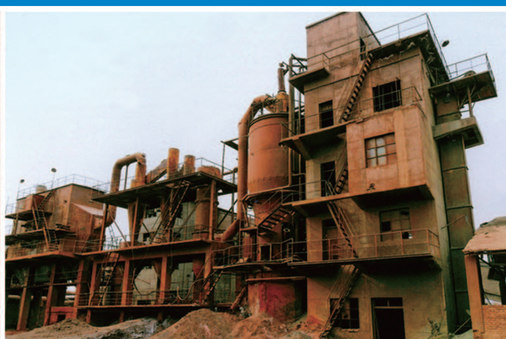
NORTH
MINING SHARES

North Mining Shares Company Limited
北方礦業股份有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 433)

ANNUAL REPORT 2011

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Gao Yuan Xing *(Chairman and Chief Executive Officer)*
Qian Yi Dong *(Deputy Chairman)*
Zhao Qing
Zhang Jia Kun
Fan Wei Guo

Independent Non-executive Directors

Mu Xiangming
Cheng Chak Ho
Lo Wa Kei Roy

COMPANY SECRETARY AND AUTHORISED REPRESENTATIVE

Yuen Wing Kwan

AUDIT COMMITTEE

Mu Xiangming *(Chairman)*
Cheng Chak Ho
Lo Wa Kei Roy

REMUNERATION COMMITTEE

Lo Wa Kei Roy *(Chairman)*
Cheng Chak Ho
Qian Yi Dong

AUDITORS

Elite Partners CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

Citibank
Standard Chartered Bank (Hong Kong) Limited
HSBC
CITIC Ka Wah Bank Limited
Wing Hang Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 3609–10, 36/F
China Resources Building
No. 26 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LISTING INFORMATION

Stock Code: 433, Hong Kong

WEBSITE

www.northmining.com.hk

CHAIRMAN'S STATEMENT

To the shareholders,

On behalf of the board of directors (the "Board or Directors") of North Mining Shares Company Limited (the "Company", together with its subsidiaries, collectively the "Group"), I am pleased to present the annual report of the Company for the year ended 31 December 2011.

BUSINESS REVIEW

Since the outbreak of the financial turmoil in 2008, there has been a big slump in molybdenum price. Molybdenum price basically bottomed out after the adjustment experienced in the past two years. However, it was again hit by the European debt crisis and the reduced demand for molybdenum afterward and there were still no obvious rebound and growth had been witnessed in the molybdenum market in 2011. In Mainland, molybdenum price was in line with the international market trend. In the first half of 2011, the average price of molybdenum concentrates was approximately RMB2,130 per tonne while the average price of molybdenum concentrates was approximately RMB1,940 per tonne in the second half of 2011.

As mining and sale of molybdenum is still one of the principal activities of the Group, weak molybdenum market would certainly have adverse impacts on the turnover of the Group. For the year ended 31 December 2011, the Group recorded a turnover attributable from the sales of molybdenum of approximately HK$343,644,000, representing a decrease of approximately 7.9% as compared to the year ended 31 December 2010. Nevertheless, the Group achieved a increase in total turnover to approximately HK$391,035,000, representing an increase of approximately 1.7% as compared to approximately HK$384,543,000 for the year ended 31 December 2010. Such increase was mainly due to the increase in the sales of sulfuric acid from approximately HK$7,706,000 for the year ended 31 December 2010 to approximately HK$29,212,000 for the year ended 31 December 2011.

PROSPECT

Since there is no complete solution to the European debt crisis, there is possibility of recurrence of global economic recession. As the current molybdenum price is lower than the production cost of certain molybdenum suppliers in Mainland, those suppliers will suspend and reduce their production and hold up the sale of the molybdenum, which may lead to a steady upward trade in price. With reduced supply, progressive growth may return. Furthermore, the Group will keep on identifying the possible acquisition of mines of rare metal to reduce the impacts of a weak molybdenum market.

APPRECIATION

Finally, I would like to take this opportunity to express our sincere gratitude to our shareholders for their trust and long term support, and to all the management and staff for their continuous hard work and dedication over the years.

Gao Yuan Xing
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL FINANCIAL PERFORMANCE

During the year under review, the Group recorded a turnover of approximately HK$391,035,000, representing an increase of 1.69% over 2010 (2010: approximately HK$384,543,000). Turnover attributable to mining business operations, which is the Group's major operation, amounted to approximately HK$372,856,000 (2010: approximately HK$380,799,000), represents approximately 95.4% (2010: 99.0%) of the Group's total turnover for the year ended 31 December 2011. For the year ended 31 December 2011, the Group recorded a loss attributable to owners of the Company of approximately HK$598,988,000 (2010: loss of approximately HK$688,783,000), representing a decrease of 13.03% as compared to the year ended 31 December 2010.

BUSINESS REVIEW

The principal activities of the Group are (i) mining operations — exploitation, exploration and trading of mineral resources; (ii) property leasing operations; and (iii) property management operations. An analysis of each of these business segments is presented below:

Mining Operations — Exploitation and Exploration

*** Shaanxi Province Luo Nan Xian Jiu Long Kuang Ye Company Limited ("Jiu Long Kuang Ye") (陝西省洛南縣九龍礦業有限公司)**

During the year under review, the volume of molybdenum concentrate produced by the molybdenum mine operated by Jiu Long Kuang Ye was about 5,694 tonnes. The sales volume of molybdenum concentrate was about 4,320 tonnes. The grade of molybdenum concentrate was approximately 42–45%. The average selling price of molybdenum concentrate was about HK$79,547 per tonne. During the year under review, Jiu Long Kuang Ye contributed a revenue of approximately HK$372,856,000 (2010: approximately HK$380,799,000) to the Group, of which approximately HK$29,212,000 was attributable from sales of sulfuric acid (2010: HK$7,706,000). The cost of sales was approximately HK$252,106,000 (2010: approximately HK$251,499,000). Gross profit amounted to approximately HK$120,750,000 (2010: approximately HK$129,350,000) and the profit margin was 32%, representing a decrease of approximately 2% as compared to 34% in 2010. The slightly decrease in profit margin was mainly due to the decrease in molybdenum price during the year. For the year ended 31 December 2011, net loss attributable to Jiu Long Kuang Ye was HK$396,661,000 (2010: approximately loss of HK$511,426,000) which was mainly attributable from the amortization of mining rights of approximately HK$139,522,000 (2010: HK$54,253,000), impairment loss on mining rights of approximately HK$436,801,000 (2010: HK$343,678,000). Taking out the effect of such amortisation and impairment losses recognised during the year, Jiu Long Kuang Ye should have made an operating profit contribution of approximately HK$44,292,000.

** For identification purposes only*

*** Jilin Province Rui Sui Kuang Ye Company Limited* ("Rui Sui Kuang Ye") (吉林省瑞穗礦業有限公司)**

Rui Sui Kuang Ye has the exploitation rights of an iron mine covering approximately 4.17 km^2 in Da Nan Gou, Jin Dou Xiang, Tong Hua Xian, Jilin Province (吉林省通化縣金鬥鄉大南溝), the PRC. It also holds the exploration rights of a molybdenum mine extending approximately 9.35 km^2 in Fu Song Xian, Baishan City, Jilin Province (吉林省白山市撫松縣) of the PRC.

On 22 March 2012, Golden Finance Company Limited ("Golden Finance"), a wholly-owned subsidiary of the Company, as the vendor entered into the disposal agreement with the purchaser, in relation to the disposal of 26% equity interests of Rui Sui Kuang Ye (the "Sale Shares") for a consideration of HK$600,000,000 (the "Disposal Agreement").

The consideration will be satisfied by way of promissory note to be issued by the purchaser to Golden Finance upon completion of the Disposal Agreement. The promissory note is secured by the Sale Shares pursuant to the share pledge agreement to be entered into between Golden Finance and the purchaser.

The mode of operation of the iron mine and the molybdenum mine held by Rui Sui Kuang Ye is still in its exploitation stage as certain exploitation works have been undertaken while production work has yet to be commenced. The exploration and production work and the ongoing development of the mines shall require substantial capital injection by the Group. The Directors is of the view that it is in the interests of the Group to realize the value of part of its shareholding in Rui Sui Kuang Ye so as to reduce the financial pressure arising from the need for substantial capital investment for Rui Sui Kuang Ye's operation, and also to increase the cash resources of the Group for the further development and expansion of its mining business and further investment in the mineral resources sector. Taking into account after the disposal, the purchaser will provide further capital injection to support the future operation of Rui Sui Kuang Ye and therefore the Group can be able to deploy more resources to other potential investment opportunities, the Directors consider that the disposal is on normal commercial terms, and the terms of the Disposal Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Due to the disposal of 26% equity interests of Rui Sui Kuang Ye, all the assets and liabilities of Rui Sui Kuang Ye has been classified as non-current assets held for sales and the balance as at 31 December 2011 was approximately HK$2,307,692,000 which were accounted for after the effect of impairment loss recognised for re-measurement of non-asset held for sales of HK$375,695,000. Such impairment loss represent the difference between the fair value and carrying value of Rui Sui Kuang Ye as at 31 December 2011.

** For identification purposes only*

* Heilongjiang Yi Tong Mining Company Limited ("Yi Tong Mining") (黑龍江伊通礦業有限公司)

Yi Tong Mining holds a mine exploitation permit and a mine exploration permit of Dong Feng Lin Gold Iron Mine which is located in Heilongjiang Province, the PRC. According to the "Geological General Exploration Report (地質詳查報告) on Dong Feng Lin Gold Iron Mine, Tie Li City, Heilongjiang Province" issued by the Yi Chun City Geology Exploration Team (伊春市地質勘查隊) in October 2009, the reserves of gold and iron in the said mine are about 18.19 tonnes and about 41,510,000 tonnes respectively. During the year under review, the Board assessed the impairment of mining rights held by Yi Tong Mining by reference to an independent assessment performed by an external professional valuer. Based on the assessment of the independent valuer, the recoverable amounts of the mining rights held by Yi Tong Mining was approximately HK$376,000,000 as at 31 December 2011. Therefore, an impairment loss of HK$73,000,000 has been recognised during the year under review.

As disclosed in the announcement of the Company dated 28 June 2010, the vendor of Yi Tong Mining has in the Acquisition Agreement guaranteed to the Company that the net profit for each of the Profit Guaranteed Years (as defined in the abovementioned announcement) will not be less than RMB20 million. However, due to limited internal fund for the commencement of operation of Yi Tong Mining, the Board anticipates that the Profit Guarantee (as defined in the abovementioned announcement) of RMB20 million will not likely be fulfilled. Both the Company and vendor intended to modify the profit guarantee condition by way of a supplementary agreement. When the supplementary agreement of acquisition of Yi Tong Mining is completed, the Company will make an announcement in due course. The Board believes that any failure of fulfillment of the profit guarantee will not have material adverse effect to the financial position of the Group.

Property leasing operations

Changchun, the PRC

The shopping mall in Changchun City needs to undergo renovation and reconstruction. Accordingly, for the year ended 31 December 2011, there was no rental income generated from the shopping mall (2010: Nil). The core business of the Group is mining resources exploitation and exploration. Given the business of property leasing business does not form a good strategic fit with the principal business of the Group, the Board considers that the disposal of the shopping mall in Changchun City would enable the Group to streamline its business activities and commit the available resources of the Group to its principal business. Therefore, on 30 December 2011, the Company entered into a sale and purchase agreement with the purchaser in relation to the disposal of the entire equity interests in Longwell International Holdings Limited which held the Changchun shopping mall at a cash consideration of HK$170,000,000. Details were disclosed in the announcement of the Company dated 30 December 2011. As a result of such disposal, the net assets value of the disposal group has been classified as non-current assets held for sales of approximately HK$140,513,000 as at 31 December 2011.

** For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

Xian, the PRC

During the year under review, the Group sold all the pre-completion investment properties located in Xian, in order to concentrate the internal resources of the Group for the development of mining operations. As the selling of those pre-completion investment properties were completed subsequent to the financial year end, the balance of which has been classified as non-current classified as held for sales.

During the year under review, the Group received a dividend of RMB3,500,000 from Xian Communication University Second Affiliated Middle School Southern District. The transfers of land and property rights are still being processed. The school was a compensation asset receivable as a result of a fraud transaction taken by a minority shareholder of the Group's subsidiary who had surrendered a property development project held by the Group to Xian Government without the Company's knowledge or consent in previous years.

The Group will continue to identify investment opportunities to develop real estate projects and property leasing operations in the future.

Property management operations

For the year ended 31 December 2011, the turnover generated from the property management operation was approximately HK$5,208,000, representing a growth of approximately 39.1% over the year ended 31 December 2010 of approximately HK$3,744,000. Such increase was mainly because the Group successfully solicited another property management contract during the year of 2011, which led to an increase in turnover attributable to the property management operation. As at 31 December 2011, the Group had two property management contracts.

Other Business

Associates

The Group has an associated company which is principally engaged in the business of manufacturing and trading of pharmaceutical products in the PRC. In the year 2009, this associated company terminated its business operations to meet the transport infrastructure development plans of the local government. The management of this associate company had been negotiating with the local government regarding compensation and other solutions in relation to the infrastructure plan. However, no final conclusion has been reached after two-year negotiation. As such, in order to safeguard the interest of the Group and the shareholders, the Group sold the entire ownership of this associated company at a consideration of approximately RMB8,000,000 during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

In 2012, the global economy still faces more uncertainty factors, including the possible continue slowdown in global economy in the next two years and the sovereign debt crisis in the euro zone. The Group will continue to keep abreast of the changing market conditions and will adjust its business and operation strategies. Moreover, the Group may seek some strategic opportunities to cooperate with other sizable mining companies in order to enhance the economics of scale.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow. During the year under review, the Group recorded a net cash outflow of approximately HK$114,076,000 (2010: inflow of approximately HK$43,683,000) which was mainly resulting from the purchases of additional property, plant and equipment for the new processing plant during the year under review and the payment of resources and environmental tax. In addition, the Company also entered into a convertible note option agreement, pursuant to which, the Company may request the potential subscribers to subscribe for the convertible notes to be issued by the Company for cash up to HK$754 million. Details were disclosed in the Company's announcement dated 19 July 2011. With the amounts of cash on hand amounted to approximately HK$24,305,000 as at 31 December 2011 (2010: approximately HK$138,381,000), together with the proposed convertible notes to be issued, the Board considered that the Group's liquidity position is healthy.

As at 31 December 2011, the Group had outstanding bank borrowings in the amount of approximately HK$59,870,000 (2010: approximately HK$105,240,000). The Group's gearing ratio as at 31 December 2011 was approximately 1.9% (2010: 2.9%). The decrease in gearing ratio was mainly due to the decrease in bank borrowings during the year. The Board considered that the gearing ratio remains at low level compared to equity attributable to owners of the Company.

The Group is of good liquidity. As at 31 December 2011, the Group's current ratio was approximately 1.3 (2010: approximately 2.01). The decrease in current ratio was mainly due to the increase in current liabilities in the Group's mining operation during the year under review.

As at 31 December 2011, the Group's debt to equity ratio was approximately 0.34 (2010: approximately 0.48). The decrease in debt to equity ratio was mainly due the decrease in deferred tax liabilities during the year under review. The ratio was calculated by dividing the total liabilities of approximately HK$1,089,226,000 (2010: approximately HK$1,796,689,000) by equity attributable to owners of the Company of approximately HK$3,234,234,000 (2010: approximately HK$3,710,148,000).

Overall, the Board believes that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement.

CAPITAL STRUCTURE AND TREASURY POLICIES

Capital Structure

The Group's capital structure as at 31 December 2011 mainly comprised of current assets of approximately HK$386,449,000 (2010: approximately HK$501,518,000), current liabilities of approximately HK$297,957,000 (2010: approximately HK$249,222,000) and equity attributable to owners of the Company of approximately HK$3,234,234,000 (2010: approximately HK$3,710,148,000).

Current assets mainly comprised of cash and cash equivalents of approximately HK$24,305,000 (2010: approximately HK$138,381,000), inventories of approximately HK$182,142,000 (2010: approximately HK$193,879,000) and prepayments, deposits and other receivables of approximately HK$168,539,000 (2010: approximately HK$166,909,000).

Current liabilities mainly comprised of bank borrowings of approximately HK$59,870,000 (2010: approximately HK$105,254,000), trade payables of approximately HK$73,864,000 (2010: approximately HK$22,610,000), accruals and other payables of approximately HK$80,210,000 (2010: approximately HK$121,124,000), other financial liabilities of approximately HK$23,000,000 (2010: Nil) and amounts due to related parties of approximately HK$60,755,000 (2010: Nil).

Convertible Note Option Agreement

As disclosed in the announcement of the Company dated 19 July 2011, the Company, as the issuer, entered into the Convertible Note Option Agreement ("CN Option Agreement") with the potential subscribers. If all of the convertible note options are issued and validly exercised, the Company will issue an aggregate principal amount of up to HK$754 million of convertible notes (the "Convertible Notes"). Assuming the conversion rights attached to the Convertible Notes are exercised in full at the conversion price of HK$0.29, a total of 2,600 million conversion shares (the "Conversion Shares") will be allotted and issued, representing approximately 20% of the existing issued share capital of the Company and approximately 16.66% of the entire issued share capital when all the Conversion Shares are allotted and issued. The Board considers that the subscription represents an opportunity to strengthen the financial position of the Group while broadening the investor base and capital base of the Group. The Board is of a view that the CN Option Agreement is entered into based upon normal commercial terms following arm's length negotiations between the Company and the potential subscribers. The Board believes the terms of the CN Option Agreement are fair and reasonable and the subscription is in the interests of the Company and the Shareholders as a whole.

Placing of Shares

As disclosed in the Company's announcement dated 24 January 2011, the Company entered into a placing agreement with a placee in relation to the placing of 442,500,000 new Shares at a price of HK$0.32 per Share (the "Placing"). The Placing was completed on 10 February 2011.

Treasury Policies

During the year ended 31 December 2011, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Board does not consider that the Group is significantly exposed to any foreign currency exchange risk. It is the Group's treasury policy to manage its foreign currency exposure whenever such financial impact is material to the Group. For the year ended 31 December 2011, the Group did not employ any financial instruments for hedging purpose and was not engaged in foreign currency speculative activities.

BANK BORROWING AND CHARGES OF GROUP ASSETS

As at 31 December 2011, the Group had bank borrowings amounted to approximately HK$59,870,000 (2010: HK$105,254,000). The bank borrowings were secured by a collateral with term deposits of RMB20 million provided by two related companies and secured by the Group's property, plant and equipment and the mining rights certificate held by Jiu Long Kuang Ye, being the subsidiary of the Company.

CONTINGENT LIABILITIES

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

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2011, the Group employed 760 full time employees (2010: 778 employees). Employees remuneration packages are structured and reviewed with reference to the nature of the jobs, market condition and individual merits. The Group also provides other employee benefits including year-end double pay, mandatory provident fund and medical insurance.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Gao Yuan Xing, aged 57, was appointed as the Chairman of the Board, the Chief Executive Director and an Executive Director of the Company on 15 March 2011. He had been an Executive Director of the Company during the period from 3 September 2009 to 12 March 2010. Mr. Gao has completed the course of Senior Manager Class in Shanghai Institute of Foreign Trade. He has abundant experience in energy management, and worked in the foreign affairs office of Shanghai Municipal Government for many years. Mr. Gao had also been the general manager of Shanghai Jun Feng Investment Company Limited*, the general manager of Zhuhai Huan Cheng Enterprise Limited*, the executive director of Hong Kong China International Medical Science Interchange Company Limited*, the general manager of China Consolidated Investments Limited* and the chief executive officer of Sinoenergy Development Limited* respectively.

Mr. Qian Yi Dong, aged 26, was appointed as an Executive Director of the Company on 15 March 2011 and was then appointed as the Deputy Chairman of the Board on 21 April 2011. He is also currently a director of certain subsidiaries of the Company. He had been an Executive Director of the Company during the period from 26 March 2009 to 26 August 2009. Mr. Qian graduated from Beijing Normal University Zhuhai majored in electronic commerce. He is also a director of Universal Union Limited and China Wan Tai Group Limited, the controlling shareholders of the Company.

Mr. Zhao Qing, aged 50, was appointed as an Executive Director of the Company on 14 August 2009, and is also currently a director of a subsidiary of the Company. He graduated from Shanghai University of Finance and Economics with a Master Degree in Investment and Economics in 1998. He has extensive experience in management and had been the deputy chief executive officer of Wan Tai Group Limited, the general manager of Guo Qin Investment Company Limited and the financial controller and chairman of Song Liao Automobile Company Limited.

Mr. Zhang Jia Kun, aged 64, was appointed as an Executive Director of the Company on 14 August 2009, and is also currently a director of certain subsidiaries of the Company. He graduated from Shanghai Education College and Shanghai Business College where he majored in professional mathematics and financial management respectively. He has extensive experience in financial management. Currently, he is the general manager of finance of Wan Tai Group Limited and the legal representative and chairman of the Company's wholly-owned subsidiary Shanghai Yuan Bei Trading Company Limited.

Mr. Fan Wei Guo, aged 48, was appointed as an Executive Director of the Company 25 May 2011. Mr. Fan holds a Master Degree in Business Administration from International East-West University. He has extensive experience in investment management and resources management.

** For identification purposes only*

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mu Xiangming, aged 56, was appointed as an Independent Non-executive Director of the Company on 20 April 2001. He is also the Chairman of the Audit Committee of the Company. Mr. Mu graduated from Fudan University (Shanghai) Law School with an L.L.B. and from University of Oregan (USA) Law School with an L.L.M. Mr. Mu had been a member of Shanghai Municipal Government Foreign Economic Trade Committee from 1983 to 1986 and a practicing lawyer in a US law firm for nearly four years. He is now a partner of a law firm in Shanghai, the PRC.

Dr. Cheng Chak Ho, aged 42, was appointed as an Independent Non-executive Director of the Company on 12 April 2001. Dr. Cheng holds a Bachelor of Science in Building from the City University of Hong Kong, a Master Degree in Urban Design from the University of Hong Kong, a Master of Science in Engineering (Mechanical Engineering) and a Doctor of Philosophy in Economics from the University of Brighton, USA. He has extensive experience in valuations of all kinds of property, plant and machinery, and businesses. Dr. Cheng has also been involved in valuations of several major infrastructure projects in the Asia Pacific Rim. He has experience of property agency, investment dealings and property development. Among others, he is a senior member of the Canadian Institute of Management, a member of the Hong Kong Institute of Surveyors and a member of American Society of Mechanical Engineers.

Mr. Lo Wa Kei Roy, aged 40, was appointed as Independent Non-executive Director of the Company on 25 September 2004. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (Practicing), a member of Institute of Chartered Accountant of England and Wales, a fellow member of the Association of Chartered Certified Accountants, a fellow member of CPA Australia and a member of the Hong Kong Securities Institute. Mr. Lo has over 19 years experience in auditing, accounting and finance. In addition, he was an independent non-executive director of Goldpoly New Energy Holdings Limited (formerly known as Time Infrastructure Holdings Limited), he is currently an independent non-executive director of Sun Hing Vision Group Holdings Limited and China Zhongwang Holdings Limited, all companies listed on The Stock Exchange of Hong Kong Limited.

REPORT OF THE DIRECTORS

The Directors of the Company present their report and the audited financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are mining operations — exploitation and exploration, property leasing operations and property management operations. Details of the Group's principal subsidiaries are set out in Note 19 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in Note 7 to the consolidated financial statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2011 and the state of the Company's and the Group's affairs as at 31 December 2011 are set out in the consolidated financial statements on pages 32 to 34.

The cashflows of the Group are set out in the consolidated financial statements on pages 36 to 37.

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the Group's single largest customer and supplier accounted for approximately 29% (2010: 12%) and 5% (2010: 9%) respectively, of the Group's total operating revenue. The Group's five largest customers and suppliers accounted for approximately 67% (2010: 39%) and 21% (2010: 46%) of the Group's total operating revenue and cost of sales respectively.

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

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 35 and Note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVE

Details of the amount of the Company's reserve distributable to shareholders as at 31 December 2011 are set out in Note 28 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in Note 16 to the consolidated financial statements.

SUBSIDIARIES

The particulars of the Company's principal subsidiaries as at 31 December 2011 are set out in Note 19 to the consolidated financial statement.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in Note 27 to the consolidated financial statements.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Pursuant to Rule 13.51B(1) of the Rules Governing the listing of securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the changes of directors' biographical details are set out below:

1. Mr. Qian Yi Dong was appointed as the Deputy Chairman of the Board on 21 April 2011.

2. Mr. Zhang Jia Kun was appointed as a director of certain subsidiaries of the Company during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the financial year and up to the date of this report were:

Executive Directors
Gao Yuan Xing *(Chairman and Chief Executive Officer)* (appointed on 15 March 2011)
Qian Yi Dong *(Deputy Chairman)* (appointed on 15 March 2011)
Zhao Qing
Zhang Jia Kun
Fan Wei Guo (appointed on 25 May 2011)
Chiu Yeung (resigned on 15 March 2011)
Jin Jiu Xin (resigned on 21 April 2011)
Chai Ming (resigned on 11 July 2011)

Independent Non-executive Directors
Mu Xiangming
Cheng Chak Ho
Lo Wa Kei Roy

In accordance with the Company's bye-law 86(2), Mr. Fan Wei Guo will hold the office only until the forthcoming annual general meeting, and being eligible, offer himself for re-election at the forthcoming annual general meeting.

In accordance with the Company's bye-laws 87(1) and (2), Mr. Zhang Jia Kun, Mr. Mu Xiangming and Mr. Lo Wa Kei Roy will retire from office by rotation, and all of them being eligible, offer themselves for re-elections at the forthcoming annual general meeting.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 25 May 2011, the Company adopted the share option scheme (the "Share Option Scheme"). A summary of the Share Option Scheme is as follows:

(1) Purposes of the Share Option Scheme

The principal purposes of the Share Option Scheme are to enable the Group and any entity in which the Group holds any equity interest ("Invested Entity") to recruit and retain high calibre persons and attract human resources that are valuable to the Group or any Invested Entity, to recognise the contributions of the eligible persons to the growth of the Group or any Invested Entity by rewarding them with opportunities to obtain ownership interest in the Company and to motivate and give incentives to these eligible persons to continue to contribute to the long term success and prosperity of the Group or any Invested Entity.

(2) Who may join

Persons who are eligible to the Share Option Scheme ("Eligible Person(s)") are any employee (whether full time or part time), senior executive or officer, manager, director (including executive, non-executive and independent non-executive director) or consultant of the Company, any of its affiliates or any Invested Entity, or any of their respective associates, chief executives, or substantial shareholders, or any person, who, as determined by the Board, have contributed or will contribute to the growth and development of the Group or any Invested Entity.

(3) Total number of shares available for issue

Total number of shares available for issue are 1,300,261,670, representing approximately 10% of the issued share capital of the Company as at the date of this annual report.

(4) Maximum entitlement of each eligible person

The maximum number of shares issued and to be issued upon exercise of the options granted to each Eligible Person under the Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) in any 12-month period must not exceed one (1) per cent. of the shares in issue.

(5) Maximum entitlement of each eligible person who is a connected person

(a) each grant of option to an Eligible Person who is a director, chief executive or substantial shareholder of the Company or any of their respective associates, under the Share Option Scheme must be approved by the independent non-executive director(s) of the Company (excluding the independent non-executive director who is the grantee of the option); and

(b) where the Board proposes to grant any option to an Eligible Person who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, and such option, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding options) in the past 12-month period up to and including the date of grant:

(i) representing in aggregate more than 0.1 per cent. of the total number of Shares in issue; and

(ii) having an aggregate value (on the assumption that all such Options had been exercised and all Shares allotted), based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of each grant or, if that date is not a business day, the business day immediately before, in excess of HK$5,000,000.00,

such further grant of options must be approved by the Shareholders. The Company must send a circular to the Shareholders containing the information required under Rule 17.04 of the Listing Rules. All connected persons of the Company must abstain from voting at their respective general meetings, except that any connected person may vote against the relevant resolution at such general meeting(s) provided that his or her intention to do so has been stated in the circular to be sent to the relevant shareholders. Any vote taken at the meeting to approve the grant of such options must be taken on a poll.

(6) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period within which the option may be exercised, to be notified by the Directors to each Eligible Person who accepts an offer in accordance with the terms of the Share Option Scheme, provided that it shall commerce on a date not be more than ten years from the date of grant.

(7) Acceptance of offer

The Eligible Person must accept any such offer notified to him or her within ten (10) business days from the offer date, failing which it shall be deemed to have been rejected. Upon acceptance of the offer, the grantee shall pay HK$1.00 to the Company as consideration for the grant.

(8) Basis of determining the subscription price

The subscription price for the shares under the Share Option Scheme shall be a price determined by the Board at its absolute discretion and notified to an Eligible Person but shall not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the offer date; and

(iii) the nominal value of a Share.

(9) The remaining life of the Share Option Scheme

The Share Option Scheme became effective on 25 May 2011 and will remain in force for a period of 10 years from that date.

The following table discloses the movement of the share options under the Share Option Scheme during the year:

	Number of share options						
Category of participant	As at 25.05.2011 (Date of the scheme being adopted)	Granted during the year	Exercised during the year	Outstanding as at 31.12.2011	Date of grant	Exercisable period	Exercise price HK$
Consultant	—	500,000	—	500,000	26.07.2011	26.07.2011–25.07.2013	0.355

During the year, save as disclosed above, no share option had been granted, exercised, lapsed or was cancelled under the Scheme.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2011, none of the Directors or the chief executive of the Company, or any of their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES

As at 31 December 2011, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as was known to the Directors or chief executive of the Company, the following persons had, or was deemed or taken to have, an interest or short position in the shares or underlying shares of the Company:

Name of shareholders	Capacity	Number of shares held	Approximate percentage interest in the issued share capital of the Company
Qian Yong Wei *(Note 1)* ("Mr. Qian")	Beneficial owner	25,000,000	0.20%
	Held by controlled corporation	6,114,438,552	47.02%
		6,139,438,552	47.22%
Xu Zhe Cheng *(Note 2)* ("Ms. Xu")	Held by spouse	6,139,438,552	47.22%
China Wan Tai Group Limited ("China Wan Tai") *(Note 3)*	Held by controlled corporation	6,114,438,552	47.02%
Universal Union Limited ("Universal Union")	Beneficial owner	6,114,438,552	47.02%
Chu Yuet Wah *(Note 4)* ("Mrs. Chu")	Held by controlled corporation	4,252,907,722	32.70%
Best Forth Limited *(Note 4)* ("Best Forth")	Held by controlled corporation	4,252,907,719	32.70%
Ample Cheer Limited *(Note 4)* ("Ample Cheer")	Held by controlled corporation	4,252,907,719	32.70%
Kingston Finance Limited *(Note 4)* ("Kingston")	Security interest in shares	4,252,907,719	32.70%

Notes:

1. Mr. Qian personally held 25,000,000 shares in the Company, and held 95% interest in China Wan Tai. China Wan Tai held 100% interest in Universal Union. Universal Union held 6,114,438,552 shares in the Company.

2. Ms. Xu is the spouse of Mr. Qian. The interest of Mr. Qian was deemed to be Ms. Xu's interest.

3. These shares are held by Universal Union, a wholly owned subsidiary of China Wan Tai which is in turn beneficially owned by Mr. Qian and Ms. Xu as to 95% and 5% respectively.

4. Mrs. Chu held 100% interest in Best Forth. Best Forth held 80% interest in Ample Cheer and Ample Cheer held 100% interest in Kingston. Kingston is deemed to have a security interest in 4,252,907,719 shares in the Company held by Universal Union. Accordingly, Mrs. Chu, Best Forth and Ample Cheer are also deemed to have security interest in 4,252,907,719 shares in the Company.

5. All interests stated above represent long position.

Save as disclosed above, the Directors and chief executive of the Company were not aware of any persons who, as at 31 December 2011, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or, who was, directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them, or was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in the Company or any other body corporate.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

The Directors' remuneration for the year is set out in Note 10 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance in relation to the Group's business to which the Company, any of its holding companies or fellow subsidiaries was a party, in which a Director had a material interest, subsisted at the end of the year under review or at any time during the year under review.

RELATED PARTY TRANSACTIONS

Details of the related party transactions during the year are set out in Note 39 to the consolidated financial statements.

COMPETING INTERESTS

The Directors believe that none of the Directors and their respective associates had an interest, directly or indirectly, in a business which competes or may compete with the business of the Group.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the law of Bermuda.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 104 of this annual report.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors, namely Mr. Mu Xiangming, Dr. Cheng Chak Ho and Mr. Lo Wa Kei Roy. The purpose of the establishment of the audit committee is for reviewing and supervising the financial reporting process and internal control of the Group. The audit committee has reviewed the Group's financial statements for the year ended 31 December 2011.

AUDITORS

Elite Partners CPA Limited ("Elite") who was appointed as the auditors of the Company at the Company's special general meeting held on 24 January 2008, retired and was re-appointed at the Company's annual general meetings held on 28 April 2009 and 28 May 2010.

On 22 March 2011, Elite resigned as auditors of the Company and Pan-China (H.K.) CPA Limited ("Pan-China") was appointed as auditors of the Company due to merge of business between Elite and Pan-China. Pan-China retired and was re-appointed at the Company's annual general meeting held on 25 May 2011.

On 28 February 2012, Pan-China resigned as auditors of the Company and Elite was appointed as auditors of the Company. The reason for the above change of auditors is due to the corporate restructuring between Pan-China and Elite.

Elite will retire and, being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting.

A resolution for the re-appointment of Elite as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Gao Yuan Xing
Chairman of the Board and Chief Executive Officer

Hong Kong, 30 March 2012

REPORT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of the shareholders. Throughout the year ended 31 December 2011, the Company had applied the principles of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and complied with all the applicable code provisions of the Code, except for a deviation from the Code provision A.2.1, that the roles of chairman and chief executive officer should not be performed by the same individual.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

Composition

Directors during the year 2011 and up to the date of this report are as follows:

Executive Directors
Gao Yuan Xing *(Chairman and Chief Executive Officer)* (appointed on 15 March 2011)
Qian Yi Dong *(Deputy Chairman)* (appointed on 15 March 2011)
Zhao Qing
Zhang Jia Kun
Fan Wei Guo (appointed on 25 May 2011)
Chiu Yeung (resigned on 15 March 2011)
Jin Jiu Xin (resigned on 21 April 2011)
Chai Ming (resigned on 11 July 2011)

Independent Non-executive Directors
Mu Xiangming
Cheng Chak Ho
Lo Wa Kei Roy

For the year ended 31 December 2011, the Board had at all times at least one independent non-executive Director who has appropriate professional qualifications or accounting or related financial management expertise.

The principal roles of the Board are to oversee the strategic development, to determine the objectives, strategies and policies of the Group, to monitor and control the financial performance and to ensure effective internal controls and risk management. Implementation of strategies and day-to-day operations are delegated to the management.

During the year 2011, four Board meetings were held and the attendance records are as follows:

Name of Directors	Number of Board Meetings Attended	Attendance Rate
Gao Yuan Xing (appointed on 15 March 2011)	4/4	100%
Qian Yi Dong (appointed on 15 March 2011)	4/4	100%
Zhao Qing	4/4	100%
Zhang Jia Kun	4/4	100%
Fan Wei Guo (appointed on 25 May 2011)	2/2	100%
Mu Xiangming	2/4	50%
Cheng Chak Ho	2/4	50%
Lo Wa Kei Roy	2/4	50%
Chiu Yeung (resigned on 15 March 2011)	0/0	0%
Jin Jiu Xin (resigned on 21 April 2011)	2/2	100%
Chai Ming (resigned on 11 July 2011)	2/2	100%

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. Schedules for annual meeting and draft agenda of each meeting is sent to all Directors in advance. Notice of at least 14 days is given for a regular Board meeting. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are dispatched to all Directors at least three days before each regular Board meeting to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

Minutes of all Board meetings and committee meetings, which record in sufficient detail the matters considered and decisions reached, are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director. The Company's Articles contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request being made to the Board.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year under review, Mr. Chiu Yeung ("Mr. Chiu") performed the roles of the Chairman, the Chief Executive Officer and an Executive Director of the Company until 15 March 2011. Mr. Gao Yuan Xing ("Mr. Gao") has been appointed as the Chairman, the Chief Executive Officer and an Executive Director of the Company replacing the roles of the Mr. Chiu with effect from the same date.

In allowing the two positions to be occupied by the same person, the Company has considered that both positions require in-depth knowledge and considerable experience of the Group's business. Candidates with the requisite knowledge, experience and leadership are difficult to identify. If either of the positions is occupied by an unqualified person, the Group's performance could be gravely compromised. The Board also believes that the vesting of two roles in the same person would provide the Group with stable and consistent leadership and allows for more effective and efficient planning and implementation of long term business strategies. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

NON-EXECUTIVE DIRECTORS

All the independent non-executive Directors of the Company were appointed for an initial term of one year and every Director (including those appointed for a specific term) is subject to retirement by rotation at least once every three years in accordance with the bye-laws of the Company.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of their independency pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company does not have a nomination committee as the role and function of such committee are performed by the Board.

The Board is responsible for considering and approving the appointment of its members and making recommendations to shareholders on Directors standing for re-election, providing sufficient biographical details of Directors to enable shareholders to make an informed decision on the re-election, and where necessary, nominate and appoint Directors to fill casual vacancies. The chairman may in conjunction with the other Directors from time to time review the composition of the Board with particular regard to ensuring that there is an appropriate number of Directors on the Board independent of management.

According to the bye-laws of the Company, any Director appointed by the Board as an additional Director shall hold office only until the next annual general meeting, and the next general meeting if appointed to fill a casual vacancy, but is eligible for re-appointment by the shareholders. In addition, pursuant to the Company's bye-laws, all Directors are subject to re-election by shareholders at the annual general meeting at least once every three years on a rotational basis.

REMUNERATION OF DIRECTORS

The Remuneration Committee of the Company was established in May 2006. The members of the Remuneration Committee during the year 2011 and up to the date of this report are:

Lo Wa Kei Roy (Chairman of the Committee), Independent Non-executive Director
Cheng Chak Ho, Independent Non-executive Director
Qian Yi Dong, Executive Director (appointed on 15 March 2011)
Chiu Yeung, Executive Director (resigned on 15 March 2011)

The Remuneration Committee has adopted terms of reference which are in line with the Code.

The Remuneration Committee held two meetings during the year ended 31 December 2011. Details of attendance of the Remuneration Committee are as follows:

Name of Members	Attendance
Lo Wa Kei Roy *(Chairman)*	2/2
Cheng Chak Ho	2/2
Qian Yi Dong (appointed on 15 March 2011)	1/1
Chiu Yeung (resigned on 15 March 2011)	1/1

The members of Remuneration Committee discussed the remuneration package of the existing Directors of the Company in the meeting.

AUDITOR'S REMUNERATION

An amount of approximately HK$900,000 (2010: HK$800,000) was charged to the Group's consolidated financial statement for the year ended 31 December 2011 for the auditing services provided by Elite Partners CPA Limited. There was no non-audit service assignment provided by Elite Partners CPA Limited during the year (2010: Nil).

AUDIT COMMITTEE

Current members of the Audit Committee are:

Mu Xiangming (Chairman of the Committee), Independent Non-executive Director
Cheng Chak Ho, Independent Non-executive Director
Lo Wa Kei Roy, Independent Non-executive Director

The Audit Committee has adopted terms of reference which are in line with the Code.

The Audit Committee held two meetings during the year ended 31 December 2011. Details of the attendance of the Audit Committee meetings are as follows:

Name of Members	Attendance
Mu Xiangming *(Chairman)*	2/2
Cheng Chak Ho	2/2
Lo Wa Kei Roy	2/2

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

CORPORATE GOVERNANCE COMMITTEE AND FINANCIAL REPORTING COMMITTEE

In order to further strengthen the Company's corporate governance, the Company established the following committees on 12 January 2008:

Corporate Governance Committee

Current members of the Corporate Governance Committee are:

Mr. Qian Yi Dong (Chairman of the committee), the Deputy Chairman of the Board and Executive Director (appointed on 21 April 2011)
Mr. Zhao Qing, Executive Director
Dr. Cheng Chak Ho, Independent Non-executive Director
Mr. Jin Jiu Xin, Executive Director (resigned on 21 April 2011)

The major responsibilities of the Corporate Governance Committee are to oversee the Company's corporate governance matters and to ensure that the Company has complied with the Code.

The Corporate Governance Committee held two meetings during the year ended 31 December 2011. Details of the attendance of the Corporate Governance Committee meeting are as follows:

Name of Members	Attendance
Qian Yi Dong *(Chairman)* (appointed on 21 April 2011)	1/1
Zhao Qing	2/2
Cheng Chak Ho	2/2
Jin Jiu Xin (resigned on 21 April 2011)	1/1

The Corporate Governance Committee had reviewed the corporate governance report of the Company and confirmed that the Company had complied with the Code throughout the year (except the deviation from the Code provision A.2.1).

Financial Reporting Committee

The members of the Financial Reporting Committee during the year 2011 and up to the date of this report are:

Mr. Qian Yi Dong (Chairman of the committee), the Deputy Chairman of the Board and Executive Director (appointed on 15 March 2011)
Mr. Lo Wa Kei Roy, Independent Non-executive Director
Mr. Zhang Jia Kun, Executive Director (appointed on 21 April 2011)
Mr. Chiu Yeung, Executive Director (resigned on 15 March 2011)
Mr. Jin Jiu Xin, Executive Director (resigned on 21 April 2011)

The major responsibility of the Financial Reporting Committee is to oversee the preparation of financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of The Group's results and cash flow for that year. The Financial Reporting Committee is also responsible to ensure the compliance by the Group of disclosure requirements under the Listing Rules in a timely manner.

The Financial Reporting Committee held two meetings during the year ended 31 December 2011. Details of the attendance of the Financial Reporting Committee meetings are as follows:

Name of Members	Attendance
Qian Yi Dong *(Chairman)* (appointed on 15 March 2011)	2/2
Lo Wa Kei Roy	2/2
Zhang Jia Kun (appointed on 21 April 2011)	1/1
Chiu Yeung (resigned on 15 March 2011)	0/0
Jin Jiu Xin (resigned on 21 April 2011)	1/1

The Financial Reporting Committee had reviewed the audited financial statements of the Group for the year ended 31 December 2011 and confirmed that the preparation of the audited financial statements of the Group for the year ended 31 December 2011 had complied with the disclosure requirements under the Listing Rules in a timely manner.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge that it is their responsibility to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and to present a balanced, clear and understandable assessment of the financial results and disclosures of the Group under the Listing Rules and any other rules and statutory requirements. The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern.

On behalf of the Board

Gao Yuan Xing
Chairman of the Board and Chief Executive Officer

Hong Kong, 30 March 2012

INDEPENDENT AUDITOR'S REPORT

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

CAREA

To the members of
North Mining Shares Company Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of North Mining Shares Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 103, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 ture 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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.

BASIS FOR QUALIFIED OPINION

Scope limitation — prior year's audit scope limitation affecting opening balances and comparative figures

1. The auditor's report on the consolidated financial statements of the Group for the years ended 31 December 2009 and 2010 contained a qualification on the possible effect of the limitations on the scope of the audit in relation to a property development project held by a subsidiary of the Company which had been surrendered to Xian Government without the Company's knowledge or consent. Details of which has been set out in the auditor's report dated 29 March 2010 and 28 March 2011 respectively that and was included in the Group's annual report for the years ended 31 December 2009 and 2010.

2. The auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2010 contained a qualification on the provision of environmental and resources tax arising from the renewal of mining right held by a subsidiary of the Company. Details of which has been set out in the auditor's report dated 28 March 2011 and was included in the Group's annual report for the year ended 31 December 2010.

As the auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2010 formed the basis for the corresponding figures presented in the current year's consolidated statements, any adjustments found to be necessary in respect of (i) the carrying amount of the abovementioned property development project; and (ii) the provision of environmental and resources tax would have a significant effect on the opening balances and consequential effect on the consolidated financial position of the Group as at 31 December 2011 and the results and cash flows for the year ended 31 December 2011 and the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 December 2011.

Scope limitation — provision for environmental and resources tax

As stated in Note 31 to the consolidated financial statements, an amount of HK$97,847,000 (approximately RMB80,000,000) related to the provision of environmental and resources tax (the "Provision") arising from the renewal of mining right held by a subsidiary of the Company. We were unable to obtain sufficient appropriate evidence regarding the validity and completeness of the Provision as at 31 December 2011. Any adjustments found to be necessary in respect thereof would have a significant and consequential effect on the consolidated financial position of the Group as at 31 December 2011, the results and cash flows for the year ended 31 December 2011 and the related disclosures thereof in the consolidated financial statements of the Group.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for the effects of the matters described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's 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.

REPORT ON MATTERS UNDER SECTIONS 141(4) AND 141(6) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the matters described in the basis for qualified opinion's paragraph:

— we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

— we were unable to determine whether proper books of account had been kept.

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

Yip Kai Yin
Practising Certificate Number P05131

Suites 921–921A, 9/F., Star House,
3 Salisbury Road, Tsimshatsui,
Hong Kong

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	5(a)	**391,035**	384,543
Cost of sales		**(269,252)**	(254,413)
Gross profit		**121,783**	130,130
Other income	5(b)	**4,975**	5,330
Other gains and losses	6	**(1,123,719)**	(986,965)
Administrative expenses		**(81,059)**	(77,396)
Loss from operations		**(1,078,020)**	(928,901)
Finance costs	8	**(11,722)**	(1,157)
Loss before income tax	9	**(1,089,742)**	(930,058)
Taxation	12	**151,407**	83,017
Loss for the year		**(938,335)**	(847,041)
Attributable to:			
Owners of the Company		**(598,988)**	(688,783)
Non-controlling interests		**(339,347)**	(158,258)
		(938,335)	(847,041)
Dividends	14	**—**	—
Loss per share			
— Basic, HK cents	15	**(4.62)**	(5.76)
— Diluted, HK cents	15	**(4.62)**	(5.76)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Loss for the year	**(938,335)**	(847,041)
Other comprehensive income (Net of tax effect):		
Exchange differences arising from translation of foreign subsidiaries	**46,232**	181,048
Release of exchange reserves upon disposal of subsidiaries	**(61,751)**	—
Other comprehensive income for the year	**(15,519)**	181,048
Total comprehensive income for the year	**(953,854)**	(665,993)
Attributable to:		
Owners of the Company	**(636,738)**	(535,758)
Non-controlling interests	**(317,116)**	(130,235)
	(953,854)	(665,993)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	16	**283,678**	239,516
Investment properties	17	**—**	153,501
Interests in associates	18	**—**	—
Prepaid lease payments	20	**1,433**	89,423
Exploration and evaluation assets	21	**—**	3,340,576
Mining rights	22	**2,756,137**	3,318,288
Other financial assets	23	**54,591**	—
		3,095,839	7,141,304
Current Assets			
Inventories	24	**182,142**	193,879
Trade receivables	25	**—**	—
Prepayments, deposits and other receivables	26	**168,539**	166,909
Tax recoverable		**11,463**	11,349
Cash and cash equivalents		**24,305**	138,381
		386,449	510,518
Non-current assets classified as held for sales	36	**2,646,811**	—
		3,033,260	510,518
Total assets		**6,129,099**	7,651,822
CAPITAL AND RESERVES			
Share capital	27	**208,041**	200,961
Reserves	28	**3,026,194**	3,509,187
Equity attributable to owners of the Company		**3,234,235**	3,710,148
Non-controlling interests		**1,805,638**	2,144,985
Total equity		**5,039,873**	5,855,133

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities	29	**693,422**	1,429,389
Provision for environmental and resources tax	31	**97,847**	118,078
		791,269	1,547,467
Current Liabilities			
Trade payables	30	**73,864**	22,610
Other payables and accruals	32	**80,210**	121,124
Bank borrowings	33	**59,870**	105,254
Other financial liabilities	34	**23,000**	—
Amounts due to related parties	35	**60,755**	—
Tax payables		**258**	234
		297,957	249,222
Total Liabilities		**1,089,226**	1,796,689
Total Equity and Liabilities		**6,129,099**	7,651,822
Net Current Assets		**2,735,303**	261,296
Total Assets less Current Liabilities		**5,831,142**	7,402,600
Net assets		**5,039,873**	5,855,133

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

Gao Yuan Xing
Director

Qian Yi Dong
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	16	542	759
Interest in associates	18	—	—
Interests in subsidiaries	19	1,409,463	1,731,712
		1,410,005	1,732,471
Current Assets			
Prepayments, deposits and other receivables	26	47,841	517
Cash and cash equivalents		150	559
		47,991	1,076
Total Assets		1,457,996	1,733,547
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	208,041	200,961
Reserves	28	1,223,617	1,529,394
Total Equity		1,431,658	1,730,355
LIABILITIES			
Current Liabilities			
Other payables and accruals	32	3,338	3,192
Other financial liabilities	34	23,000	—
Total Liabilities		26,338	3,192
Total equity and liabilities		1,457,996	1,733,547
Net current asset/(liabilities)		21,653	(2,116)
Total assets less current liabilities		1,431,658	1,730,355
Net assets		1,431,658	1,730,355

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

Gao Yuan Xing
Director

Qian Yi Dong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Special reserve HK$'000	Fair value reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Sub-total HK$'000	Attributable to Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2010	155,129	952,025	31,350	(894)	669,801	1,357,758	4,905	19,213	482,305	3,671,592	2,202,083	5,873,675
Loss and total comprehensive loss for the year	—	—	—	—	—	—	—	181,048	(688,783)	(507,735)	(158,258)	(665,993)
	155,129	952,025	31,350	(894)	669,801	1,357,758	4,905	200,261	(206,478)	3,163,857	2,043,825	5,207,682
Placing of shares	15,961	390,330	—	—	—	—	—	—	—	406,291	—	406,291
Acquisition of subsidiaries	29,871	779,930	—	—	(669,801)	—	—	—	—	140,000	101,160	241,160
Transfer to statutory reserves	—	—	—	—	—	—	6,790	—	(6,790)	—	—	—
At 31 December 2010 and at 1 January 2011	200,961	2,122,285	31,350	(894)	—	1,357,758	11,695	200,261	(213,268)	3,710,148	2,144,985	5,855,133
Loss and total comprehensive loss for the year	—	—	—	—	—	—	—	(15,519)	(598,988)	(614,507)	(339,347)	(953,854)
	200,961	2,122,285	31,350	(894)	—	1,357,758	11,695	184,742	(812,256)	3,095,641	1,805,638	4,901,279
Placing of shares	7,080	134,520	—	—	—	—	—	—	—	141,600	—	141,600
Release of statutory reserves upon disposal of subsidiaries	—	—	—	—	—	—	(3,006)	—	—	(3,006)	—	(3,006)
Transfer to statutory reserves	—	—	—	—	—	—	3,988	—	(3,988)	—	—	—
At 31 December 2011	**208,041**	**2,256,805**	**31,350**	**(894)**	**—**	**1,357,758**	**12,677**	**184,742**	**(816,244)**	**3,234,235**	**1,805,638**	**5,039,873**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Cash flows from operating activities		
Loss from operations	**(1,078,020)**	(928,901)
Adjustments for:		
Interest income	**(284)**	(163)
Compensation income	**(4,274)**	(4,723)
Depreciation	**32,529**	30,212
Amortisation of prepaid lease payments	**2,102**	2,243
Amortisation of mining right	**139,522**	54,253
Gain on disposal of associate	**(9,810)**	—
Loss on disposal on subsidiary	**22,831**	—
Impairment loss on trade receivables	**6,999**	—
Fair value loss on investment properties	**—**	145,236
Loss arising on change in fair value of financial liabilities designated as at FVTPL	**23,000**	—
Loss arising on change in fair value of promissory notes	**47,904**	—
Provision for environmental and resources tax	**(20,231)**	201,406
Impairment loss on mining rights	**509,801**	343,678
Provision for obsolete inventories	**—**	744
Impairment loss on interest in associates	**158**	33,312
Impairment loss on re-measurement of non-assets held for sales	**375,695**	—
Impairment loss on prepayments, deposits and other receivables	**5,517**	114
Impairment loss on property, plant and equipment	**—**	16,386
Impairment loss on goodwill	**—**	189,593
Operating profit before working capital changes	**53,439**	83,390
Decrease/(Increase) in inventories	**11,737**	(124,404)
Increase in trade receivables, prepayments, deposits and other receivables	**(213,962)**	(34,585)
Increase in trade payables, other payables and accruals	**74,981**	57,261
Increase/(Decrease) in amounts due to related parties	**60,755**	(22,530)
Cash used in operations	**(13,050)**	(40,868)
Interest received	**284**	163
Compensation income received	**—**	4,723
Other tax paid	**—**	(83,328)
Corporate income tax paid	**(14,927)**	(29,680)
Net cash used in operating activities	**(27,693)**	(148,990)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Cash flows from investing activities			
Addition to exploration and evaluation assets		—	(23,616)
Purchase of items of property, plant and equipment and addition to properties under development		(67,658)	(33,561)
Proceeds from disposal on property, plant and equipment		6	—
Purchase of item of investment properties		(35,452)	—
Interest expenses paid		(11,722)	(1,157)
Cash effect of acquisition of subsidiaries	41	—	(285,525)
Cash effect of disposal of subsidiary	42	61,132	—
Cash effect of disposal of associate		9,652	—
Net cash used in investing activities		(44,042)	(343,859)
Cash flows from financing activities			
Proceeds from bank loans		59,870	84,838
Repayment of bank loan		(105,254)	(22,530)
Proceeds from issuances of shares		141,600	406,291
Issuance of promissory note receivable		(102,495)	—
Net cash (used in)/generated from financing activities		(6,279)	468,599
Net decrease in cash and cash equivalents		(78,014)	(24,250)
Cash and cash equivalents at 1 January		138,381	94,698
Effect of foreign exchange rate changes, net		(36,062)	67,933
Cash and cash equivalents at 31 December		24,305	138,381
Analysis of balances of cash and cash equivalents			
Cash and bank balances		24,305	138,381

1. GENERAL INFORMATION

North Mining Shares Company Limited (the " Company") was incorporated in Bermuda as an exempted company with limited liabilities. The address of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. 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 19 to the Consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars, which is the same functional currency of the Company.

In the opinion of the directors of the Company, the ultimate holding company of the Company is China Wan Tai Group Limited, which was incorporated in Hong Kong.

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

2.1 Standards and Interpretations adopted in the current period

In the current year, the Company 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 Company's financial period beginning on 1 January 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for Firs-time Adopters
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets
HKFRS 9	Financial Instruments
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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

HKAS 24 (Revised) — Related Party Disclosures

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

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

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

The Company adopted the new definition in its accounting policies but such adoption does not have an effect on the disclosures made in the financial statements.

Improvements to HKFRSs 2010 — Improvements to HKFRSs 2010

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

Amendments to HKFRS 7 Financial Instrument Disclosures: Clarification of disclosures

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

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

2.2 Standards and Interpretations in issued but not yet adopted

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

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

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

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

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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

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

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

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

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

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

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 Company's results and the financial position of the Company.

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 ("HKFRS") under the historical cost convention, as modified by the revaluation of investment properties, financial instruments and exploration and evaluation assets, which are carried at fair value, as explained in the accounting policies set out below. In addition, the consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The preparation of consolidated financial statements in accordance with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 to the consolidated financial statements.

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

3.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

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

Inter-company transactions, balances, income and expenses between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of consolidation (Continued)

(a) Subsidiaries (Continued)

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's entity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's shares of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the associates. Accounting policies of associates have been changes where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Business combination

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 acquire 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 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

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 arise 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Business combination (Continued)

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

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

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 on acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Goodwill (Continued)

On subsequent disposal of the relevant cash-generating unit or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3.5 Financial assets

The Group classifies its financial assets into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial investment and loans and receivables.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

3.5.1 Effective interest method

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

Interest income is recognised in profit or loss on an effective interest basis.

3.5.2 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading, financial assets designated upon initial recognition as at fair value through profit or loss and all derivatives other than hedging instruments.

Financial assets are classified as held for trading if:

— it has been acquired principally for the purpose of selling it in the near term;

— 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)

3.5 Financial assets (Continued)

3.5.2 Financial assets at fair value through profit or loss (Continued)

Financial assets at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise.

3.5.3 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

3.5.4 Available-for-sale financial investment

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-for-maturity investments.

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

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

Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

3.5.5 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 are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial assets (Continued)

3.5.6 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.

3.5.7 Impairment of financial assets

At each end of reporting period, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in 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 to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial assets (Continued)

3.5.7 Impairment of financial assets (Continued)

For available-for-sale financial investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. When available-for-sale financial investment is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. 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.

3.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the 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 benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of property, plant and equipment, using the straight line method, over their estimated useful lives. The principal annual rates are as follows:

Leasehold improvement	3 to 5 years
Furniture, fixtures and equipment	5 years
Motor vehicles	3 to 5 years
Equipment	5 years

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

3.7 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Investment properties (Continued)

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements. Changes in fair values are recognised in the consolidated income statements.

Subsequent expenditure is charged to the asset's carrying amount 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 repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost less impairment loss until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement.

3.8 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables 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 receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated income statement.

3.9 Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at fair value less any accumulated impairment losses.

Exploration and evaluation assets include the expenditures incurred in the search for resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Exploration and evaluation assets (Continued)

When the technical feasibility and commercial viability of extracting resource become demonstrable, any previously recognised exploration and evaluation assets would be reclassified as intangible asset or property, plant and equipment. These assets are assessed for impairment, and any impairment loss recognised, before reclassification when events or changes in circumstances indicate that the carrying amount may not be recoverable.

3.10 Mining right

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 amortization 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.

3.11 Land use right

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 terms using the straight-line method.

3.12 Current assets and current liabilities

Current assets are expected to be realized within twelve months of the end of reporting period or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the end of reporting period or in the normal course of the Group's operating cycle.

3.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

3.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial liabilities and equity instruments issued by the Group

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.15.1 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.

3.15.2 Compound instruments

The component parts of compound instruments (convertible note) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. 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 equity component 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.

3.15.3 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 receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised in profit or loss on an effective interest basis.

3.15.4 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

3.15.5 Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

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;

— on initial recognition it is part of a portfolio of identified financial instruments that the Group manages tighter and has a recent actual pattern of short-term profit-taking; or

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial liabilities and equity instruments issued by the Group (Continued)

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

— it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise.

3.15.6 Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

3.15.7 Derecognition

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

3.16 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lower levels for which there are separately identifiable cash flows (cash-generating units).

3.17 Revenue recognition

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

(i) Sales of molybdenum concentrate, sulfuric acid and trading of mineral resources

Sales of molydnum concentrate, sulfuric acid and trading of mineral resources is measured at the fair value of the consideration received or receivable and represents amounts of goods sold in the normal course of business, net of sales related tax. Sales of goods are recognised when goods are delivered and title has passed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Revenue recognition (Continued)

(ii) Rental income from operating lease

Rental income receivable under operating leases is recognised in equal instalments over the accounting periods covered by the lease term. Lease incentives granted are recognised as an integral part of the aggregate lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Interest income and property management income

Interest income from bank deposits and loans receivable are accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable. Property management income is recognised when the services are rendered.

3.18 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Foreign currencies (Continued)

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3.19 Lease

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

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Borrowing costs

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

3.21 Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and to the state-managed retirement benefits schemes for the employees of the Group's overseas entities are recognised as an expense in the profit or loss as incurred.

(iii) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

3.22 Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, except where the Company 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Taxation (Continued)

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

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3.23 Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the end of reporting period of the expenditures expected to be required to settle the obligation.

3.24 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3.25 Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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 of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.3 Exploration and evaluation assets and mining rights

Mining rights are amortised using the unit of production method based on the actual production volume over the estimated total proved and probable reserve of the molybdenum mines.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest the carrying amount may exceed its recoverable amount. The recoverable amount calculation requires the Group to estimate total proved and probable reserves of the molybdenum mines.

The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgement and decision based on available geological, geophysical, engineering and economic data. These estimate may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting mineral prices and costs change. Reserve estimates are based on current production forecasts, prices and economic conditions. The directors exercise their judgement in estimating the total proved and probable reserves of the molybdenum mines. If the quantities of reserve are different from current estimates, it will result in significant changes to amortisation of mining rights and affect the recoverable amount of exploration and evaluation , which a material loss may arise.

4.4 Trade debtors

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the consolidated income statement. Changes in the collectability of trade receivables for which provisions are not made could affect our results of operations.

4.5 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. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.6 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.

4.7 Fair value of other financial assets and liabilities

The fair values of loans and receivables and financial liabilities are accounted for or disclosed in the consolidated financial statements. The calculation of fair values requires the Group to estimate the future cash flows expected to arise from those assets and liabilities and suitable discount rates. Variations in the estimated future cash flows and the discount rates used may result in adjustments to the carrying amounts of these assets and liabilities and the amounts disclosed in the consolidated financial statements.

4.8 Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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 such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilization may be different.

4.9 Valuation of financial instruments

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 23 and 34 provide detailed information about the key assumptions used in the determination of the fair value of financial instruments.

The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

5. TURNOVER AND OTHER INCOME

An analysis of the Group's turnover and other income and gains is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
(a) Revenue		
Sales of molybdenum concentrate	**343,644**	373,093
Sales of sulfuric acid	**29,212**	7,706
Trading of minerals resources	**12,971**	—
Property management fee income	**5,208**	3,744
	391,035	384,543
(b) Other income:		
Compensation income *(Note 37)*	**4,274**	4,723
Bank interest income	**284**	163
Sundry income	**417**	444
	4,975	5,330

6. OTHER GAINS AND LOSSES

	Group	
	2011	2010
	HK$'000	HK$'000
Amortisation of prepaid lease payments	**(2,102)**	(2,243)
Amortisation of mining rights	**(139,522)**	(54,253)
Loss arising on change in fair value of financial liabilities designated as at FVTPL	**(23,000)**	—
Loss arising on change in fair value of promissory notes	**(47,904)**	—
Loss on disposal of subsidiaries	**(22,831)**	—
Fair value loss on investment properties	**—**	(145,236)
Gain on disposal of associates	**9,810**	—
Provision for obsolete inventories	**—**	(744)
Provision for environmental and resources tax	**—**	(201,406)
Impairment loss on trade receivables	**(6,999)**	—
Impairment loss on mining rights	**(509,801)**	(343,678)
Impairment loss on re-measurement of non-asset held for sales	**(375,695)**	—
Impairment loss on associates	**(158)**	(33,312)
Impairment loss on prepayments, deposits and other receivables	**(5,517)**	(114)
Impairment loss on property, plant and equipment	**—**	(16,386)
Impairment loss on goodwill	**—**	(189,593)
	(1,123,719)	(986,965)

7. SEGMENT INFORMATION

Operating segments has been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and to assessing their performance.

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) Mining operation:
— Exploration of mineral mines
— Exploitation of molybdenum mines
— Trading of mineral resources

(b) Property leasing operation: The leasing of commercial premises

(c) Property management operation: Provision of management service to commercial premises

Management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Information regarding the above segment is reported below.

7. SEGMENT INFORMATION (Continued)

7.1 Operating segment information

Segment revenue and results
For the year ended 31 December 2011

			Mining operation			
	Property leasing[2] HK$'000	Property management HK$'000	Mining exploitation[3] HK$'000	Mining exploration[4] HK$'000	Trading of mineral resources HK$'000	Total HK$'000
Revenue						
Segment turnover	—	5,208	372,856	—	12,971	391,035
Results[1]						
Segment results	(3,765)	31	(381,826)	(430,445)	(1,668)	(817,673)
Unallocated corporate income						14,083
Unallocated corporate expenses						(119,908)
Loss before income tax						(923,498)
Income tax						(14,837)
Loss for the year						(938,335)

For the year ended 31 December 2010

			Mining operation			
	Property leasing[2] HK$'000	Property management HK$'000	Mining exploitation[3] HK$'000	Mining exploration[4] HK$'000	Trading of mineral resources HK$'000	Total HK$'000
Revenue						
Segment turnover	—	3,744	380,799	—	—	384,543
Results[1]						
Segment results	(137,019)	4	(511,426)	(189,593)	—	(838,034)
Unallocated corporate income						5,330
Unallocated corporate expenses						(97,354)
Loss before income tax						(930,058)
Income tax						83,017
Loss for the year						(847,041)

7. SEGMENT INFORMATION (Continued)

7.1 Operating segment information (Continued)

1. Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment result represents the profit earned by each segment without allocation of corporate income and expenses, central administrative expenses, directors' salaries and finance cost. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

2. For the year ended 31 December 2011, segment results for property leasing operation included the administrative expenses which are directly related to the reportable segment. For the year ended 31 December 2010, segment results for property leasing operation included the fair value loss on investment properties amounted to approximately HK$145,236,000, and reversal of deferred tax liabilities of approximately HK$8,217,000 which are directly related to the reportable segment.

3. For the year ended 31 December 2011, segment results for mining exploitation included an impairment loss on mining rights of approximately HK$436,801,000 (2010: HK$343,678,000), amortisation of mining rights of approximately HK$139,522,000 (2010: HK$54,253,000), provision of environment and resources tax of Nil (2010: HK$201,406,000) and reversal of deferred tax liabilities of approximately HK$166,244,000 (2010: HK$99,483,000) and operating expenses which are directly related to the reportable segment.

4. For the year ended 31 December 2011, segment results for mining exploration included the impairment of mining rights of approximately HK$73,000,000, re-measurement of non-current assets classified as held for sales of approximately HK$375,695,000 and reversal of deferred tax liabilities of approximately HK$18,250,000. For the year ended 31 December 2010, segment results for mining exploration included an impairment loss of goodwill of approximately HK$189,593,000 which are directly related to the reportable segment.

Segment assets and liabilities

As at 31 December 2011

			Mining operation				
	Property leasing HK$'000	Property management HK$'000	Mining exploitation HK$'000	Mining exploration HK$'000	Trading of mineral resources HK$'000	Others HK$'000	Total HK$'000
Segment assets	**—**	**490**	**2,907,953**	**376,000**	**4,265**	**2,840,391**	**6,129,099**
Segment liabilities	**—**	**486**	**968,093**	**94,000**	**71**	**26,576**	**1,089,226**
As at 31 December 2010							
Segment assets	187,852	1,146	3,468,752	3,789,575	—	204,497	7,651,822
Segment liabilities	21	834	1,079,280	711,782	—	4,772	1,796,689

7. SEGMENT INFORMATION (Continued)

7.1 Operating segment information (Continued)

Segment assets and liabilities (Continued)

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 reportable segments which are classified as "Others" in segment assets.

— all liabilities are allocated to reportable segments other than liabilities for which reportable segments are jointly liable and classified as "Others" in segment liabilities.

Other segment information

			Mining operation				
	Property leasing HK$'000	Property management HK$'000	Mining exploitation HK$'000	Mining exploration HK$'000	Trading of mineral resources HK$'000	Others HK$'000	Total HK$'000
As at 31 December 2011							
Depreciation and amortisation	**1,994**	**1**	**171,488**	**—**	**—**	**670**	**174,153**
Impairment loss recognised during the year	**—**	**—**	**449,317**	**448,695**	**—**	**158**	**898,170**
Capital expenditures	**—**	**3**	**67,281**	**—**	**—**	**374**	**67,658**
As at 31 December 2010							
Depreciation and amortisation	—	12	—	86,158	—	538	86,708
Fair value loss on investment properties	145,236	—	—	—	—	—	145,236
Impairment loss recognised during the year	—	—	344,422	189,593	—	49,812	583,827
Capital expenditures	—	—	33,561	23,616	—	—	57,177
Provisions	—	—	201,406	—	—	—	201,406

7. SEGMENT INFORMATION (Continued)

7.2 Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the group's current and non-current assets. The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the segment assets is based on the physical location of the asset, in the case of mining rights, the location of the operation to which they are allocated.

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

	Segment revenue from external customers		Segment assets	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**—**	—	**130,297**	2,149
The PRC	**391,035**	384,543	**5,944,211**	7,649,673
	391,035	384,543	**6,074,508**	7,651,822

7.3 Information about major customers

Included in turnover of approximately HK$391,035,000 (2010: HK$384,543,000) are turnover of approximately HK$111,543,000 (2010: HK$46,145,000) which arose from sales to the Group's largest customer. The Group's five largest customers accounted for approximately HK$260,644,000 (2010: HK$149,918,000). No other single customers contributed 10% or more to the Group's revenue for the years ended 31 December 2011 and 2010.

8. FINANCE COSTS

	Group	
	2011	2010
	HK$'000	HK$'000
Interest on bank loans and other borrowings wholly repayable within five years	**11,722**	1,157

9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Group	
	2011	2010
	HK$'000	HK$'000
Auditors' remuneration	**900**	800
Cost of inventories expensed	**264,775**	251,499
Depreciation of property, plant and equipment	**32,529**	30,212
Staff costs (including directors' remuneration *(Note 10)*)		
— Wages and salaries	**15,991**	21,633
— Retirement benefits contributions	**1,215**	2,972
Operating lease payments in respect of offices premises	**2,175**	2,441

10. DIRECTORS' REMUNERATION

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

	Group	
	2011	2010
	HK$'000	HK$'000
Fees:		
Executive directors	**100**	—
Independent non-executive directors	**300**	300
	400	300
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	**1,105**	1,625
Contributions to pension schemes	**23**	12
Independent non-executive directors:		
Salaries, allowances and benefits in kind	**—**	—
	1,128	1,637
	1,528	1,937

10. DIRECTORS' REMUNERATION (Continued)

For the year ended 31 December 2011 and 2010, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors have waived any emoluments during the year (2010: Nil).

	Fees		Salaries and other benefits		Retirement benefit scheme contributions		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Executive directors								
Gao Yuan Xing[1]	**—**	—	**414**	—	**10**	—	**424**	—
Qian Yi Dong[2]	**—**	—	**207**	—	**10**	—	**217**	—
Fan Wei Guo[3]	**—**	—	**235**	—	**—**	—	**235**	—
Chai Ming[4]	**—**	—	**126**	260	**—**	—	**126**	260
Zhao Qing	**—**	—	**—**	260	**—**	—	**—**	260
Zhang Jia Kun	**—**	—	**—**	130	**—**	—	**—**	130
Chiu Yeung[5]	**—**	—	**123**	650	**3**	12	**126**	662
Jin Jiu Xin[6]	**100**	—	**—**	325	**—**	—	**100**	325
	100	—	**1,105**	1,625	**23**	12	**1,228**	1,637
Independent non-executive directors								
Mu Xiangming	**100**	100	**—**	—	**—**	—	**100**	100
Cheng Chak Ho	**100**	100	**—**	—	**—**	—	**100**	100
Lo Wa Kei Roy	**100**	100	**—**	—	**—**	—	**100**	100
	300	300	**—**	—	**—**	—	**300**	300

1 Gao Yuan Xing was appointed as Executive Director on 15 March 2011.
2 Qian Yi Dong was appointed as Executive Director on 15 March 2011.
3 Fan Wei Guo was appointed as Executive Director on 25 May 2011.
4 Chai Ming resigned as Executive Director on 11 July 2011.
5 Chiu Yeung resigned as Executive Director on 15 March 2011.
6 Jin Jiu Xin resigned as Executive Director on 21 April 2011.

For the years ended 31 December 2011 and 2010, remunerations of all directors of the Company fall within HK$Nil to HK$1,000,000.

During the year ended 31 December 2011, no amounts had been paid by the Group to the directors as inducement to join the Group, as compensation for loss of office or as commitment fees to existing directors for entering into new services contracts with the Group (2010:Nil).

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

11. EMPLOYEES' EMOLUMENTS

The five highest paid employees during the year included two (2010: three) directors, details for whose remuneration are set out in Note 10 above. Details of the remuneration of the remaining three (2010: two) highest paid, non-director employees are as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	1,318	1,005
Mandatory provident fund contribution	35	23
	1,353	1,028

Retirement benefit scheme

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

The employees of the Company's subsidiary in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or postretirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represent for the entire pension obligations payable to retired employees.

The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong and the PRC. In the opinion of the Directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2011 (2010: Nil) in respect of the retirement of its employees.

Share-based payment transactions

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 25 May 2011. The purpose of the Scheme is to enable the Company to grant options to the Eligible Persons (as defined under the Scheme) as incentive or reward for their contribution to the growth of the Group or Invested Entities (as defined under the Scheme) and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Persons.

11. EMPLOYEES' EMOLUMENTS (Continued)

Share-based payment transactions (Continued)

As at 31 December 2011, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 500,000 (2010: Nil), representing 0.004% (2010: Nil) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Details of option outstanding as at 31 December 2011 are as follows:

Option type	Date of grant	Exercise period	Exercise price	Fair value at grant date
2011	26 July 2011	26 July 2011 to 25 July 2013	0.355	0.108

In accordance with the terms of the Scheme, options granted during the year ended 31 December 2011 vested at the date of grant.

The fair value of the share options is determined using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after vesting date when the share price was two and a half times the exercise price.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Input into the model

Grant date share price	HK$0.355
Exercise price	HK$0.355
Expected volatility	54.59%
Option life	2 years
Dividend yield	0%
Risk-free interest rate	0.25%

11. EMPLOYEES' EMOLUMENTS (Continued)

Input into the model (Continued)

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

Option type	Outstanding at 1/1/2011	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/12/2011
2011	—	500,000	—	—	—	500,000
Exercisable at the end of the year						500,000
Weighted average exercise price	—	HK$0.355	—	—	—	HK$0.355

There was no option exercised during the year ended 31 December 2011 (2010: Nil).

12. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made since the Group incurred taxation losses for the year. Taxes on profits assessable elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

	Group	
	2011	2010
	HK$'000	HK$'000
Current tax:		
PRC corporate income tax	**14,837**	22,029
Hong Kong profits tax	**—**	—
Deferred tax *(Note 29)*	**(166,244)**	(105,046)
	(151,407)	(83,017)

12. INCOME TAX EXPENSE (Continued)

A reconciliation of the tax expense applicable to profit before income tax using the statutory rates for the tax jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Loss before income tax	**(1,089,742)**	(930,058)
Tax at the statutory tax rates	**(270,656)**	(232,514)
Tax effect of income not taxable for tax purpose	**(2,638)**	(1,222)
Tax effect of expenses not deductible for tax purpose	**289,445**	246,741
Tax effect of temporary difference	**(166,244)**	(105,046)
Tax effect of tax loss utilized	**(1,314)**	—
Tax effect of unrecognised tax losses	**—**	9,024
Tax charge for the year	**(151,407)**	(83,017)

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2011 include a net loss of approximately HK$440,297,000 (2010: HK$29,376,000) which has been dealt with in the financial statements of the Company (Note 28).

14. DIVIDENDS

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

15. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share amount is based on the net loss for the year of HK$598,988,000 (2010: net loss of HK$688,783,000) attributable to equity holders of the Company, and weighted average of 12,952,911,230 (2010: 11,952,149,325) ordinary shares in issue during the year.

(b) Diluted loss per share

There was no potential dilutive share in existence for the year ended 31 December 2011, accordingly, no diluted loss per share has been presented for the year ended 31 December 2011.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Properties under development HK$'000	Mining structure and buildings HK$'000	Plant and machinery HK$'000	Leasehold improvement HK$'000	Equipment HK$'000	Furniture, fixture and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At cost:								
At 1 January 2010	232,557	146,377	95,382	2,529	4,268	21,903	25,803	528,819
Acquisition of a subsidiary	—	—	16,386	—	—	—	—	16,386
Additions	—	3,631	14,960	—	—	657	14,313	33,561
Transfer to investment properties	(23,818)	—	—	—	—	—	—	(23,818)
Assets written off	(208,739)	—	—	(1,993)	(4,268)	(3,973)	—	(218,973)
Disposals	—	—	—	—	—	(24)	—	(24)
Exchange adjustments	—	6,015	3,919	—	—	401	1,060	11,395
At 31 December 2010 and at 1 January 2011	—	156,023	130,647	536	—	18,964	41,176	347,346
Additions	—	32,566	9,451	—	—	2,618	23,023	67,658
Disposals	—	—	—	—	—	(20)	—	(20)
Exchange adjustments	—	6,054	4,229	—	—	424	1,802	12,509
At 31 December 2011	—	194,643	144,327	536	—	21,986	66,001	427,493
Accumulated depreciation and impairment:								
At 1 January 2011	208,739	17,355	30,305	2,317	4,268	14,315	—	277,299
Charge for the year	—	7,132	20,981	106	—	1,993	—	30,212
Disposals	—	—	—	—	—	(24)	—	(24)
Impairment loss recognised	—	—	16,386	—	—	—	—	16,386
Elimination on assets written off	(208,739)	—	—	(1,993)	(4,268)	(3,973)	—	(218,973)
Exchange adjustments	—	908	1,820	—	—	202	—	2,930
At 31 December 2010 and at 1 January 2011	—	25,395	69,492	430	—	12,513	—	107,830
Charge for the year	—	7,973	21,398	53	—	3,105	—	32,529
Disposals	—	—	—	—	—	(12)	—	(12)
Exchange adjustments	—	1,023	2,207	—	—	238	—	3,468
At 31 December 2011	—	34,391	93,097	483	—	15,844	—	143,815
Net carrying value:								
At 31 December 2011	**—**	**160,252**	**51,230**	**53**	**—**	**6,142**	**66,001**	**283,678**
At 31 December 2010	—	130,628	61,155	106	—	6,451	41,176	239,516

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company

	Furniture, fixture and motor vehicles HK$'000
At cost:	
At 1 January 2010, at 31 December 2010, at 1 January 2011 and at 31 December 2011	3,186
Accumulated depreciation:	
At 1 January 2010	1,992
Charge for the year	435
At 31 December 2010 and 1 January 2011	2,427
Charge for the year	217
At 31 December 2011	2,644
Net book value:	
At 31 December 2011	**542**
At 31 December 2010	759

Notes:

(a) As at 31 December 2011, the directors conducted a review of the Group's property, plant and equipment and determined the number of assets impaired due to its physical damage or unable to use for generate future economic benefit to the Group in future period. Under the review, no impairment loss was necessary to be recognised in profit or loss (2010: HK$16,386,000).

(b) As at 31 December 2011, mining structure and buildings with a carrying value of approximately HK$160,252,000 (2010: Nil) were pledged to the bank as a security for banking facilities granted to a subsidiary of the Company.

(c) For the year ended 31 December 2011, no assets have been written off. For the year ended 31 December 2010, assets written off include items of property, plant and equipment which were impaired in prior years and in the opinion of the directors, have no residual value and impractical to generate future economic benefit to the Group's operation due to loss or damage.

17. INVESTMENT PROPERTIES

	Group	
	2011	2010
	HK$'000	HK$'000
At fair value:		
At 1 January 2011/2010	**153,501**	263,128
Transfer from properties under development	**—**	23,818
Fair value loss on investment properties	**—**	(145,236)
Additions	**35,452**	—
Exchange adjustment	**5,424**	11,791
	194,377	153,501
Transfer to non-current assets classified as held for sales	**(194,377)**	—
At 31 December 2011/2010	**—**	153,501

On 30 December 2011, the Group has disposed of its investment properties through the sales of the entire equity interests in Longwell International Holdings Limited and its subsidiary at a consideration of HK$170,000,000. As the transaction has been completed subsequent to the year end, the fair value of approximately HK$194,377,000 has been transferred to non-current assets classified as held for sales and included under current assets in the consolidated statement of financial position. The fair value of the investment properties as at the date of disposal were carried out by Carea Assets Appraisal Company Limited, an independent qualified professional valuer not connected to the Group and are members of the China Appraisal Society, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The fair value of the investment properties were measured using the fair value model and were arrived at by reference to market evidence of transaction prices for similar properties. No fair value change has been recognised for the investment properties for the year ended 31 December 2011 as the Group adopted HKFRS 5 to account for the Group's investment properties.

As at 31 December 2010, the fair value of the Group's investment property has been arrived at on the basis of a valuation carried out at that day by Ascent Partners Transaction Services Limited, an independent valuer not related to the Group and a member of the Hong Kong Institute of Surveyors, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

18. INTERESTS IN ASSOCIATES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost				
Hong Kong	**1**	1	**1**	1
PRC	**42,561**	42,561	**—**	—
	42,562	42,562	**1**	1
Share of post-acquisition profits and other comprehensive income, net of dividends received	**—**	—	**—**	—
	42,562	42,562	**1**	1
Amounts due from associates	**4,145**	3,987	**158**	—
	46,707	46,549	**159**	1
Disposal of associates	**(46,707)**	—	**(159)**	—
Accumulated impairment loss	**—**	(46,549)	**—**	(1)
	—	—	**—**	—

Amounts due from associates are unsecured, interest-free and recoverable on demand.

The movements in accumulated impairment loss is summarised as follow:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January 2011/2010	**46,549**	13,237	**1**	1
Impairment loss recognised	**158**	33,312	**—**	—
Eliminated on disposal of associates	**(46,707)**	—	**(1)**	—
At 31 December 2011/2010	**—**	46,549	**—**	1

18. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2011, the Group did not have any interests in associate company. As at 31 December 2010, the Group had the interests in the following associates:

Name of associate	Registered and paid up capital	Country of incorporation	% of interest held	Principal activities
Tonghua Hengan Pharmaceutical Holdings Company Limited ("Hengan")[1]	RMB66,000,000	PRC	27%	Dormant
Joy Route Limited ("Joy Route")[2]	US$100	British Virgin Islands	50%	Inactive
Fulin Enterprise Limited ("Fulin")[2]	HK$1,000	Hong Kong	30%	Inactive

The summarised financial information in respect of the Group's associates is set out below:

	2011 HK$'000	2010 HK$'000
Total assets	—	173,292
Total liabilities	—	—
Net assets	—	173,292
Group's share of net assets of associates	—	42,562

As the associates were either dormant or inactive, there was no revenue and results being recorded for the year ended 31 December 2011. According, there was no result to be shared by the Group for the year ended 31 December 2011.

18. INTERESTS IN ASSOCIATES (Continued)

Notes:

(1) During the year ended 31 December 2011, the Group disposed of its 27% equity interests in Hengan at a consideration of HK$9,810,000. The carrying value of Hengan had been fully impaired in previous years due to the termination of Hengan's operation resulting from a transport infrastructure plan implemented by the local government who required to occupy the land where the Hengan's factory was located. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:

	HK$'000
Proceeds of disposal	9,810
Less: carrying amount of Hengan as at the date of disposal	—
Gain recognised	9,810

(2) During the year ended 31 December 2011, the respective interests in Joy Route and Fulin had been disposed of by the Group at its nominal value. No material gain or loss had been recognised by the Group as Joy Route and Fulin were inactive during the years ended 31 December 2011 and 2010.

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**1,200,626**	1,200,626
Less: Impairment loss of investments in subsidiaries	**(374,385)**	(374,385)
	826,241	826,241
Amounts due from subsidiaries	**887,579**	1,209,828
Less: Impairment loss of amount due from subsidiaries	**(304,357)**	(304,357)
	583,222	905,471
	1,409,463	1,731,712

The amounts due from subsidiaries are unsecured, interest-free and recoverable on demand. The amounts will not be recoverable within twelve months from the end of reporting period, accordingly, the amounts are classified as non-current assets in the Company's statement of financial position.

19. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries of the Company are as follows:

Name of subsidiary	Place of incorporation/ establishment	Registered capital/ issued capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Sun Man Tai International (B.V.I.) Limited	British Virgin Islands	Ordinary shares HK$274,051	100%	—	Investment holding
BOC Mantai Property Management (Shanghai) Corporation Limited#	PRC	Registered capital US$200,000	—	100%	Properties management
Jilin Province Rui Sui Kuang Ye Company Limited#	PRC	Registered capital RMB15,000,000	—	100%	Exploration of Iron Mine
Shaanxi Province Luo Nan Xian Jiu Long Kuang Ye Company Limited#	PRC	Registered capital RMB90,000,000	—	65%	Exploration and exploitation of molybdenum mines, sales of molybdenum concentrates

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.

For identification purpose only

20. PREPAID LEASE PAYMENTS

The amount represents land use rights in the PRC amortised over their relevant lease term. During the year ended 31 December 2011, prepaid lease payments with carrying amounts of approximately HK$89,395,000 had been disposal of through a disposal of a subsidiary as disclosed in Note 42 to the consolidated financial statements.

21. EXPLORATION AND EVALUATION ASSETS

	Group		
	Exploration rights	**Evaluation costs**	**Total**
	HK$'000	HK$'000	HK$'000
Cost or valuation			
At 1 January 2010	3,263,048	51,527	3,314,575
Additions	—	23,616	23,616
Exchange adjustments	—	2,385	2,385
At 31 December 2010 and at 1 January 2011	3,263,048	77,528	3,340,576
Exchange adjustments	—	3,011	3,011
Transfer to non-current assets classified as held for sales	(3,263,048)	(80,539)	(3,343,587)
At 31 December 2011	—	—	—

As at 31 December 2011 and 2010, the Group had two exploration rights in respect of (i) an iron mine located at Da Nan Gou, Jim Dou Xiang, Tong Hua, Jilin Province, the PRC which covers approximately 4.17 km^2 ("Iron Mine"); and (ii) a molybdenum mine located at Fu Song Xian, Baishan City, Jilin Province, the PRC which covers approximately 9.35 km^2 ("Molybdenum Mine"). Both of the exploration rights were granted by the Land and Resources Bureau of Jilin Province, the PRC and held by Jilin Province Rui Sui Kuang Ye Company Limited ("Rui Sui"), a non-wholly owned subsidiary of the Group.

Pursuant to a sale and purchase agreement entered into between the Group and an independent third party on 22 March 2012 in relation to the disposal of 26% equity interests in Jilin Province Rui Sui Kuang Ye Company Limited, the carrying amount of the exploration rights and evaluation costs as at 31 December 2011 were transferred to non-current assets classified as held for sales in accordance with HKFRS 5.

The evaluation costs represent expenditure paid for provision of services on activities relating to evaluation of the technical feasibility and viability on both Iron Mine and the Molybdenum Mine.

The directors consider that no impairment loss should be recognised for the year 31 December 2011 and 2010 as no indication for provision of impairment loss has been identified.

22. MINING RIGHTS

	Group	
	2011	2010
	HK$'000	HK$'000
Costs:		
At 1 January 2011/2010	**3,723,277**	3,156,327
Acquisition of a subsidiary	**—**	449,000
Exchange adjustments	**117,301**	117,950
At 31 December 2011/2010	**3,840,578**	3,723,277
Accumulated amortisation and impairment loss:		
At 1 January 2011/2010	**404,989**	6,744
Amortisation provided for the year	**137,569**	54,253
Impairment loss provided for the year	**509,801**	343,678
Exchange adjustments	**32,082**	314
At 31 December 2011/2010	**1,084,441**	404,989
Carrying amount:		
At 31 December 2011/2010	**2,756,137**	3,318,288

As at 31 December 2011 and 2010, the Group had two mining rights in respect of (i) a molybdenum mine located at Xi Ban Cha Gou, Huanglongpu Village, Shimen Town, Luonan County, Shaanxi Province, the PRC ("Shaanxi Molybdenum Mine") granted by Land and Resources Bureau of Shaanxi Province, the PRC; and (ii) a gold iron mine located at Heilongjiang Province, the PRC ("Heilongjiang Gold Iron Mine") granted by Land and Resources Bureau of Heilongjiang Province, the PRC.

As at 31 December 2011, the Group determined the recoverable amounts of CGU for both Shaanxi Molybdenum Mine and Heilongjiang Gold Iron Mine based on value in use calculation. That calculation used cash flows projections based on financial budgets as approved by management covering a 5-year period, and discount rate of 18.209% (2010: 18.48%) for Shaanxi Molybdenum Mine and 19.87% (2010: 14.66%) for Heilongjiang Gold Iron Mine with reference to the valuation performed by Sino-Infinite Appraisal Limited as at 31 December 2011. As a result, the recoverable amounts of CGU in respect of Shaanxi Molybdenum Mine and Heilongjiang Gold Iron Mine were below their carrying amounts, impairment losses of approximately HK$436,801,000 (2010: approximately HK$343,678,000) and approximately HK$73,000,000 (2010: Nil) have been recognised to profit or loss and included in other gains and losses in the consolidated income statement respectively.

23. OTHER FINANCIAL ASSETS

	Group	
	2011	2010
	HK$'000	HK$'000
Other financial assets		
Promissory notes receivables	**54,591**	—

During the year, the Group entered into a subscription agreement with Shaanxi Ding Jin Mining Company Limited, the Issuer, pursuant to which the Group is eligible to subscribe for the promissory notes to be issued by the Issuer. Details of the promissory notes are as follows:

Principal amount	:	HK$500 million
Period	:	Five years
Interest	:	HK$100 million, payable on the maturity date
Security of the promissory notes	:	96% interests in an iron mine held by the Issuer

As at 31 December 2011, the Group has subscribed for the promissory notes in the amounts of approximately HK$102,495,000 and the fair value of which was approximately HK$54,591,000. Accordingly, fair value loss of approximately HK$47,904,000 has been recognised to profit or loss and included in other gains and losses in the consolidated income statement.

The fair values of the promissory notes receivables are measured using the discounted cash flow method at the rate of 17.65% with reference to the independent professional valuer.

24. INVENTORIES

	Group	
	2011	2010
	HK$'000	HK$'000
Finished goods, net	**182,142**	193,879

The cost of inventories recognised as an expense during the year in respect of mining operation was approximately HK$264,775,000 (2010: HK$251,499,000). No provision of obsolete inventories were recognised for the year ended 31 December 2011 (2010: HK$744,000).

25. TRADE RECEIVABLES

	Group	
	2011	2010
	HK$'000	HK$'000
Trade receivables	**6,999**	—
Less: Impairment loss on trade receivables	**(6,999)**	—
	—	—

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

	Group	
	2011	2010
	HK$'000	HK$'000
0–30 days	**—**	—
31–60 days	**—**	—
61–90 days	**—**	—
Over 180 days but within one year	**6,999**	—
	6,999	—

The directors consider that the fair values of trade receivables are not materially different from their carrying value because these amounts have short maturity period on their inception.

For the Group's mining operation, sales of molybdenum concentrates are largely on cash basis with no credit terms being granted to customers, except for sizable customers with good credit history, the Group will allow a credit term not more than 30 days. For the year ended 31 December 2011, an impairment loss of approximately HK$6,999,000 has been recognised as the customer was facing financial difficulty. The Group does not hold any collateral over these balances.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 31 December 2011, balances of prepayments, deposits and other receivables includes (i) consideration receivables of approximately HK$61,132,000 (RMB50,000,000) in respective of disposal of subsidiaries (Notes 42) which has been fully received in February 2012; (ii) dividend receivables of approximately HK$4,274,000 (RMB3,500,000) (2010: HK$4,723,000) in respect of the dividend declared by Xian Communication University Second Affiliated Middle School Southern District (Note 37); and (iii) approximately HK$64,619,000 were due from a subsidiary which has been disposed of subsequent to the end of the reporting period (Note 36). That subsidiary will become an associate company to the Group, accordingly the balance of which will be re-classified to amount due to associate company upon completion of the disposal. The remaining balances of prepayments, deposits and other receivables were arising from the Group's normal operations.

For the year ended 31 December 2011, the Group provided an impairment loss of approximately HK$5,516,000 (2010: HK$114,000) on prepayments, deposits and other receivables which in the opinion of the directors, the recoverability for such amounts were in doubt.

The amount of the Group's and the Company's prepayments, deposits and other receivables are expected to be recovered or recognised as expense after more than one year was approximately HK$519,000 (2010: HK$517,000). All of the other prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.

In the opinion of the directors, the fair values of prepayments, deposits and receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

27. SHARE CAPITAL

		Company	
		Number of shares	Nominal values
	Notes	'000	HK$'000
Authorised:			
Ordinary shares of HK$0.016 each			
At 1 January 2010, at 31 December 2010 and at 1 January 2011 and at 31 December 2011		31,250,000	500,000
Issued and fully paid:			
At 1 January 2010		9,695,585	155,129
Issuance of shares for acquisition of subsidiary in 2009	(a)	1,366,940	21,871
Placing of shares	(b)	997,591	15,961
Issuance of shares for acquisition of subsidiary in 2010	(c)	500,000	8,000
At 31 December 2010 and at 1 January 2011		12,560,116	200,961
Placing of shares	(d)	442,500	7,080
At 31 December 2011		**13,002,616**	**208,041**

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

(a) On 9 July 2009, the Group entered into an acquisition agreement with independent third parties to acquire 65% equity interests of Shaanxi Province Luo Nan Jiu Long Kuang Ye Company Limited for the total shares consideration of 1,366,940,000 shares of the Company at an issue price of HK$0.60 per shares. The acquisition agreement was completed on 2 December 2009 and the consideration shares had been subsequently issued on 12 January 2010.

(b) On 9 February 2010, the Company entered into a placing agreement with the placee, pursuant to which the Company has conditionally agreed to place 222,591,284 shares at a price of HK$0.45. The Company raised approximately HK$100,166,000 and the agreement was completed on 16 March 2010.

On 16 April 2010, the Company entered into a placing agreement with the placing agent, pursuant to which the Company proposed to raise approximately HK$306,125,000 by way of placing 775,000,000 ordinary shares at a price of HK$0.395 per share through placement to independent third parties. The placing of shares had been completed on 27 April 2010.

(c) On 28 June 2010, the Group entered into an acquisition agreement with independent third parties to acquire 70% equity interest in Heilongjiang Yi Tong Mining Company Limited at the aggregate consideration of approximately HK$414,416,000 which would be satisfied by cash payment of RMB240,000,000 and the allotment and issue of 500,000,000 consideration shares at an issue price of HK$0.28 per share.

27. SHARE CAPITAL (Continued)

(d) On 24 January 2011, the Company entered into a placing agreement with the placee, pursuant to which the Company has conditionally agreed to place 442,500,000 shares at a price of HK$0.32 per share through such placement to an independent third party. The placing of shares raised HK$141,600,000 and the agreement was completed on 10 February 2011.

The new shares issued ranked pari passu with the existing shares in all respects.

28. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 35 of the annual report.

The Company

	Share premium HK$'000	Contribution surplus[a] HK$'000	Special reserve[d] HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2010	952,025	115,615	669,801	(679,130)	1,058,311
Loss and total comprehensive loss of the year	—	—	—	(29,376)	(29,376)
Issuance of shares in respect of acquisition of a subsidiary in 2009	647,930	—	(669,801)	—	(21,871)
Placing of shares	390,330	—	—	—	390,330
Issuance of shares in respect of acquisition of a subsidiary in 2010	132,000	—	—	—	132,000
At 31 December 2010 and at 1 January 2011	2,122,285	115,615	—	(708,506)	1,529,394
Loss and total comprehensive loss of the year	—	—	—	(440,297)	(440,297)
Placing of shares	134,520	—	—	—	134,520
At 31 December 2011	**2,256,805**	**115,615**	**—**	**(1,148,803)**	**1,223,617**

28. RESERVES (Continued)

Notes:

(a) The contribution surplus represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the Group reorganisation in 1995.

According to Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus. However, a company cannot declare or pay a dividend or make a distribution out of contributed surplus if (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; and (ii) the realizable value of the Company's assets would thereby be less than the aggregate its liabilities and its issued share capital and share premium accounts.

In the opinion of directors, the Company did not have any reserves available for distribution to shareholders at 31 December 2011 and 2010.

(b) Included in the consolidated statements of changes in equity, revaluation reserves represent the revaluation of the exploration and evaluation assets that have been recognised in other comprehensive income.

(c) Included in the consolidated statement of changes in equity, statutory reserve comprises of (i) statutory surplus and statutory welfare fund reserves; and (ii) statutory reserve for safety production of molybdenum ore, which has been summarised below:

(i) Statutory surplus and statutory welfare fund reserves

In accordance with articles of association of the Company's subsidiaries established in the PRC ("PRC Subsidiaries"), PRC Subsidiaries shall appropriate 10% of its annual statutory net profit (after net off against any prior years' losses), prepared in accordance with the accounting principles and financial regulations (the "GAAP") to the statutory surplus reserve. When the balance of such statutory surplus reserve reaches 50% of the entity's share capital, any further appropriation is optional.

(ii) Statutory reserves for safety production of molybdenum ore

In accordance with regulations in the PRC relating to the mining industry, PRC subsidiary operates in mining operation is required to transfer an amount from retained profits to the statutory reserve account annually. The utilisation of the amount in the statutory reserve account is subject to the rules in the PRC Companies Law and the statutory reserves account is not available for distribution to equity holders.

(d) Special reserve represents the Company's ordinary shares to be issued for acquisition of a subsidiary. On 5 July 2009, the Group entered into an acquisition agreement with independent third parties (the "Vendors") to acquire 65% equity interests of Shaanxi Province Luo Nan Xian Jiu Long Kuang Ye Company Limited for total consideration of 1,366,940,000 shares of the Company (the "Consideration Shares") at an issue price of HK$0.60 per Consideration Share. The acquisition agreement was completed on 2 December 2009, but the Consideration Shares were not yet issued to the Vendors as at 31 December 2009 and therefore recorded as special reserve in the consolidated statement of changes in equity. The Consideration Shares were then issued by the Company to the Vendors on 12 January 2010.

(e) Included in the consolidated statement of changes in equity, exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency reserve. Such exchange differences accumulated in the exchange reserve are reclassified to profit or loss on the disposal of the foreign operations.

29. DEFERRED TAX LIABILITIES

	Group			
	Investment properties	Exploration and evaluation assets	Mining rights	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010	6,958	595,581	788,635	1,391,174
Acquisition of a subsidiary	—	—	112,250	112,250
Credited to profit or loss	(8,216)	—	(96,830)	(105,046)
Exchange adjustment	1,258	—	29,753	31,011
At 31 December 2010 and at 1 January 2011	—	595,581	833,808	1,429,389
Transferred to assets classified as held for sales	—	(595,581)	—	(595,581)
Credited to profit or loss	—	—	(166,244)	(166,244)
Exchange adjustment	—	—	25,858	25,858
31 December 2011	**—**	**—**	**693,422**	**693,422**

The Group and the Company did not have any significant unprovided deferred tax liabilities at 31 December 2011 (2010: Nil).

30. TRADE PAYABLES

	Group	
	2011	2010
	HK$'000	HK$'000
0–30 days	**52,610**	22,610
31–60 days	**10,081**	—
61–90 days	**5,611**	—
Over 180 days but within one year	**5,562**	—
	73,864	22,610

The directors consider that the carrying amounts of trade payables approximate to their fair values at the end of reporting period.

31. PROVISION FOR ENVIRONMENTAL AND RESOURCES TAX

	Group	
	2011	2010
	HK$'000	HK$'000
Environmental and resources tax	**97,847**	118,078

During the year ended 31 December 2010, a subsidiary of the Group was demanded an immediate payment of the environmental and resources tax by the local authorities in the amounts of approximately RMB170,000,000 upon renewing the its mining license. The environmental and resources tax has been provided for and included in other gains and losses in the consolidated financial statements of the Group for the year ended 31 December 2010. During the year ended 31 December 2011, the Group paid RMB20,000,000 (2010: RMB7,000,000) for the environmental and resources tax to the local authorities.

32. OTHER PAYABLES AND ACCRUALS

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

The directors consider that the carrying amounts of other payables and accruals approximate to their fair values at the end of reporting period.

33. BANK BORROWINGS

	Group	
	2011	2010
	HK$'000	HK$'000
Bank loans, secured		
Within one year	**59,870**	105,254

As at 31 December 2011, the Group's interest-bearing bank loans carried at fixed interest rate ranging from 6% to 7.43% per annum (2010: 6% to 7.43%) and were secured by (i) term deposits of RMB20,000,000 provided by the Group's related companies; (ii) mining structure and buildings held by the Group's subsidiary with carrying amount of approximately HK$160,252,000 (2010: HK$Nil); (iii) the exploitation right certificate of a molybdenum mine held by the Group's subsidiary; and (iv) corporate guarantee provided by an independent insurance company with a counter-guarantee of molybdenum provided by the Group's subsidiary and the personal guarantee provided by the directors of the Group's subsidiary. As at 31 December 2011 and 2010, the Group's bank borrowings were denominated in RMB and the carrying value of which were approximate to their fair value at the end of reporting period.

34. OTHER FINANCIAL LIABILITIES

	Group	
	2011	2010
	HK$'000	HK$'000
Convertible note option	**23,000**	—

On 19 July 2011, the Company issued an option ("CN Option") to potential subscribers the rights to fully or partially subscribe for the convertible notes ("Convertible Notes") within three years immediately after the issue date ("Option Period"). According to the terms of the CN Option, the Company may require each of the potential subscribers to fully or partially subscribe for the Convertible Notes to be issued by the Company within the Option Period. The principal amount of the Convertible Notes was approximately HK$754,000,000 resulting an convertible shares of approximately 2,600,000,000 shares at HK$0.29 to be issued by the Company if the potential subscribers fully subscribe for and exercise the Convertible Notes. The Convertible Notes are zero coupon with maturity of three years from the date of issuance of Convertible Notes.

The fair value of the CN Option is determined using the Binomial Option Pricing Model with reference to the parameters listed and identified below:

Grant date share price (HKD)	0.197
Strike price (HKD)	0.290
Time to maturity (Year)	2.992
Risk free rate (%)	0.539
Credit spread (%)	4.800
Volatility (%)	50.12

As at 31 December 2011, the CN Option had not been exercised by both the Company and the potential subscribers.

35. AMOUNTS DUE TO RELATED PARTIES

Group

The amounts due to related parties are unsecured, carried at interest rate of 12% per annum and repayment of demand. The related parties are those minority shareholders and directors of the Group's subsidiary.

36. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALES

The assets and liabilities have been classified as non-current assets held for sales in accordance with HKFRS 5 were summarised below:

	Group				
	Longwell Group[(a)]	Pre-completion investment properties[(b)]	Rui Sui Kuang Ye[(c)]	Total 2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Investment properties	194,377	—	—	194,377	—
Exploration and evaluation assets	—	—	3,343,587	3,343,587	—
Prepayments, deposits and other receivables	5,484	198,606	—	204,090	—
Other payables and accruals	(22)	—	(64,619)	(64,641)	—
Deferred tax liabilities	—	—	(595,581)	(595,581)	—
Statutory reserves	(3,007)	—	—	(3,007)	—
Exchange reserves	(56,319)	—	—	(56,319)	—
	140,513	198,606	2,683,387	3,022,506	—
Less: Impairment loss on re-measurement of assets held for sales	—	—	(375,695)	(375,695)	—
	140,513	198,606	2,307,692	2,646,811	—

(a) On 30 December 2011, the Company entered into a sale and purchase agreement to dispose of the entire equity interests in Longwell International Holdings Limited and its subsidiary ("Longwell Group") which are principally engaged in the business of leasing of shopping mall space in Changchun, the PRC. The disposal has been completed in January 2012. No impairment loss was recognised on reclassification of the assets as held for sale at 31 December 2011.

(b) Subsequent to the end of the reporting period, the Group disposed of various pre-completion investment properties located in Xian, the PRC. The pre-completion investment properties were originally planned to be used as the Group's office as well as for leasing purpose. No impairment loss was recognised on reclassification of the assets as held for sale at 31 December 2011.

(c) On 22 March 2012, the Group entered into a sale and purchase agreement to dispose of 26% equity interests in Jilin Province Rui Sui Kuang Ye Company Limited ("Rui Sui Kuang Ye"). The disposal of Rui Sui Kuang Ye is subject to approval from the Company's shareholders at a special general meeting to be convened. The directors anticipate that the disposal will be completed on or before the end of May 2012. Impairment loss of approximately HK$375,695,000 has been recognised on the reclassification of the assets as held for sales at 31 December 2011.

37. CONTINGENT LIABILITIES AND ASSETS AND CAPITAL COMMITMENTS

Contingent liabilities:

The Group had no other material contingent liabilities as at 31 December 2011 (2010: Nil).

Contingent assets:

During the year ended 31 December 2009, the directors of the Company discovered that, without their knowledge and consent, the land where the property development project held by a subsidiary of the Company in the PRC to be erected was surrendered to an independent party by the Group's joint venture partner in the property development project, in a suspected fraud ("Suspected Fraud Transaction"). The Company had reported the case to the PRC police and several persons involved in the Suspected Fraud Transaction has been arrested. As a result, a civil settlement agreement were entered between the joint venture partner and a subsidiary of the Company that the joint venture partner would compensates the Company (i) a sum of RMB30,000,000 in cash ("Cash Compensation"); and (ii) the entire equity holdings in Xian Communication University Second Affiliated Middle School Southern District with the market value of approximately RMB183,972,000 valued by an independent valuer as at 31 December 2009 ("Compensation Assets").

The Group has not recognised the Compensation Assets but disclosed in the consolidated financial statements as the inflow of economic benefits is probable but not yet virtually certain. As at the date of this report, the title of the Compensation Assets has not yet transferred to the Group. Nevertheless, dividend of approximately HK$4,274,000 (2010: HK$4,723,000) has been declared by the Compensation Assets.

Save as disclosed above, the Group had no other material contingent assets as at 31 December 2011 (2010: Nil).

Capital commitments:

As at 31 December 2011, the Group does not have any material capital commitments (2010: Nil).

38. OPERATING LEASE COMMITMENTS

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

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**1,935**	1,259
In the second to fifth years inclusive	**1,738**	118
	3,673	1,377

39. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group has the following balances and transactions with related parties:

(a) At the end of the reporting period, the Group entered into the following balances with related parties:

	Amount due from related parties		Amount due to related parties	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Related parties	**—**	—	**60,755**	—

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expenses have been recognised in the period for bad or doubtful debts in respect of the amounts due from related parties.

(b) Compensation of key management personnel

Remuneration for key management personnel, including amount paid to the Company's directors and certain of the highest paid employees, as disclosed in Notes 10 and 11 to the consolidated financial statements is follows:

	2011	2010
	HK$'000	HK$'000
Short-term employee benefits	**2,823**	2,930
Contribution to pension schemes	**58**	35
	2,881	2,965

40. MAJOR NON-CASH TRANSACTIONS

The Group's inventories with carrying amounts of approximately HK$102,495,000 were transferred to Issuer for subscription of promissory notes as disclosed in Note 23 to the consolidated financial statements. The directors considered that the carrying amounts of inventories were approximate to its fair value at the date of transfer.

41. ACQUISITION OF SUBSIDIARIES

The Group does not have any business combination transaction occurred during the year ended 31 December 2011. For the year ended 31 December 2010, the Group acquired 70% equity interests in Heilongjiang Yi Tong Mining Company Limited ("Yi Tong Mining") at an aggregate consideration of approximately HK$425,714,000, of which HK$285,714,000 (RMB240,000,000) in cash and HK$140,000,000 were settled by issue of 500,000,000 consideration shares at an issue price of HK$0.28. The acquisition was completed on 21 July 2010.

Acquisition-related cost of approximately HK$628,000 for the acquisition of Yi Tong Mining have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2010.

Fair value of net identifiable assets acquired and liabilities recognised at the date of acquisition is summarised below:

			2010	
	2011	Carrying value	Fair value adjustment	Fair value
	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	—	16,386		16,386
Mining rights	—	—	449,000	449,000
Trade and other receivables	—	35		35
Inventories	—	744		744
Cash and bank balances	—	189		189
Trade and other payables	—	(16,823)		(16,823)
Deferred tax liabilities	—	—	(112,250)	(112,250)
	—	531		337,281
Non-controlling interest	—			(101,160)
				236,121

For the year ended 31 December 2010, the non-controlling interests in respect of Yi Tong Mining recognised at the acquisition dates were measured by reference to its proportionate shares of the recognised amounts of the identifiable net assets of Yi Tong Mining.

41. ACQUISITION OF SUBSIDIARIES (Continued)

Goodwill arising on acquisition is summarised below:

	2011	2010
	HK$'000	HK$'000
Consideration transferred	—	425,714
Plus: non-controlling interests	—	101,160
Less: fair value of identifiable net assets acquired	—	(337,281)
	—	189,593

For the year ended 31 December 2010, goodwill arose in the acquisition of Yi Tong Mining because the cost of the combination included a premium paid for estimated reserves of mineral resources in the mining rights held by Yi Tong Mining. The fair value of mining rights has been recognised separately from goodwill as it meets the recognition criteria for identifiable intangible assets.

For the year ended 31 December 2010, net cash outflow on acquisition of subsidiaries was approximately HK$285,525,000 which comprise of cash consideration of approximately HK$285,714,000 paid less the cash and bank balances of approximately HK$189,000 acquired from the acquisition of Yi Tong Mining.

For the year ended 31 December 2010, no revenue and results has been contributed to the Group by the additional mining operation generated by Yi Tong Mining because Yi Tong Mining has not yet commenced the exploitation of its existing mine. Therefore, had the business combination of Yi Tong Mining been effected at 1 January 2010, the revenue and results of the Group for the year would be the same as the amounts disclosed in the consolidated income statement.

42. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of the entire equity interest of in Tonghua Golden Life Resource Development Company Limited ("Disposal Subsidiary") at a cash consideration of approximately RMB50,000,000 (equivalent to HK$61,132,000). The net assets of the Disposal Subsidiary at the date of disposal were as follows:

	2011	2010
	HK$'000	HK$'000
Prepaid lease payments	**89,395**	—
Release of exchange translation reserve	**(5,432)**	—
	83,963	—
Loss on disposal	**(22,831)**	—
Total consideration	**61,132**	—

42. DISPOSAL OF SUBSIDIARIES (Continued)

Net cash inflow arising on disposal:

	2011 HK$'000	2010 HK$'000
Cash consideration received	61,132	—
Bank balances and cash disposed of	—	—
	61,132	—

For the period from 1 January 2011 to the date of disposal, except for an amortisation of prepaid lease payments of approximately HK$1,995,000, no revenue nor results has been contributed by the Disposal Subsidiaries to the loss of the Group for the year ended 31 December 2011.

43. FINANCIAL INSTRUMENTS

Categories of financial instruments

Financial assets

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Loans and receivables (including cash and cash equivalents)	258,898	316,639	47,991	1,076
Financial liabilities				
Fair value through profit or loss				
Designated as at FVTPL	23,000	—	23,000	—
Amortised cost	274,957	249,222	3,338	3,192
	297,957	249,222	26,338	3,192

44. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's treasury department, including the board of directors meets periodically to analyse and formulate strategies to manage and monitor the Group's exposure to variety of risk associate with financial instruments which arise from the Group's operating and investing activities. Generally, the Group employs conservative strategies regarding its risk management to ensure appropriate measures are implemented on a timely and effective manner. The risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The business transactions of the Group conducted during the year were mainly denominated and settled in either RMB or HKD. The Group currently does not have hedging policy in respect of the foreign currency risk. However, management monitors the related foreign currency risk exposure closely and will consider hedging significant foreign currency risk exposure should the needs arises.

Based on the market condition at end of reporting period, the Group determined that it is reasonably possible for RMB to strengthen/weaken by 10% against HKD in the coming twelve months (2010: 10%). Hence, 10% are the sensitivity rates used in the current year when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and based on the assumption that other variables are held constant. A positive number below indicates an increase in profit or equity where RMB strengthens 10% against HKD. For a 10% weakening of RMB against HKD, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	2011	2010
	HK$'000	HK$'000
Profit or loss[1]	**16,504**	16,532
Equity[2]	**137,043**	135,776

Notes:

(1) This is mainly attributable to the exposure outstanding on receivable and payable denominated in RMB at the end of the reporting period.

(2) This is mainly attributable to the reserves which are denominated in RMB included in equity at the end of the reporting period.

(3) In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

44. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market risk (Continued)

(ii) 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 rate except for bank borrowings. The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease in interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2011 would decrease/increase by HK$299,000. This is mainly attributable to the Group's exposure to interest rates o its variable rate borrowings. Changes in interest rates have no impact on other comprehensive income for the year ended 31 December 2011.

(iii) Other price risk

The Group does not exposed to equity price risks as the Group does not have any equity investments at the end of the reporting period.

(b) Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Credit risk on trade receivable is minimal because most of the transactions related to mining operation were made on cash basis with no credit term given to its customers, except for sizable customers and with good credit history with the Group. For the year ended 31 December 2011, the Group faced credit risk and concentration risk of trade receivables from one customer whose was in financial difficulty and delay in settlement. Accordingly, an impairment loss of approximately HK$6,999,000 has been recognised. The Group has taken follow up action against the customer in order to reduce such credit risk exposure.

Credit risk on cash and bank balances is mitigated as counterparties are banks or financial institutions with high credit rating. Credit risk on prepayments, deposit and other receivables is minimal as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivables balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually or collectively at end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. As at 31 December 2011, the Group held collateral over its financial assets in respect of promissory note receivables which are secured by the mining rights held by the counterparty. Except for this, none of the Group's financial assets and securitized by collateral or other credit enhancements.

44. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The Group has net current assets of approximately HK$2,735,303,000 (2010: HK$261,296,000) and net assets of approximately HK$5,039,873,000 at 31 December 2011 (2010: HK$5,855,133,000). In the opinion of directors, the Group's exposure to liquidity risk is limited.

The following table details the remaining contractual maturities at each of end of reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rate or, if floating based on current rates at end of reporting period) and the earliest date the Group may be required to pay:

2011

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	Over 1 years HK$'000	Total HK$'000
Trade payables	—	73,864	—	—	—	73,864
Other payables and accruals	—	80,210	—	—	—	80,210
Bank borrowings	6.88	—	—	53,877	5,993	59,870
Amount due to related parties	12	—	36,693	24,062	—	60,755
		154,074	36,693	77,939	5,993	274,699

2010

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	Over 1 years HK$'000	Total HK$'000
Trade payables	—	22,610	—	—	—	22,610
Other payables and accruals	—	121,124	—	—	—	121,124
Bank borrowings	6.88	—	—	105,254	—	105,254
Amount due to related parties		234	—	—	—	234
		143,968	—	105,254	—	249,222

44. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Fair value of financial instruments

The directors of the Company consider the fair value of the Group's current financial assets and liabilities are not materially different from their carrying amounts as stated in the consolidated statement of financial position because of the immediate or short-term maturity of these financial instruments. Accordingly, the analysis on fair values of non-current financial assets and liabilities were not disclosed because these are not materially different from their carrying amount.

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

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

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

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

2011

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Other financial assets	—	54,591	—	54,591
Financial liabilities				
Other financial liabilities	—	(23,000)	—	(23,000)

There were no transfers between Level 1 and 2 for the year ended 31 December 2011.

As at 31 December 2010, no financial instruments that are measured subsequent to initial recognition at fair value ground into Levels 1 to 3.

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 the strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group has not adopted any formal dividend policy.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group's total capital comprises all components of equity and net debt includes bank borrowing, trade payables and other payables and accruals, less cash and cash equivalents:

The Group's gearing ratio at 31 December 2011 and 2010 was as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Debts[1]	**372,546**	367,066
Cash and cash equivalents[2]	**(24,305)**	(138,381)
Net debts	**348,241**	228,685
Equity	**5,039,873**	5,855,133
Gearing ratio	**6.9%**	3.9%

Notes:

1. Debt comprise of account payables, provision, other payables and accruals, bank borrowings and amounts due to related parties as detailed in Notes 30, 31, 32, 33 and 35 respectively.

2. Equity includes all capital and reserves attributable to owners of the Company.

46. EVENTS AFTER THE REPORTING PERIOD

Excepts as those disclosed elsewhere in the consolidated financial statements, the Group has the following significant events which took place subsequent to the end of reporting period.

On 22 March 2012, Golden Finance Company Limited, a wholly owned subsidiary of the Company entered into a disposal agreement with independent third parties to disposal of 26% equity interest in Jilin Province Rui Sui Kuang Ye Company Limited for an aggregate consideration of HK$600,000,000.

SUMMARY OF FINANCIAL INFORMATION

Results

	For the year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**391,035**	384,543	85,498	74,400	237,647
(Loss)/Profit from operations	**(1,078,020)**	(928,901)	753,996	(80,424)	(58,871)
Finance costs	**(11,722)**	(1,157)	—	—	—
Share of results of associates	**—**	—	(652)	18,492	4,239
(Loss)/Profit before tax	**(1,089,742)**	(930,058)	753,020	(61,932)	(54,632)
Taxation	**151,407**	83,017	22,981	(862)	1,934
(Loss)/Profit for the year	**(938,335)**	(847,041)	776,001	(62,794)	(52,698)
Attributable to:					
Owners of the Company	**(598,988)**	(688,783)	781,694	(54,336)	(45,469)
Non-controlling interests	**(339,347)**	(158,258)	(5,693)	(8,458)	(7,229)
(Loss)/Profit for the year	**(938,335)**	(847,041)	776,001	(62,794)	(52,698)

Assets and liabilities

	As at 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total Assets	**6,129,099**	7,651,822	7,399,975	1,786,173	468,135
Total Liabilities	**(1,089,226)**	(1,796,689)	(1,526,300)	(43,007)	(7,367)
	5,039,873	5,855,133	5,873,675	1,743,166	460,768
Equity attributable to:					
Owners of the Company	**3,234,235**	3,710,148	3,671,592	1,306,467	452,337
Non-controlling interests	**1,805,638**	2,144,985	2,202,083	436,699	8,431
	5,039,873	5,855,133	5,873,675	1,743,166	460,768