048
Prepayments, deposits and other receivables	*26*	**11,498**	110,699
Cash and bank balances	*27*	**7,550**	9,788
		55,113	190,961
Current liabilities			
Trade payables	*28*	**27,538**	2,015
Other payables and accruals	*29*	**31,431**	20,126
Promissory notes	*34*	**10,860**	–
Convertible notes	*35*	**832,308**	–
Obligation under finance leases – Due within one year	*30*	**580**	1,192
Amount due to a related company	*31*	**–**	37
Tax liabilities		**13,692**	46,330
		916,409	69,700
Net current (liabilities)/assets		**(861,296)**	121,261

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
Total assets less current liabilities		**2,079,909**	7,120,207
Non-current liabilities			
Promissory notes	*34*	**–**	76,294
Convertible notes	*35*	**–**	1,108,309
Obligation under finance leases – Due more than one year	*30*	**829**	1,998
Deferred tax liabilities	*32*	**33,233**	91,193
Provision for land restoration and environmental cost	*33*	**64,052**	64,052
		98,114	1,341,846
Net assets		**1,981,795**	5,778,361
Capital and reserves			
Share capital	*36*	**34,581**	917,407
Reserves	*38*	**1,952,684**	4,849,889
Equity attributable to owners of the Company		**1,987,265**	5,767,296
Non-controlling interests		**(5,470)**	11,065
Total equity		**1,981,795**	5,778,361

Approved and authorised for issue by the board of directors on 28 March 2013.

Cheung Wai Yin, Wilson
Director

Lau Chi Yan, Pierre
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current asset			
Interests in subsidiaries	23	**2,916,480**	7,539,624
Current assets			
Prepayments, deposits and other receivables	26	**10,843**	6,700
Cash and bank balances	27	**5,382**	3,646
		16,225	10,346
Current liabilities			
Other payables and accruals	29	**20,858**	16,280
Promissory notes	34	**10,860**	–
Convertible notes	35	**832,308**	–
		864,026	16,280
Net current liabilities		**(847,801)**	(5,934)
Total assets less current liabilities		**2,068,679**	7,533,690
Non-current Liabilities			
Deferred tax liabilities	32	**13,737**	19,197
Promissory notes	34	**–**	76,294
Convertible notes	35	**–**	1,108,309
		13,737	1,203,800
Net assets		**2,054,942**	6,329,890
Capital and reserves			
Share capital	36	**34,581**	917,407
Reserves	38	**2,020,361**	5,412,483
Total Equity		**2,054,942**	6,329,890

Approved and authorised for issue by the board of directors on 28 March 2013.

Cheung Wai Yin, Wilson
Director

Lau Chi Yan, Pierre
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company								
	Share Capital HK$'000	**Share premium** HK$'000	**Contributed surplus** HK$'000	**Convertible notes reserve** HK$'000	**Exchange reserve** HK$'000	**Share based payment reserve** HK$'000	**(Accumulated losses)/ retained profits** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
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/ (expense) for the year	–	–	–	–	5,277	–	–	(146)	5,131
Total comprehensive income/ (expense) 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 payment	–	–	–	–	–	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
As at 1 January 2012	**917,407**	**4,183,629**	**286**	**97,146**	**8,455**	**42,225**	**518,148**	**11,065**	**5,778,361**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(4,199,685)**	**(15,959)**	**(4,215,644)**
Other comprehensive income/ (expense) for the year	**–**	**–**	**–**	**–**	**8,524**	**–**	**–**	**(576)**	**7,948**
Total comprehensive (expense)/income for the year	**–**	**–**	**–**	**–**	**8,524**	**–**	**(4,199,685)**	**(16,535)**	**(4,207,696)**
Placing of new shares	**5,700**	**31,350**	**–**	**–**	**–**	**–**	**–**	**–**	**37,050**
Subscription of new shares	**33,800**	**26,600**	**–**	**–**	**–**	**–**	**–**	**–**	**60,400**
Share issuance expenses	**–**	**(2,411)**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,411)**
Capital reduction	**(978,159)**	**978,159**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Conversion of convertible notes	**55,833**	**287,884**	**–**	**(27,626)**	**–**	**–**	**–**	**–**	**316,091**
As at 31 December 2012	**34,581**	**5,505,211**	**286**	**69,520**	**16,979**	**42,225**	**(3,681,537)**	**(5,470)**	**1,981,795**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
(Loss)/profit before taxation		**(4,267,732)**	20,724
Adjustment for:			
Finance costs		**138**	120
Imputed interest on promissory notes and convertible notes		**38,197**	75,937
Share option expenses		**–**	42,225
Interest income		**(5)**	(20)
Loss on disposal of property, plant and equipment		**–**	2,207
Loss arising from changes in fair value less estimated point-of-sale		**210,000**	44,000
Loss on disposal of subsidiaries		**4,695**	–
Depreciation		**6,694**	4,627
Amortisation of land use rights		**1,410**	609
Amortisation of mining rights		**300**	900
Impairment of mining rights		**3,922,440**	–
Gain on cancellation of convertible notes		**–**	(1,150,160)
Impairment of goodwill		**–**	844,275
Provision for obsolete inventories		**8,000**	–
Impairment of trade and other receivables		**43,830**	17,646
Operating loss before working capital changes		**(32,033)**	(96,910)
Decrease/(increase) in inventories		**260**	(15,142)
(Increase)/decrease in trade and bills receivables		**(29,314)**	70,191
Decrease in prepayments, deposits and other receivables		**73,833**	55,496
Increase/(decrease) in trade payables		**25,523**	(23,646)
Increase/(decrease) in other payables and accruals		**12,900**	(49,219)
Cash generated from/(used in) operations		**51,169**	(59,230)
Interest received		**5**	20
Interest paid		**(138)**	(120)
Corporate income tax paid		**(412)**	(1,806)
Net cash generated from/(used in) operating activities		**50,624**	(61,136)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(15)**	(2,954)
Purchase of exploration and evaluation assets		**(78,000)**	(38,544)
Cash effect of disposal of subsidiaries	*43*	**610**	–
Net cash used in investing activities		**(77,405)**	(41,498)
Cash flows from financing activities			
Repayment of bank loans		**–**	(42,882)
Repayments of obligation under finance leases		**(1,142)**	(1,089)
Repayments of promissory notes		**(69,000)**	(10,000)
Proceeds from placing of new shares		**36,148**	104,157
Proceeds from subscription of new shares		**58,891**	–
Proceeds from obligation under finance leases		**–**	4,279
Repayment of amount due to a related company		**(37)**	–
Net cash generated from financing activities		**24,860**	54,465
Net decrease in cash and cash equivalents		**(1,921)**	(48,169)
Cash and cash equivalents as at 1 January		**9,788**	57,084
Effect of foreign exchange rate changes, net		**(317)**	873
Cash and cash equivalents as at 31 December represented by cash and bank balances		**7,550**	9,788

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 Stock Exchange of Hong Kong Limited ("Stock Exchange"). The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in Note 23 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 ("HKICPA") which are relevant to and effective for the Group's financial period beginning on 1 January 2012:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendment to HKAS 12	Recovery of Underlying Assets

The adoption of the above new and revised HKFRSs in the current year has had no material impact on the accounting policies of the Group and the methods of computation in the Group's consolidated financial statements.

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 2012:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

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

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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for biological assets and financial instruments that are 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.

In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group in light of the following:

(i) The Group incurred a net loss of approximately HK$4,215.6 million for the year ended 31 December 2012 and the Group's current liabilities exceeded its current assets by approximately HK$861.3 million as at 31 December 2012; and

(ii) The outstanding principal amount of Convertible Notes ("CN") of approximately HK$843.0 million will be matured on 13 May 2013.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Company is considering amending certain terms and conditions of the CN which may include an extension of the maturity date and a revision of the conversion price etc. Nevertheless, these financial statements have been prepared on a going concern basis, the validity of which depends upon whether the Company can reach an agreement with the holders of the CN for the amendments and whether all relevant approvals such as shareholders' approval, regulatory approvals and where necessary the court approvals can be obtained. As at the date of this report, no formal agreement has been entered into between the Company and the holders of the CN relating to the amendments of CN, though, to the best knowledge of the directors of the Company, over 75% of the holders of CN have expressed their willingness to extend the maturity date of the CN. Under this circumstance, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2012 on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for future liabilities which might arise and to reclassify non-current assets and non-current liabilities to current respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Group, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries 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. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Business combinations (Continued)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 sales, 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.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charges to the profit or loss 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 capitalized 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.

Construction in progress represents 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 financial 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 period in which it arises.

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.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial instruments (Continued)

3.10.1 Financial assets (Continued)

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 and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial instruments (Continued)

3.10.1 Financial assets (Continued)

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).

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 period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial instruments (Continued)

3.10.1 Financial assets (Continued)

Impairment of financial assets (Continued)

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.

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.

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 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, convertible bonds and promissory note) are subsequently measured at amortised cost using the effective interest method.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial instruments (Continued)

3.10.2 Financial liabilities and equity instruments (Continued)

Convertible bonds

Convertible bonds 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 bonds 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 bonds using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 re recognised in profit or loss in the 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; 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.

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 period, unless exchange rates fluctuate significantly during that 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).

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Impairment (Continued)

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 Impairment of Assets 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;
- 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 as it accrues using the effective interest method.

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 period in which they are incurred.

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 year. 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.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Share-based employee compensation (Continued)

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 income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the reporting period in which they are incurred.

3.20.3 Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straightline basis over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying 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 estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

4.1 Useful life of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

4.2 Estimated impairment of assets

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

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 units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

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 until to which the goodwill is allocated. Estimating 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.

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 reassess the impairment of receivables at the end of the reporting period.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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 were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which the tax outcome is realisable.

4.6 Fair values 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 value of mining rights is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of mining rights, or, where appropriate, the cash-generating unit to which they belong, is calculated as the higher of its fair value 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 costs

The provision for land restoration and environmental costs are 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.

4.9 Net realisable value of inventories

Net realisable value of inventories is 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 value of financial assets and instruments

Where the fair value 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 judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial assets and financial liabilities.

5. SEGMENT INFORMATION

The Group's operating segments, reported to the chief operating decision maker, an executive director of the Group, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered by the Group's operating divisions.

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

1. Gold Mining operation

2. Lighting operation

3. Forestry operation

5.1 Segment revenue and results

	Segment revenue		Segment results	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Lighting operation				
– Export market	**–**	116,676	**–**	22,778
– PRC market	**28,807**	–	**2,255**	–
Forestry operation	**2,361**	3,146	**406**	633
Gold Mining operation	**4,713**	14,214	**1,650**	4,150
Total	**35,881**	134,036	**4,311**	27,561
Interest income and other gains and losses			**(4,180,835)**	244,568
Central administration costs			**(52,873)**	(175,348)
Finance costs			**(38,335)**	(76,057)
(Loss)/profit before taxation			**(4,267,732)**	20,724

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2011: 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 other gains and losses as disclosed in Note 8 and expenses, central administration costs, directors' remuneration, loss on disposal of subsidiaries and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

5. SEGMENT INFORMATION (Continued)

5.2 Segment assets and liabilities

	Segment assets		Segment liabilities	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Lighting operation	**28,901**	189,901	**41,441**	49,164
Forestry operation	**115,807**	349,442	**25,614**	78,469
Gold Mining operation	**2,833,948**	6,649,518	**76,860**	55,592
Subtotal	**2,978,656**	7,188,861	**143,915**	183,225
Unallocated	**17,662**	1,046	**870,608**	1,228,321
Total	**2,996,318**	7,189,907	**1,014,523**	1,411,546

1. For internal reports that are regularly reviewed by the chief operating decision maker, lighting division for both export market and the 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.

5. SEGMENT INFORMATION (Continued)

5.3 Other segment information

	Depreciation and amortisation		Capital expenditures	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Forestry operation	**2,999**	2,239	**–**	412
Gold Mining operation	**5,405**	3,897	**78,015**	41,086
	8,404	6,136	**78,015**	41,498

In addition to the depreciation and amortisation reported above, the impairment losses of HK$43,830,000 (2011: HK$17,646,000) were recognised in respect of trade and other receivables. These impairment losses were attributable to the following reportable segments:

	Impairment losses recognised					
	Mining rights		Trade and other receivables		Goodwill	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Lighting operation	**–**	–	**25,184**	1,103	**–**	–
Forestry operation	**–**	–	**18,646**	–	**–**	5,318
Gold Mining operation	**3,922,440**	–	**–**	16,543	**–**	838,957
	3,922,440	–	**43,830**	17,646	**–**	844,275

The Group also recognised the loss arising from changes in fair value less estimated point-of-sale cost of timber holdings of approximately HK$210,000,000 (2011: loss of HK$44,000,000) which was related to forestry operation.

5. SEGMENT INFORMATION (Continued)

5.4 Geographical information

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

	Segment revenue from external customers		Segment assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**35,881**	17,360	**2,949,755**	6,970,967
United States of America	**–**	116,676	**–**	27,057
Canada	**–**	–	**–**	363
Others*	**–**	–	**46,563**	191,520
	35,881	134,036	**2,996,318**	7,189,907

* Others represent unallocated items.

5.5 Information about major customers

Included in revenue arising from sales of lighting products of approximately HK$28,807,000 (2011: HK$116,676,000) was revenue of approximately HK$14,569,670 (2011: HK$108,608,000) which arose from sales to the Group's largest customer. No other single customers contributed 10% or more to the Group's revenue for the years ended 31 December 2012 and 31 December 2011.

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 is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Sales of lighting products	**28,807**	116,676
Sales of timbers	**2,361**	3,146
Sales of gold ore concentrates	**4,713**	14,214
	35,881	134,036

7. INVESTMENT AND OTHER INCOME

	Group 2012 HK$'000	2011 HK$'000
Bank interest income	**5**	20
Other income	**121**	17
	126	37
The following was an analysis of investment and other income:		
Loan and receivables (including cash and bank balances)	**5**	20
Investment income earned on non-financial assets	**121**	17
	126	37

8. OTHER GAINS AND LOSSES

	Group 2012 HK$'000	2011 HK$'000
Loss on disposal of subsidiaries	**(4,695)**	–
Loss arising from changes in fair value less estimated point-of-sale cost of timber holdings	**(210,000)**	(44,000)
Gain on cancellation of convertible notes	**–**	1,150,160
Net foreign exchange gain	**4**	292
Impairment loss recognised in respect of goodwill	**–**	(844,275)
Impairment loss recognised in respect of trade and other receivables	**(43,830)**	(17,646)
Impairment loss recognised in respect of mining rights	**(3,922,440)**	–
	(4,180,961)	244,531

9. FINANCE COSTS

	Group 2012 HK$'000	2011 HK$'000
Interest on bank overdrafts	**3**	–
Interest on obligation under finance leases	**135**	120
Imputed interest on promissory notes	**3,566**	3,387
Imputed interest on convertible notes	**34,631**	72,550
	38,335	76,057

10. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation was arrived at after charging:

	Group 2012 HK$'000	2011 HK$'000
Amortisation of land use rights	**1,410**	609
Amortisation of mining rights	**300**	900
Auditor's remuneration	**850**	1,700
Staff costs (including directors' remuneration *(Note 11)*)		
– Wages and salaries	**8,810**	14,884
– Defined contribution scheme	**173**	311
– Equity-settled share based payments	**–**	30,696
	8,983	45,891
Cost of inventories sold	**31,570**	93,856
Depreciation of property, plant and equipment	**6,694**	4,627
Loss on disposal of property, plant and equipment	**–**	2,207
Operating lease payments in respect of:		
– Land and buildings	**2,779**	2,559
Impairment loss recognised in respect of goodwill	**–**	844,275
Impairment loss recognised in respect of trade and other receivables	**43,830**	17,646
Equity-settled share-based expenses	**–**	11,529
Provision for obsolete inventories	**8,000**	–

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 2012 HK$'000	2011 HK$'000
Fees:		
Executive Director	**240**	315
Independent non-executive Director	**572**	479
	812	794
Other emoluments:		
Executive Director:		
Salaries, allowances and benefits in kind	**2,631**	3,478
Discretionary bonuses	**200**	187
Equity-settled share-based payments	**–**	11,528
Contributions to pension schemes	**14**	12
	2,845	15,205
Independent non-executive Director:		
Equity-settled share-based payments	**–**	1,728
	3,657	17,727

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 (2011: Nil).

11. DIRECTORS' REMUNERATION (Continued)

(a) Executive directors

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Equity-settled share option expenses HK$'000	Total remuneration HK$'000
2012					
Mr. Cheung Wai Yin, Wilson[1]	**–**	**2,400**	**200**	**–**	**2,600**
Mr. Lau Chi Yan, Pierre	**240**	**–**	**–**	**–**	**240**
Mr. Tian Lidong[2]	**–**	**183**	**–**	**–**	**183**
Mr. Mow Tai Loy[3]	**–**	**38**	**–**	**–**	**38**
Mr. Zhao Zhibin[3]	**–**	**10**	**–**	**–**	**10**
	240	**2,631**	**200**	**–**	**3,071**
2011					
Mr. Cheung Wai Yin, Wilson[1]	–	1,823	–	5,764	7,587
Mr. Lau Chi Yan, Pierre	240	–	–	5,764	6,004
Mr. Liu Hui Cai[4]	–	500	–	–	500
Mr. Hsu Chen Shen[5]	50	850	120	–	1,020
Mr. Yang Hsien Lin[6]	25	305	67	–	397
	315	3,478	187	11,528	15,508

1. Mr. Cheung Wai Yin, Wilson was appointed as Chairman on 24 June 2011.

2. Mr. Tian Lidong was appointed as an executive director on 18 April 2012.

3. Both Mr. Mow Tai Loy and Mr. Zhao Zhibin were appointed as executive directors on 14 December 2012.

4. Mr. Liu Hui Cai was retired as an executive director on 31 May 2012.

5. Mr. Hsu Chen Shen was resigned as an executive director on 24 June 2011.

6. Mr. Yang Hsien Lin was resigned as an executive director on 19 April 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 HK$'000	Equity-settled share-based payments HK$'000	Total remuneration HK$'000
2012			
Mr. Ma Chun Fung, Horace	**150**	**–**	**150**
Mr. Anthony John Earle Grey	**272**	**–**	**272**
Ms. Pang Yuen Shan, Christina[1]	**150**	**–**	**150**
	572	**–**	**572**
2011			
Mr. Ma Chun Fung, Horace	120	576	696
Mr. Anthony John Earle Grey	234	576	810
Ms. Pang Yuen Shan, Christina[1]	75	576	651
Dr. Hsiao Horng Ching[2]	50	–	50
	479	1,728	2,207

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

2. Mr. Hsiao Horng Ching was resigned as an independent non-executive director on 20 May 2011.

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

12. EMPLOYEES' EMOLUMENTS

Of the five highest paid employees for the year, two (2011: three) were directors of the Company whose remuneration were set out in Note 11 above.

Out of the five highest paid employees, one employee (2011: one) whose remuneration fell within HK$1,000,001 to HK$1,500,000 and two employees (2011: one) fell within Nil to HK$1,000,000.

13. INCOME TAX CREDIT

Income tax recognised in profit or loss

	Group 2012 HK$'000	2011 HK$'000
Current tax:		
PRC enterprise income tax	**(412)**	(1,806)
Other jurisdictions	**–**	(1,746)
	(412)	(3,552)
Deferred tax charge to profit and loss *(Note 32)*	**52,500**	11,000
	52,088	7,448

No provision for Hong Kong profits tax has been made since the Group incurred taxation losses for the year (2011: Nil). The PRC enterprise income tax has been provided at the rate of 25% (2011: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the countries in which the Group operates.

The tax credit for the year can be reconciled to the (loss)/profit per the consolidated income statement as follows:

	Group 2012 HK$'000	2011 HK$'000
(Loss)/profit before taxation	**(4,267,732)**	20,724
Tax at the statutory tax rates	**(1,066,933)**	5,181
Tax losses not recognised	**21,746**	28,805
Difference from tax rate of other jurisdictions	**(9,171)**	(2,185)
Income not subject to tax	**(21)**	(285,545)
Expenses not deductible for tax	**1,002,291**	246,296
Income tax credit for the year	**(52,088)**	(7,448)

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

The loss attributable to owners of the Company for the year ended 31 December 2012 amounted to approximately HK$4,686,078,000 (2011: profit of approximately HK$974,966,000) which has been dealt with in the financial statements of the Company (Note 38(b)).

15. DIVIDENDS

The Board do not recommend the payment of any final dividend in respect of the year ended 31 December 2012 (2011: Nil).

16. (LOSS)/EARNINGS PER SHARE

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

	2012 **HK$'000**	2011 HK$'000
Earnings:		
(Loss)/earnings for the purpose of basic earnings per share attributable to owners of the Company	**(4,199,685)**	48,679
Effect of dilutive potential ordinary shares:		
Imputed interest on convertible notes	**34,631**	72,550
(Loss)/earnings for the purpose of diluted earnings per share attributable to owners of the Company	**(4,165,054)**	121,229

	2012 **'000**	(Represented) 2011 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,762,241**	2,266,428
Effect of dilutive potential ordinary shares:		
Convertible notes issued by the Company	**351,250**	490,833
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,113,491**	2,757,261

For the years ended 31 December 2012 and 31 December 2011, no dilutive earnings per share has been presented as the outstanding share options for the year had an anti-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, and the conversion of the Company's outstanding convertible notes could result in an increase in the earnings per share.

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 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 and 1 January 2012	2,421	1,842	11,405	1,331	18,351	391	35,741
Additions	–	–	–	15	–	–	15
Disposal	–	(239)	(2,792)	(993)	(556)	–	(4,580)
Transfer	–	–	–	259	–	(259)	–
Disposal of subsidiaries	–	–	–	–	(5,200)	–	(5,200)
Exchange realignment	118	11	420	11	455	19	1,034
As at 31 December 2012	2,539	1,614	9,033	623	13,050	151	27,010
Accumulated depreciation and impairment:							
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 and 1 January 2012	620	640	5,531	1,099	6,306	–	14,196
Charge for the year	7	998	170	407	5,112	–	6,694
Disposal	–	(239)	(2,792)	(993)	(556)	–	(4,580)
Disposal of subsidiaries	–	–	–	–	(2,338)	–	(2,338)
Exchange realignment	30	–	134	3	167	–	334
As at 31 December 2012	657	1,399	3,043	516	8,691	–	14,306
Net carrying value:							
As at 31 December 2012	1,882	215	5,990	107	4,359	151	12,704
As at 31 December 2011	1,801	1,202	5,874	232	12,045	391	21,545

The Group's leasehold land and buildings included above were held under the medium lease terms.

Motor vehicles with net book value of approximately HK$1,602,000 as at 31 December 2012 (2011: HK$5,035,000) were held under finance leases as disclosed in Note 30 to the consolidated financial statements.

18. LAND USE RIGHTS

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

	Group	
	2012	2011
	HK$'000	HK$'000
At cost:		
As at 1 January	**35,472**	35,103
Amortisation	**(1,410)**	(609)
Exchange realignment	**2,505**	978
As at 31 December	**36,567**	35,472

19. BIOLOGICAL ASSETS

	Group	
	2012	2011
	HK$'000	HK$'000
At fair value less estimated point-of-sale:		
As at 1 January	**290,000**	334,000
Loss arising from changes in fair value less estimated point-of-sale	**(210,000)**	(44,000)
As at 31 December	**80,000**	290,000

The Group's biological assets represent 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 as at 31 December 2012 and 31 December 2011 by Castores MAGI, an independent professional qualified valuer. The valuer applied an income approach based on projected future cash flows and a discount rate of 13.06% (2011: 13.48%). 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 and business risk.

20. GOODWILL

	Group	
	2012	2011
	HK$'000	HK$'000
Cost:		
As at 1 January and 31 December	**879,584**	879,584
Accumulated impairment:		
As at 1 January	**879,584**	35,309
Impairment loss recognised during the year	**–**	844,275
As at 31 December	**879,584**	879,584
Net carrying amount:		
As at 31 December	**–**	–

Impairment test for cash-generating units containing goodwill

The recoverable amounts of the cash-generating units ("CGU") of forestry business and mining business had been determined based on a value-in-use calculation 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 had 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 rate applied to cash flow projection for forestry business and mining business were 13.48% and 24.25% respectively. Cash flows beyond the 5-year period for forestry business and mining business were extrapolated using a growth rate of 3% and 5% which were similar to the average long-term growth rate of the forestry and mining industries.

For the year ended 31 December 2011, impairment losses of goodwill amounted to HK$838,957,000 and HK$5,318,000 were recognised for mining business and forestry business respectively.

21. MINING RIGHTS

	Group 2012 HK$'000	2011 HK$'000
As at 1 January	**6,531,645**	6,532,545
Capitalised from exploration and evaluation assets	**191,095**	–
Impairment loss recognised during the year	**(3,922,440)**	–
Amortisation	**(300)**	(900)
As at 31 December	**2,800,000**	6,531,645

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.

The Hebei Gold Mines and Shandong Gold Mines were valued as at 31 December 2012 and 31 December 2011 by Castores MAGI, an independent professional qualified valuer. The valuer applied an income approach based on projected future cash flows and a discount rate of 25.00% (2011: 24.25%). The discount rate used in the valuation of the Hebei Gold Mines and Shandong Gold Mines was determined by reference to published discount rates, cost of equity analysis, country risk and business risk.

As at 31 December 2012, the directors of the Company reviewed the carrying amount of the mining right, taking into account an independent valuation report prepared by the professional valuer. In the opinion of the directors, an impairment loss of approximately HK$3,922,440,000 (2011: Nil) was recognised in profit or loss.

22. EXPLORATION AND EVALUATION ASSETS

	Group 2012 HK$'000	2011 HK$'000
As at 1 January	**120,284**	78,044
Additions	**78,000**	38,544
Capitalised to mining rights	**(191,095)**	–
Exchange realignment	**4,745**	3,696
As at 31 December	**11,934**	120,284

The Directors considered that no impairment loss shall be recognised for the year ended 31 December 2012 as there was no indication for provision of impairment loss being identified.

23. INTERESTS IN SUBSIDIARIES

	Company 2012 HK$'000	2011 HK$'000
Unlisted shares, at cost	**7,414,210**	7,414,210
Due from subsidiaries	**144,023**	163,165
	7,558,233	7,577,375
Impairment loss recognised during the year	**(4,641,753)**	(37,751)
	2,916,480	7,539,624

The balances with subsidiaries for the years ended 31 December 2012 and 31 December 2011 were unsecured, interest-free and were not repayable within twelve months after the end of the reporting period.

Particulars of the principal subsidiaries were as follows:

Name	Place of incorporation/ registration and operations	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

23. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
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
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 lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities for the years ended 31 December 2012 and 31 December 2011.

24. INVENTORIES

	Group 2012 HK$'000	2011 HK$'000
Raw materials	**7,168**	15,426

25. TRADE AND BILLS RECEIVABLES

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

	Group 2012 HK$'000	2011 HK$'000
0 – 30 days	**1,901**	31,348
31 – 90 days	**2,806**	71
91 – 180 days	**15,667**	141
181 – 360 days	**8,523**	15,898
Over 360 days	**–**	7,590
	28,897	55,048

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 receivables directly. The movement in the provision for impairment of trade receivable was as follows:

	Group 2012 HK$'000	2011 HK$'000
As at 1 January	**51,397**	33,751
Impairment loss	**24,800**	17,646
As at 31 December	**76,197**	51,397

25. 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 (2011: 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 and bills 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 and bills receivable is impaired. All of the Group's trade and bills receivables have been reviewed for indicators of impairment. As at 31 December 2012, the Group determined no trade receivables (2011: Nil) as individually written off and certain trade receivables were found to be impaired and bad debts of approximately HK$24,800,000 (2010: approximately HK$17,646,000) 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 is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**4,707**	31,419
1 – 90 days	**15,667**	141
91 – 270 days	**8,523**	15,898
Over 270 days	**–**	7,590
Total trade and bills receivables, net	**28,897**	55,048

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 considers that trade receivables that are 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	
	2012	2011
	HK$'000	HK$'000
US dollars	**–**	30,272

26. 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$1,538,000, which was expected to be recovered on recognised as expense more than one year, was recognised as at 31 December 2011.

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**7,550**	9,788	**5,382**	3,646

At the end of the reporting period, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$1,761,000 (2011: HK$3,733,000). 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.

28. TRADE PAYABLES

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

	Group	
	2012	2011
	HK$'000	HK$'000
0 – 90 days	**5,305**	2,008
91 – 180 days	**3,470**	–
181 – 360 days	**18,763**	–
Over 360 days	**–**	7
	27,538	2,015

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

29. 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.

30. OBLIGATION 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
The Group				
Amounts payment under finance leases:				
Within one year	**661**	1,323	**580**	1,192
In more than one year but not more than two years	**661**	1,128	**580**	1,010
In more than two years but not more than three years	**331**	776	**249**	683
In more than three years but not more than five years	**–**	352	**–**	305
	1,653	3,579	**1,409**	3,190
Less: Future finance charges	**(244)**	(389)	**–**	–
Present value of lease obligations	**1,409**	3,190	**1,409**	3,190
Less: Amount due for settlement within one year shown under current liabilities			**(580)**	(1,192)
			829	1,998

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

31. AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company was unsecured, non-interest bearing and was repayable on demand.

32. DEFERRED TAX LIABILITIES

	Convertible Notes HK$'000	Group Revaluation of biological assets HK$'000	Total HK$'000
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 and as at 1 January 2012	**19,197**	**71,996**	**91,193**
Conversion of convertible notes	**(5,460)**	**–**	**(5,460)**
Deferred tax credited to profit or loss	**–**	**(52,500)**	**(52,500)**
As at 31 December 2012	**13,737**	**19,496**	**33,233**

The Group has not recognised deferred tax assets in respect of cumulative tax losses in certain subsidiaries of HK$20,424,000 as at 31 December 2012 (2011: HK$20,223,000) as it is not probable that future profits will be available against which the losses can be utilized.

33. PROVISION FOR LAND RESTORATION AND ENVIRONMENTAL COST

	Group 2012 HK$'000	2011 HK$'000
As at 1 January and 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.

34. PROMISSORY NOTES

	Group and Company 2012 HK$'000	2011 HK$'000
As at 1 January	**76,294**	82,907
Imputed interest	**3,566**	3,387
	79,860	86,294
Settlement during the year	**(69,000)**	(10,000)
As at 31 December	**10,860**	76,294

During the year ended 31 December 2012, the Promissory Note in the principal amount of HK$69,000,000 was settled by the Company. As at 31 December 2012, the carrying amount of the Promissory Note was approximately HK$10,860,000.

35. CONVERTIBLE NOTES

	Group and Company		
	Equity component	Liability component	Total
	HK$'000	HK$'000	HK$'000
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	(91,538)	(1,073,712)	(1,165,250)
As at 31 December 2011 and as at 1 January 2012	**97,146**	**1,108,309**	**1,205,455**
Imputed interest	**–**	**34,631**	**34,631**
Conversion of Convertible Notes	**(27,626)**	**(310,632)**	**(338,258)**
As at 31 December 2012	**69,520**	**832,308**	**901,828**

Notes:

(a) On 3 May 2010, the Company issued two zero-coupon convertible notes in the 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 the consideration for the acquisitions of the entire equity interests in Goldpic Investments Limited and Mark Unison Limited respectively.

The maturity date of the 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.

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 is 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 value of the liability component and the equity conversion component were determined at issuance of the Convertible notes.

During the year ended 31 December 2012, the Convertible Notes in the principal amount of HK$335,000,000 were converted into the ordinary shares of the Company. As at 31 December 2012, the carrying amount of the liability component of the Convertible Notes is approximately HK$832,308,000.

36. SHARE CAPITAL

		Company	
	Notes	**Number of shares** '000	**Nominal values** HK$'000
Authorised:			
Ordinary shares of HK$0.1 each			
As at 1 January 2011, 31 December 2011 and 1 January 2012		**25,000,000**	**2,500,000**
Share consolidation	*a(i)*	**(18,750,000)**	**–**
Ordinary shares of HK$0.4 each		**6,250,000**	**2,500,000**
Share sub-division	*a(ii)*	**243,750,000**	**–**
As at 31 December 2012, ordinary shares of HK$0.01 each		**250,000,000**	**2,500,000**
Issued and fully paid:			
Ordinary shares of HK$0.1 each			
As at 1 January 2011		8,207,399	820,740
Issuance of shares pursuant to conversion of convertible notes	*(b)*	616,667	61,667
Placing of new shares	*(f)*	350,000	35,000
As at 31 December 2011 and 1 January 2012		**9,174,066**	**917,407**
Issuance of shares pursuant to conversion of convertible notes	*(b)*	**558,333**	**55,833**
Subscription of new shares	*(c)*	**300,000**	**30,000**
Share consolidation	*a(i)*	**(7,524,299)**	**–**
Ordinary shares of HK$0.4 each		**2,508,100**	**1,003,240**
Capital reduction	*a(iii)*	**–**	**(978,159)**
Ordinary shares of HK$0.01 each		**2,508,100**	**25,081**
Subscription of new shares	*(d)*	**380,000**	**3,800**
Placing of new shares	*(e)*	**570,000**	**5,700**
As at 31 December 2012, ordinary shares of HK$0.01 each		**3,458,100**	**34,581**

Notes:

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

(a) On 3 April 2012, the Company proposed to effect the capital reorganization which became effective on 9 May 2012 being approved by the shareholders ("Capital Reorganisation"). The Capital Reorganisation involved the following:

(i) every four existing shares of HK$0.1 each in both the issued and unissued share capital of the Company were consolidated into one consolidated share of HK$0.4 each ("Share Consolidation");

(ii) immediately following the Share Consolidation, each unissued consolidated share in the authorised but unissued share capital of the Company was sub-divided into forty shares so that the nominal value of each unissued consolidated share was reduced from HK$0.4 to HK$0.01 each ("Share Sub-division"); and

(iii) the paid up capital of each issued consolidated share was reduced from HK$0.4 to HK$0.01 by cancelling the paid up capital to the extent of HK$0.39 so as to form a new share with a nominal value of HK$0.01 each ("Capital Reduction").

36. SHARE CAPITAL (Continued)

(b) Pursuant to the 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 has been set out in Note 35 to the consolidated financial statements.

During the year ended 31 December 2012, the principal amount of HK$335,000,000 of the convertible notes were converted which resulted in an aggregate of 558,333,333 ordinary shares being issued by the Company. Detail of the conversion of convertible notes are summarized as follow:

Date of conversion of convertible notes	**Number of ordinary shares issued**	**Conversion price HK$**	**Aggregate consideration HK$**
20 January 2012	**300,000,000**	**0.6**	**180,000,000**
4 May 2012	**200,000,000**	**0.6**	**120,000,000**
4 May 2012	**58,333,333**	**0.6**	**35,000,000**
	558,333,333		**335,000,000**

During the year ended 31 December 2011, the principal amount of HK$370,000,000 of the convertible notes were converted during which resulted in an aggregate of 616,666,665 ordinary shares being issued by the Company. Details of the conversion of convertible notes are were summarised as follow:

Date of conversion of convertible notes	Number of ordinary shares issued	Conversion price HK$	Aggregate consideration HK$
18 January 2011	166,666,666	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
	616,666,665		370,000,000

36. SHARE CAPITAL (Continued)

(c) On 23 March 2012, the Company entered into a subscription agreement with Sino Flourish Investments Limited and issued an aggregate of 300,000,000 ordinary shares of HK$0.1 each at a consideration of HK$30.0 million.

(d) On 21 May 2012, the Company entered into a subscription agreement with Million Trade Development Limited and issued an aggregate of 380,000,000 ordinary shares of HK$0.01 each at a consideration of HK$30.4 million.

(e) On 31 October 2012, the Company entered into a placing agreement with Reorient Financial Markets Limited ("Reorient") pursuant to which Reorient has agreed to place 570,000,000 ordinary shares of HK$0.01 each at a consideration of approximately HK$37.1 million.

(f) Pursuant to the placing agreement on 11 January 2011, Knight Asia Investments Limited ("Knight Asia") and Super Master Investments Limited ("Super Master"), 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 issue	Number of ordinary shares issued	Aggregate Issued price HK$	Consideration received HK$
17 January 2011	350,000,000	0.3	105,000,000

37. 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.

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 highest 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.

37. SHARE OPTION SCHEME (Continued)

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%

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 a share option are based on directors' best estimate.

Details of the share options granted under the New Scheme and the Terminated Scheme during the years ended 31 December 2012 and 31 December 2011 to subscribe for the shares in the Company are as follows:

The particulars in relation to the share option scheme of the Company are disclosed as follows:

2012 ("New Scheme")

				Number of share options		
Name or category of Option holder	Date of grant	Exercise price per share *(Note 1)*	Exercisable period *(Note 2)*	Outstanding as at 1 January 2012 *(Note 1)*	Adjusted during the year *(Note 1)*	Outstanding as at 31 December 2012
Executive Director:						
Mr. Cheung Wai Yin, Wilson	9 December 2011	HK$0.4	3 January 2012 to 8 December 2021	80,000,000	(60,000,000)	20,000,000
Mr. Lau Chi Yan, Pierre	9 December 2011	HK$0.4	3 January 2012 to 8 December 2021	80,000,000	(60,000,000)	20,000,000
Independent Non-executive Director:						
Mr. Anthony John Earle Grey	9 December 2011	HK$0.4	3 January 2012 to 8 December 2021	8,000,000	(6,000,000)	2,000,000
Mr. Ma Chun Fung, Horace	9 December 2011	HK$0.4	3 January 2012 to 8 December 2021	8,000,000	(6,000,000)	2,000,000
Ms. Pang Yuen Shan, Christina	9 December 2011	HK$0.4	3 January 2012 to 8 December 2021	8,000,000	(6,000,000)	2,000,000
				184,000,000	(138,000,000)	46,000,000
Employees in aggregate	9 December 2011	HK$0.4	3 January 2012 to 8 December 2021	242,000,000	(181,500,000)	60,500,000
Consultants in aggregate	9 December 2011	HK$0.4	3 January 2012 to 8 December 2021	160,000,000	(120,000,000)	40,000,000
				586,000,000	(439,500,000)	146,500,000

37. SHARE OPTION SCHEME (Continued)

2011 ("New Scheme")

				Number of share options		
Name or category of Option holder	Date of grant	Exercise price	Exercisable period *(Note 2)*	Outstanding as at 1 January 2011	Granted during the year	Outstanding as at 31 December 2011
Executive Director:						
Mr. Cheung Wai Yin, Wilson	9 December 2011	HK$0.1	3 January 2012 to 8 December 2021	–	80,000,000	80,000,000
Mr. Lau Chi Yan, Pierre	9 December 2011	HK$0.1	3 January 2012 to 8 December 2021	–	80,000,000	80,000,000
Independent Non-executive Director:						
Mr. Anthony John Earle Grey	9 December 2011	HK$0.1	3 January 2012 to 8 December 2021	–	8,000,000	8,000,000
Mr. Ma Chun Fung, Horace	9 December 2011	HK$0.1	3 January 2012 to 8 December 2021	–	8,000,000	8,000,000
Ms. 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 in aggregate	9 December 2011	HK$0.1	3 January 2012 to 8 December 2021	–	242,000,000	242,000,000
Consultants in aggregate	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

Notes:

1. Subsequent to the Share Consolidation, the exercise price of the share options was adjusted from HK$0.1 per share to HK$0.4 per share and the number of share options granted was adjusted accordingly.

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

3. During the years ended 31 December 2012 and 31 December 2011, no option was exercised, lapsed or cancelled.

4. No Share option was granted under the Terminated scheme during the year ended 31 December 2011.

5. The number and/or exercise price of the options may be subject to adjustment in the case of rights or bonus issues, or other changes in the Company's share capital.

37. SHARE OPTION SCHEME (Continued)

Share options and weighted average exercise price are presented as follows:

	2012 Number of shares	**2012** Weighted average exercise price HK$	2011 Number of shares	2011 Weighted average exercise price HK$
Outstanding share options as at 1 January	**586,000,000**	**–**	–	–
Granted during the year	**–**	**–**	586,000,000	0.1
Adjusted during the year	**(439,500,000)**	**0.4**	–	–
Outstanding share options as at 31 December	**146,500,000**	**0.4**	586,000,000	0.1

All share options have been accounted for under HKFRS 2. The outstanding share options as at 31 December 2012 had weighted average exercise prices of HK$0.4 and a weighted average remaining contractual life of 9 years.

38. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity on page 36 of the consolidated financial statements.

(b) Company

	Share premium HK$'000	**Contributed surplus** HK$'000	**Convertible notes reserve** HK$'000	**Share based payment reserve** HK$'000	**(Accumulated losses)/ retained profits** HK$'000	**Total** HK$'000
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 and 1 January 2012	**4,183,629**	**43,515**	**97,146**	**42,225**	**1,045,968**	**5,412,483**
Net loss for the year	**–**	**–**	**–**	**–**	**(4,686,078)**	**(4,686,078)**
Subscription of new shares	**26,600**	**–**	**–**	**–**	**–**	**26,600**
Placing of new shares	**31,350**	**–**	**–**	**–**	**–**	**31,350**
Share issurance expenses	**(2,411)**	**–**	**–**	**–**	**–**	**(2,411)**
Capital reduction	**978,159**	**–**	**–**	**–**	**–**	**978,159**
Conversion of convertible notes	**287,884**	**–**	**(27,626)**	**–**	**–**	**260,258**
As at 31 December 2012	**5,505,211**	**43,515**	**69,520**	**42,225**	**(3,640,110)**	**2,020,361**

38. 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 represent the portion of the grant date fair value of unexercised share options granted to employees 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 represent 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.

39. CONTINGENT LIABILITIES

At the end of reporting period, the Group and the Company had no significant liabilities (2011: Nil).

40. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had the following outstanding commitments:

As lessee

The Group leased its office premises, under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three 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	
	2012 Office premises HK$'000	2011 Office premises HK$'000
Within one year	**830**	1,661
In the second to fifth years, inclusive	**–**	830
	830	2,491

41. 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 reporting period:

(a) 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	
	2012	2011
	HK$'000	HK$'000
Short term employee benefits	**3,657**	4,471
Share-based payment	**–**	13,258
	3,657	17,729

42. 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 is 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. As at the date of the approval of the audited consolidated financial statements, the Litigation is still in progress.

43. DISPOSAL OF SUBSIDIARIES (Continued)

On 30 November 2012, Bright Group (BVI) Limited, a wholly owned subsidiary of the Company entered into two sale and purchase agreements for the disposal of the entire equity interests in ACE Link Management Limited and its subsidiaries and Oriental Bright Holdings Limited and its subsidiaries at an aggregate consideration of HK$1,000,000.

The net assets disposed of in the transaction and loss on disposal arising was as follows:

	Group 2012 HK$'000
Fair value of net assets disposed of:	
Property, plant and equipment	2,862
Inventories	10
Trade receivables	30,665
Prepayments, deposits and other receivables	5,373
Cash and bank balances	390
Tax liabilities	(32,638)
Other payables and accruals	(2,155)
Obligations under finance lease	(639)
Exchange reserves	1,827
Net assets	5,695
Consideration:	
Cash consideration received	1,000
Loss on disposal of subsidiaries	(4,695)
Net cash inflow from disposal:	
Cash consideration received	1,000
Less: cash and bank balances disposed of	(390)
	610

44. 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 certain discounted bills with recourse and 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 details 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 relate:

	Group	
	2012	2011
	US$'000	US$'000
Trade and bills receivables	–	3,881

Foreign currency risk sensitivity analysis

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

44. RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

Foreign currency risk exposure *(Continued)*

The following table indicates 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 are excluded.

	2012		2011	
	Increase/ (Decrease) in foreign exchange rates %	**Effect on loss after tax and retained earnings HK$'000**	Increase/ (Decrease) in foreign exchange rates %	Effect on profit after tax and retained earnings HK$'000
US$	**–**	**–**	2.89%	814
	–	**–**	(2.89%)	(814)

The sensitivity rate of 2.89% 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% change in foreign currency rates. The functional currency of the Group's major operating subsidiaries is in RMB. A strengthening/weakening of the above foreign currencies against RMB at each balance sheet date would have had a profit/ loss effect respectively to the amounts shown above, on the basis that all other variables remain constant.

The Company is not exposed to any foreign currency risk.

Credit risk

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

	Group		**Company**	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Classes of financial assets:				
Trade and bills receivables	**28,897**	55,048	**–**	–
Prepayments, deposits and other receivables	**11,498**	110,699	**10,843**	6,700
Cash and cash equivalents	**7,550**	9,788	**5,382**	3,646
	47,945	175,535	**16,225**	10,346

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 52% (2011: 45%) 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 are disclosed in Note 25 to the consolidated financial statements.

44. RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

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.

As at 31 December 2012 and as at 31 December 2011, the remaining contractual maturity of the Group's and the Company's financial liabilities which are based on undiscounted cash flows are summarised below:

	Group					
	On demand or less than 1 Month HK$'000	1-3 months HK$'000	3 to less than 6 months HK$'000	6 to less than 12 months HK$'000	1-5 years HK$'000	Total HK$'000
As at 31 December 2012						
Non-derivative financial assets						
Trade and bill receivables	**1,901**	**2,806**	**15,667**	**8,523**	**–**	**28,897**
Prepayments, deposit and other receivables	**–**	**2,098**	**9,400**	**–**	**–**	**11,498**
Cash and bank balances	**7,550**	**–**	**–**	**–**	**–**	**7,550**
	9,451	**4,904**	**25,067**	**8,523**	**–**	**47,945**
Non-derivative financial liabilities						
Trade payables	**–**	**(5,305)**	**(3,470)**	**(18,763)**	**–**	**(27,538)**
Other payables and accruals	**–**	**(7,805)**	**(6,107)**	**(17,519)**	**–**	**(31,431)**
Obligation under finance lease	**–**	**(145)**	**(145)**	**(290)**	**(829)**	**(1,409)**
Promissory notes	**–**	**–**	**(10,860)**	**–**	**–**	**(10,860)**
Convertible notes	**–**	**–**	**(832,308)**	**–**	**–**	**(832,308)**
	–	**(13,255)**	**(852,890)**	**(36,572)**	**(829)**	**(903,546)**
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)
Obligation under finance lease	–	(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)

44. RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

Liquidity risk (Continued)

	Company					
	On demand or less than 1 Month HK$'000	1-3 months HK$'000	3 to less than 6 months HK$'000	6 to less than 12 months HK$'000	1-5 years HK$'000	Total HK$'000
As at 31 December 2012						
Non-derivative financial assets						
Prepayments, deposit and other receivables	**–**	**1,443**	**9,400**	**–**	**–**	**10,843**
Cash and bank balances	**5,382**	**–**	**–**	**–**	**–**	**5,382**
	5,382	**1,443**	**9,400**	**–**	**–**	**16,225**
Non-derivative financial liabilities						
Promissory notes	**–**	**–**	**(10,860)**	**–**	**–**	**(10,860)**
Convertible notes	**–**	**–**	**(832,308)**	**–**	**–**	**(832,308)**
Other payables and accruals	**–**	**(6,858)**	**–**	**(14,000)**	**–**	**(20,858)**
	–	**(6,858)**	**(843,168)**	**(14,000)**	**–**	**(864,026)**
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)

44. RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

Fair values

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

The carrying value of financial instruments measured at fair value 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.

45. CAPITAL MANAGEMENT

Capital includes equity attributable to the equity holders 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 2012 and 2011.

The financial leverage of the Group as at 31 December 2012, as compared to 31 December 2011 has been disclosed in the management discussion and analysis.

46. EVENTS AFTER THE REPORTING PERIOD

On 12 November 2012, the Company proposed to effect the capital reorganisation which was approved by the shareholders of the Company on 9 January 2013 and became effective on 10 January 2013. The Capital Reorganisation involved the following:

(a) every ten existing shares of HK$0.01 each in both the issued and unissued share capital of the Company were consolidated into one consolidated share of HK$0.1 each;

(b) immediately following the said share consolidation, each unissued consolidated share of in the authorized but unissued share capital of the Company was sub-divided into ten shares so that the nominal value of each unissued consolidated share was reduced from HK$0.1 to HK$0.01 each;

(c) the paid up capital of each issued consolidated share was reduced from HK$0.1 to HK$0.01 by cancelling the paid up capital to the extent of HK$0.09 so as to form a new share with a nominal value of HK$0.01 each; and

(d) the credit arising from the aforesaid capital reduction be transferred to the contributed surplus account of the Company.

Subsequent to such capital reorganisation, the conversion price of the outstanding convertible notes is adjusted from HK$2.4 per share to HK$24.0 per new share. The exercise price of the outstanding share options is adjusted from HK$0.4 per share to HK$4.0 per new share and the number of shares to be subscribed for the share options granted is adjusted from 146,500,000 shares to 14,650,000 new shares.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2013.