中國礦業資源集團有限公司*

China Mining Resources Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 340

* *For identification purpose only*

Annual Report 2009

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

You Xian Sheng *(Chairman)*
Chen Shou Wu *(Deputy Chairman, Chief Executive Officer and Chief Investment Officer)*
Wang Hui
Yeung Kwok Kuen *(Chief Financial Officer)*

Non-executive Director:

Lam Ming Yung

Independent Non-executive Directors:

Chan Sze Hon
Chu Kang Nam
Goh Choo Hwee
Lin Xiang Min

COMPANY SECRETARY

Leung Lai Ming

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1306, 13th Floor
Bank of America Tower
12 Harcourt Road
Admiralty
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
UBS AG
China Construction Bank
Agricultural Bank of China

STOCK CODE

00340

COMPANY WEBSITE

www.chinaminingresources.com

I am pleased to present to our shareholders, the annual report of China Mining Resources Group Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 December 2009.

RESULTS

For the financial year ended 31 December 2009, the Group recorded a consolidated revenue of HK$250,103,000 (2008: HK$493,767,000) and gross profit of HK$120,631,000 (2008: HK$47,079,000) from continuing operations, representing a decrease of 49% and increase of 156% respectively as compared with last year. The decrease in revenue was mainly due to significant fall of mining business revenue generated from Harbin Songjiang Copper (Group) Company Limited ("Harbin Songjiang") and its subsidiaries ("Harbin Songjiang Group"), partially offset by new revenue contributed by the tea business as a result of the acquisition of 80% interest in King Gold Investments Limited ("King Gold") (the "Acquisition") and its subsidiaries ("King Gold Group") during the year.

The Group's loss attributable to owners of the Company amounted to HK$318,355,000 (2008: loss HK$3,174,608,000). In particular, the loss was mainly attributable to the impairment losses of HK$452,766,000 on exploration and evaluation assets and other intangible assets (HK$339,937,000 attributable to owners of the Company) and the impairment losses on property, plant and equipment and prepaid lease payments of HK$149,463,000 (HK$112,217,000 attributable to owners of the Company). On exclusion of the above impairment losses, the Group's earnings before interest, tax, depreciation and amortisation ("EBITDA") for the year was HK$236,138,000 (2008: HK$135,008,000).

The staff costs of HK$25,498,000 (2008: HK$36,697,000) arising from granting of share options to directors, employees and consulting firm of the Group was recognised as expenses during the year.

REVIEW OF OPERATIONS

Harbin Songjiang Group

Harbin Songjiang is based in Harbin, Heilongjiang Province, the People's Republic of China (the "PRC") and specialises in the mining and processing of molybdenum, copper and zinc, of which molybdenum accounts for the majority of its production and earnings.

Harbin Songjiang Group contributed HK$104,290,000 (2008: HK$493,767,000) and HK$547,021,000 (2008: HK$1,991,094,000) to the Group's revenue and loss respectively for the year ended 31 December 2009. The loss for the year was mainly due to: (1) impairment losses in aggregate of HK$452,766,000 was made for exploration and evaluation assets and other intangible assets (2008: HK$2,493,981,000); (2) impairment losses in aggregate of HK$149,463,000 (2008: HK$648,483,000) was made for property, plant and equipment and prepaid lease payments.

Revenue

Mining business revenue for the year ended 31 December 2009 decreased by HK$389,477,000 or 79% to HK$104,290,000 in 2009 from HK$493,767,000 in 2008. The reduction is triggered by the plunge in selling price, as evidence from a nearly 68% drop in unit average selling price of ferro molybdenum for the year 2009 as compared with last year. The impact of price decrease was coupled with a reduction in sales volume. In the view of the decrease in market price, the management of Harbin Songjiang Group strategically slackens its selling efforts until the market price recovering. Accordingly, the sales volume of ferro molybdenum decreased from 1,078 tonnes in 2008 to 527 tonnes in 2009. Furthermore as stated in the annual report of the Company for the financial year ended 31 December 2008 (the "2008 Annual Report"), the management of Harbin Songjiang Group has suspended the production of molybdenum mine for maintenance and improvement from December 2008, which were precautionary measures taken in relation to discovery of the subsidence of a small area of land above the hollow section of the molybdenum mine on 14 December 2008. The production of molybdenum mine was resumed in August 2009, however, its production capacity decreased following the land reclamation and cavity refill activities carried out during maintenance and improvement. The production volume of ferro molybdenum for the year was 880 tonnes for four months in 2009 as compared to 4,121 tonnes in 2008, and the inventory balance of ferro molybdenum was 974 tonnes as at 31 December 2009 (2008: 621 tonnes).

REVIEW OF OPERATIONS *(CONTINUED)*

Harbin Songjiang Group *(CONTINUED)*

Revenue *(CONTINUED)*

Revenue generated from ferro molybdenum, copper and zinc and others were HK$63,582,000 (2008: HK$400,517,000), HK$31,477,000 (2008: HK$77,751,000) and HK$9,231,000 (2008: HK$15,499,000) respectively. The average selling prices for ferro molybdenum and copper in 2009 were HK$120,649 per tonne and HK$36,780 per tonne (2008: HK$371,559 per tonne and HK$60,917 per tonne), respectively.

The sales volume of copper and zinc have decreased by 476 tonnes and 838 tonnes, respectively (Copper: from 1,146 tonnes in 2008 to 670 tonnes in 2009; Zinc: from 838 tonnes in 2008 to nil in 2009) due to decrease in output as a result of aging of the copper and zinc mine (the "Copper Mine").

Cost of Sales and Gross Profit

The cost of sales of Harbin Songjiang Group decreased from HK$446,688,000 in 2008 to HK$86,230,000 in 2009. The average gross profit margin was 17% in 2009 (2008: 10%). The increase in average gross profit margin was mainly due to the provision made for a one-off land reclamation and cavity refill costs in the amount of HK$140,967,000 for the molybdenum mine in year 2008. Excluding this one-off adjustment, Harbin Songjiang Group's gross profit margin decreased from 38% in 2008 to 17% in 2009, which was primarily due to the significant decrease in the selling price of ferro molybdenum in year 2009.

Impairment losses on other intangible assets, exploration and evaluation assets

In view of the decrease in the market price of ferro molybdenum, the directors of the Company considered that the mining right of molybdenum mine should be further impaired in year 2009. A valuation was performed by an independent valuer to assess the impairment. Accordingly, an impairment loss of approximately HK$441,186,000 (2008: HK$2,096,129,000) was recognised in the consolidated statement of comprehensive income during the year 2009.

Moreover, the Group has performed exploration in certain locations in Inner Mongolia, Heilongjiang and Henan during the year and the year before. After evaluating the exploration results, the directors of the Company considered that it is not commercially viable to continue the exploration in such locations and the relevant exploration and evaluation assets should be impaired. Accordingly, an impairment loss of HK$11,580,000 (2008: HK$32,984,000) was recognised in the consolidated statement of comprehensive income during the year.

REVIEW OF OPERATIONS *(CONTINUED)*

Harbin Songjiang Group *(CONTINUED)*

Impairment losses on property, plant and equipment and prepaid lease payments

As mentioned in the above section headed "Impairment losses on other intangible assets, exploration and evaluation assets", in view of the increase in cost of production and decrease in market price of molydbenum-related products, the directors of the Company considered that the facilities, processing plant, production plant and prepaid lease payments of the molybdenum mine should be impaired. Accordingly, the carrying amount of the related processing plant and production plant and prepaid lease payments of approximately HK$86,643,000 (2008: HK$223,167,000) and HK$10,579,000 (2008: HK$75,482,000) were recognised as impairment losses in the consolidated statement of comprehensive income during the year.

In view of increase of cost of production and decrease of market price of silicon, the value in use of the related property, plant and equipment and prepaid lease payment of the cash generating unit decreased. Accordingly, the carrying amount of the related processing plant and production plant and prepaid lease payments of approximately HK$50,808,000 (2008: nil) and HK$197,000 (2008: nil) were recognised as impairment losses in the consolidated statement of comprehensive income during the year.

Provision for land reclamation and cavity refill cost

As disclosed in 2008 Annual Report, the management of Harbin Songjiang Group had suspended the production of the molybdenum mine for maintenance and improvements from December 2008. The maintenance and improvements were precautionary measures taken in relation to the discovery of subsidence of a small area of land above the hollow section of the molybdenum mine on 14 December 2008. In accordance with the relevant PRC rules and regulations, the Group has made provision in the amount of approximately HK$140,967,000 for land reclamation and cavity refill activities of the molybdenum mine. The utilisation of the provision cost of approximately HK$16,918,000 was occurred during the year.

REVIEW OF OPERATIONS *(CONTINUED)*

King Gold Group

The Group commenced its tea business since 30 April 2009 after the acquisition of 80% interest in King Gold. King Gold Group is principally engaged in cultivation, research, production and sale of Chinese tea products, and its products selling under the brand names of "武夷" and "武夷星" are well-recognised in the PRC as premium tea products and widely distributed throughout the country.

The completion of the acquisition during the year provided the Group with an immediate revenue stream and cash inflow. During the post-acquisition period, King Gold Group contributed HK$145,813,000 and HK$69,754,000 to the Group's revenue and profit for the year ended 31 December 2009 respectively.

For additional information, full year financial information of King Gold Group is illustrated as follow:

	2009	2008
	HK$'000	*HK$'000*
Revenue	**184,044**	75,205
Cost of sales	**(62,335)**	(35,193)
Gross profit	**121,709**	40,012
Other income	**3,096**	3
Selling and distribution expenses	**(11,145)**	(8,446)
Administrative expenses	**(8,556)**	(5,687)
Finance costs	**(1,893)**	(997)
Profit before tax	**103,211**	24,885
Income tax (expense) credit	**(22,119)**	313
Profit for the year	**81,092**	25,198

The above financial information regarding to King Gold Group were extracted from the unaudited financial statements of King Gold for the year ended 31 December 2009, which were prepared by the directors of the Company.

REVIEW OF OPERATIONS *(CONTINUED)*

King Gold Group *(CONTINUED)*

Revenue

For the financial year ended 31 December 2009, King Gold Group generated a revenue of HK$184,044,000 (2008: HK$75,205,000). This represented an increase of HK$108,839,000 or 145% in revenue when compared with last year. The increase was mainly attributable to (1) a significant growth in sales volume of tea products of 899 tonnes or 248% in 2009 (from 363 tonnes in 2008 to 1,262 tonnes in 2009). (2) increased sales of superior products of Da Hong Pao (大紅袍) in 2009. There are two major tea product lines in King Gold Group: (i) the superior products of Da Hong Pao, the profit margin of which ranging from 70% to 80%; and (ii) the normal tea products, the profit margin of which is relative lower ranging from approximately 40% to 45%. The revenue generated from the superior tea products of Da Hong Pao (大紅袍) accounted for 58% of the total tea product revenue for the year, representing an increase of 21% compared to last year (2008: 37%) as the superior products of Da Hong Pao had received good market recognition during the year.

Cost of Sales and Gross Profit

The cost of sales of King Gold Group increased from HK$35,193,000 in 2008 to HK$62,335,000 in 2009. The average gross profit margin was 66%, representing an increase of 13% as compared with 53% in the last year. The increase in gross profit margin was mainly attributable to the increased sales of high profit margin superior products of Da Hong Pao in 2009.

Rutile Mining

The rutile mine owned by Shanxi Shenli Aerospace Titanium Company Limited, a subsidiary of the Company, covers an area of two square kilometers with an estimated exploitation potential of approximately 1,900,000 tonnes.

As stated in the 2008 Annual Report, the increase in construction costs and land premium in respect of the premises on which the plant of the rutile mine is to be situated and the neighboring land area, as well as the decrease in market price of rutile related products, it is difficult to predict whether the rutile mine will become economic in coming future. Accordingly, the Company disposed of the mining right of the rutile mine, the related processing and production plant, the prepaid lease payments, and certain liabilities in December 2009.

In addition, as stated in the 2008 Annual Report, there are disputes between two former shareholders of Top Rank International Group Limited which owns 90% equity interest in Shanxi Shenli Aerospace Titanium Company Limited, the company which holds the rutile mine. A final and conclusive judgement was made by the Guangdong Province High Court on 30 September 2009 pursuant to which the judgement made by the Shenzhen City Court on 17 December 2007 in relation to the orders made against the Mr Tang Yan, one of the former shareholder of Top Rank International Group Limited, was ruled to remain the same (Please refer to note 38 to the financial statements for more information).

Investments in Canada listed mining companies and other securities

The Group invested in several Canada listed mining companies which were held for the purpose of long-term investments and capital gain and dividend income during the year ended 31 December 2009.

The Group has disposed through the market the shares of several Canada listed companies and other securities and has realised a net gain of approximately HK$71,500,000 during the year ended 31 December 2009.

Acquisition and disposal of convertible notes of China Shen Zhou Mining and Resources, Inc.

The Group has acquired from Citadel Equity Fund Ltd. 6.75% senior convertible notes due 2012 in the principal amount of US$28,000,000 (the "Convertible Notes") issued by China Shen Zhou Mining & Resources, Inc ("CSZ"), whose shares are listed on NYSE Amex, for a total consideration of US$7,000,000 on 9 April 2009. The Group has subsequently disposed the Convertible Notes at the consideration of US$9,000,000 and has realised a net gain of approximately HK$15,378,000 in August 2009.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2009, the Group had total assets and net assets amounted to HK$1,969,445,000 (2008: HK$2,360,299,000) and HK$1,132,105,000 (2008: HK$1,257,595,000), respectively. The current ratio was 1.66, as compared to 1.74 as of last year end.

As at 31 December 2009, the Group had bank balances and cash, which amounting to HK$531,223,000 (2008: HK$1,000,408,000), and most of which were denominated in Renminbi and Hong Kong dollars. At the end of the reporting period, the Group had: (i) borrowings from minority shareholders of HK$150,500,000 (2008: HK$150,636,000) which were all interest-free; (ii) bank borrowings of HK$119,448,000 (2008: HK$170,535,000) which were interest-bearing at floating rates with reference to the prevailing borrowing rate quoted by the People's Bank of China and (iii) other loans of HK$6,017,000 (2008: HK$6,014,000), of which HK$1,137,000 was interest-free and HK$4,880,000 was interest-bearing at 2.55% per annum. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 26.4% (2008: 28.9%).

FOREIGN EXCHANGE RISK MANAGEMENT

As part of the Group's assets and liabilities are denominated in Hong Kong Dollar, Canadian Dollar and United States Dollar in order to minimise the foreign currency risk, the Group aims to utilise the fund for transactions that are denominated in the same currency.

SHARE CAPITAL

On 8 April 2009, the Company issued 104,132,000 new shares as part of the consideration paid for the acquisition of Convertible Notes (as stated in heading "Acquisition and disposal of convertible notes of China Shen Zhou Mining and Resources, Inc." as above).

As at 31 December 2009, the Company had 6,130,784,853 shares in issue with total shareholders' fund of the Group amounting to approximately HK$613,078,000.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 30 April 2009, the Group acquired 80% of the issued capital of King Gold for a total consideration of HK$640,000,000, of which HK$500,000,000 was settled by cash and the remaining balance of HK$140,000,000 is to be satisfied by the issue and allotment of shares of the Company.

On 24 May 2009 and 27 August 2009, the Group disposed of the entire equity interest in Wuhai Derun Ferroalloy Limited Liability Company and Inner Mongolia Zhongrun Magnesium Co., Ltd, respectively to independent third parties for cash considerations of HK$6,132,000 and HK$22,712,000, respectively.

Save as disclosed above, there were no other material acquisitions or disposals of subsidiaries during the year ended 31 December 2009.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group had no contingent liability (2008: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2009, the Group had approximately 12 and 1,115 employees in Hong Kong and Mainland China respectively.

Employees are remunerated at a competitive level and are rewarded according to their performance. Our Group's remuneration packages include medical scheme, group insurance, mandatory provident fund for Hong Kong employees, social insurance packages for Mainland China employees, performance bonus and share option scheme.

According to the share option scheme adopted by the Company on 26 June 2002, share options may be granted to directors, employees and other eligible participants of the Group to subscribe for shares in the Company in accordance with the terms and conditions stipulated therein.

PROSPECTS

2009 was a challenging year for the Group, as the production of molybdenum mine was suspended for maintenance and improvement in the first eight months of the year and the output of the Copper mine were decreasing as a result of aging of the mine.

The Group has tackled the challenges squarely and effectively last year and the management has done their utmost to mitigate various downside of the business. The operation of the molybdenum mine has been resumed at the end of August 2009. Furthermore, the Group completed the previously announced acquisition of King Gold Group and the Convertible Notes. King Gold Group has contributed an immediate stream of revenue of approximately HK$145,813,000 and profit of HK$69,754,000 to the Group's results for the period between the date of acquisition to 31 December 2009, and the Group has subsequently realised a net gain of approximately HK$15,378,000 in August 2009 through the disposal of the Convertible Notes. In addition, the Group has realised a gain of approximately HK$71,500,000 through investments in shares of listed companies in Canada.

On the other hand, the Group has dedicated to implement strict internal cost-saving controls during the year, to maintain sound operation status and healthy financial position. As at the end of year 2009, the Group still had sufficient financial resources which enabled the Group to operate smoothly and satisfy the liquidity need from production capacity expansion.

In light of the gradual recovery of the global economy in 2010, in particular, the strong economic growth in PRC, the Group will seize this opportunity to further develop its mining and tea business operations in PRC, and enhance market competitiveness to improve the market shares. Moreover, the Group will actively look for attractive merger and acquisition opportunities domestically and internationally and strive to extend our business reach and enhance the profitability to maximize our shareholders' value.

APPRECIATION

On behalf of the board of directors of the Company ("the Board"), I would like to take this opportunity to express my appreciation to the continuous support of our shareholders and hard work and dedication of all our staff over the past year.

By Order of the Board
China Mining Resources Group Limited

You Xian Sheng
Chairman

Hong Kong, 15 April 2010

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

YOU Xian Sheng

Dr. You Xian Sheng ("Dr. You"), aged 55, was appointed as an executive director, chief executive officer and the deputy chairman of the Company on 31 January 2008. Dr. You was re-designated as the chairman of the Company on 5 June 2009 and resigned as the chief executive officer of the Company on the same date.

Dr. You graduated from Chengdu Geological College（成都地質學院）in 1977. Dr. You has also obtained a master's degree in Economics from Nankai University（南開大學）and a doctorate degree in Industrial Economics from Fudan University（復旦大學）. Dr. You has been engaged in geological survey related work for almost 20 years. In 1972, Dr. You joined Geology and Petroleum Team（地質石油隊）of Fujian Province and has become brigade leader of 2nd Hydro-geology Brigade（第二水文地質大隊）of Fujian Province and the general manager of Fujian Geo-engineering Investigation Corporation. In 1992, Dr. You was appointed as deputy commissioner（副專員）and commissioner of the administrative office（行政公署）of Longyan District, Fujian Province, the mayor of the People's Government of Longyan City（龍岩市人民政府）, Fujian Province and was later appointed as the chairman of Department of Electronic Industry（電子工業廳廳長）and the chairman of Department of Information Industry（信息產業廳廳長）of Fujian Province. Prior to joining the Company, Dr. You was the chairman of the board of directors and the managing director of Fujian Haihong Science & Technology Development Co., Ltd（福建海宏科技發展有限公司）.

CHEN Shou Wu

Mr. Chen Shou Wu ("Mr. Chen"), aged 46, was appointed as an executive director of the Company on 21 December 2007 and was subsequently appointed as the deputy chairman and chief executive officer of the Company on 5 June 2009.

Mr. Chen was appointed as an executive vice president and chief investment officer of the Company on 17 September 2007 and resigned as the executive vice president of the Company on 5 June 2009.

Mr. Chen graduated from Jilin University（吉林大學）, the PRC with a bachelor's degree in Mineral Resources Exploration in 1985 and a master's degree of Geological Science in 1988. He has also obtained a master's degree in Business Administration from Richard Ivey Business School of University of Western Ontario in Canada in 2003.

Prior to joining the Company, Mr. Chen worked for the Standard Bank as the senior vice president in the mining and metals division. For the period from 2003 to 2007, Mr. Chen has worked for Kingsway Group, an investment banking firm, as a senior mining analyst, Golden China Management Inc., a venture capital firm, as a business development manager, and Golden China Resources Corporation (GCX — Toronto Stock Exchange), a public company listed on the Toronto Stock Exchange which is engaged in the mining business, as a merchant banking manager. Mr. Chen has over 10 years of experience in the precious metals sector in the PRC. He was the council member of China Gold Society（中國黃金學會）and a research professor in the Shenyang Institute of Geology and Mineral Resources of the Ministry of Land and Resources（國土資源部）of the PRC. Mr. Chen is a director of Fortune Minerals Limited, a company whose shares are listed on the Toronto Stock Exchange.

Mr. Chen is also a director of several subsidiaries of the Company.

EXECUTIVE DIRECTORS *(CONTINUED)*

WANG Hui

Mr. Wang Hui ("Mr. Wang"), aged 50, was appointed as an executive director of the Company on 5 July 2007. Mr. Wang is also the director of Harbin Songjiang Copper (Group) Company Limited ("Harbin Songjiang"), a subsidiary of the Company.

Mr. Wang graduated from Harbin Normal University in 1984 and is a senior economist. Mr. Wang has been the chief advisor of Harbin Songjiang since April 2002 and mainly assisted Harbin Songjiang in assessing and procuring exploration and mining projects, evaluating scale of mining operations and improving corporate governance of the then state-owned enterprise. In November 2005, Mr. Wang extended his responsibilities in Harbin Songjiang to formulation and execution of Harbin Songjiang's overall business strategies and policies and spearheading the growth of Harbin Songjiang's business.

Mr. Wang is also a director of a subsidiary of the Company.

YEUNG Kwok Kuen

Mr. Yeung Kwok Kuen ("Mr. Yeung"), aged 37, was appointed as an executive director of the Company on 17 January 2007. Mr. Yeung is also the qualified accountant and chief financial officer of the Company.

Mr. Yeung graduated from The Chinese University of Hong Kong with a bachelor degree in Professional Accountancy and obtained a master degree in Corporate Finance from The Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Yeung has over 14 years of experience in handling accounting and finance matters. From 2004 to 2006, Mr. Yeung was the chief financial officer of a trading and manufacturing group and prior to this, Mr. Yeung was the manager of an international accounting firm.

Mr. Yeung is also a director of several subsidiaries of the Company.

NON-EXECUTIVE DIRECTOR

LAM Ming Yung

Mr. Lam Ming Yung ("Mr. Lam"), aged 46, was appointed as an independent non-executive director of the Company on 8 January 2007 and was re-designated as a non-executive director of the Company effective from 8 February 2007.

Mr. Lam graduated from the School of Law of Shanghai Eastern Chinese College of Politics and Jurisprudence (now known as East China University of Political Science and Law) in 1986 and was awarded the degree of Bachelor of Law. Mr. Lam started practising law in 1987 in Fujian Province in the PRC, and moved to Hong Kong in mid-1993. He was registered as a foreign lawyer with the Law Society of Hong Kong in 1995, and is now practicing as a Chief PRC Consultant Corporate Finance in the Hong Kong office of Sidley Austin. Mr. Lam is an independent non-executive director of China Agrotech Holdings Limited and Welling Holding Limited, both being companies whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Lam is also an independent non-executive director of China Lifestyle Food and Beverages Group Limited, a company whose shares are listed on Singapore Exchange Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Sze Hon

Mr. Chan Sze Hon ("Mr. Chan"), aged 36, was appointed as an independent non-executive director of the Company on 5 December 2007.

Mr. Chan holds a Bachelor of Arts Degree in Accountancy from City University of Hong Kong and a master degree in Corporate Finance from The Hong Kong Polytechnic University. He is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Chan has 14 years of experience in accounting and financial management and had worked for an international accounting firm in Hong Kong for over 8 years. He is an executive director of Fantasia Holdings Group Co., Limited and a non-executive director of Greater China Holdings Limited ("Greater China"), both being companies whose shares are listed on the Main Board of the Stock Exchange. During the period from 18 July 2005 to 12 October 2008, Mr. Chan was the executive director of Greater China. Mr. Chan is also an independent non-executive director of China AU Group Holdings Limited and Era Holdings Global Limited, both being companies whose shares are listed on the Growth Enterprise Market of the Stock Exchange.

CHU Kang Nam

Mr. Chu Kang Nam ("Mr. Chu"), aged 53, was appointed as an independent non-executive director of the Company on 16 May 2007.

Mr. Chu graduated from Xiamen University with a Bachelor of Arts degree, and thereafter, has lectured at the Xiamen University. Mr. Chu has worked in government departments of the Fujian province of the PRC for the period from June 1984 to November 1989, responsible for research and management positions in economics and foreign trade areas. Mr. Chu has also assumed senior management positions at various trading and retail companies since December 1989. In September 1995, he was employed as a research analyst at the Fujian Provincial Government Development Research Centre. Mr. Chu has over 20 years of management and operation experience in the areas of economics and trading. Mr. Chu is an independent director of Gushan Environmental Energy Limited, a company whose shares are listed on the New York Stock Exchange.

GOH Choo Hwee

Mr. Goh Choo Hwee ("Mr. Goh"), aged 38, was appointed as an independent non-executive director of the Company on 5 December 2007.

Mr. Goh graduated from the University of Hong Kong with Postgraduate Certificate in Laws in 1995. Mr. Goh has become a member of the Law Society of Hong Kong and has been a practicing solicitor in Hong Kong since 1997 and is currently a partner at Tsun & Partners, Solicitors, a corporate and commercial law firm in Hong Kong. Mr. Goh has 10 years of experience in PRC-related, corporate and securities practice. Mr. Goh is also a council member of the China Electronic Commerce Association which is dedicated to developing information technology and electronic commerce. During the period from August 2005 to April 2007, Mr. Goh was the company secretary of Zhong Hua International Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(CONTINUED)*

LIN Xiang Min

Mr. Lin Xiang Min ("Mr. Lin"), aged 62, was appointed as an independent non-executive director of the Company on 31 January 2008.

Mr. Lin is a specialist in production safety of mining industry (礦業安全生產). He graduated from Shandong University of Science and Technology with a major in Mining Engineering (山東科技大學) in 1975. Mr. Lin was a professor of the College of Environment and Resources (環境與資源學院) of Fuzhou University (福州大學) for 32 years. During his time with Fuzhou University, Mr. Lin has conducted research and taught subjects mainly in the areas of mining, mine safety and ventilation, industrial fire and explosion prevention, etc. Mr. Lin is currently a specialist of the specialist team in coal mine safety (煤礦安全生產專家組) of Fujian Province. Mr. Lin was awarded the honor of "中華百名管理創新傑出人物" in 2006.

SENIOR MANAGEMENT

YIN Guangyuan

Mr. Yin Guangyuan ("Mr. Yin"), aged 46, is a managing director of Harbin Songjiang, a subsidiary of the Company. He graduated from Heilongjiang People's Police School (黑龍江省人民警察學校) in 1982 and graduated from Chinese People's Public Security University (中國公安大學) with a major in Law in 1986. Mr. Yin was appointed as the chairman (處長) of Songjiang Copper Group in 2001, the deputy general manager of Harbin Songjiang in 2005, the general manager in 2007 and has been working at the present position since 2008. Mr. Yin is currently responsible for the overall administration and operation management of Harbin Songjiang Group.

QIAO Hongbo

Qiao Hongbo ("Mr. Qiao"), aged 45, is a deputy general manager and director of Harbin Songjiang, a subsidiary of the Company. Mr. Qiao graduated from Inner Mongolia University of Science and Technology with a major in Mining in 1987 and is a senior mining engineer. Mr. Qiao joined Songjiang Copper Mine in 1987 and was appointed as the deputy mine manager of Acheng Xiaoling Iron & Zinc Mine in 1996, the principal of the production division and the deputy general manager assistant of Songjiang Copper Group and the deputy investigation manager of Songjiang Molybdenum Company (松江鉬業公司) in 1998, and has been working at the present position since 2000. Mr. Qiao has 20 years of working experience in mining sites and is an expert in project management and mining project techniques, possessing extensive experience in geology mining, mining sites' management and construction. He is proficient in project management procedures and skill innovation, and was awarded with Heilongjiang Technology Advancement Third Tier Award in Metallurgy System (黑龍江冶金系統科技進步三等獎). Mr. Qiao is currently responsible for the project management and technical supervision of Harbin Songjiang Group.

QU Yanchun

Qu Yanchun ("Mr. Qu"), aged 38, is a deputy general manager and director of Harbin Songjiang, a subsidiary of the Company. Mr. Qu graduated from the Department of Economics and Trading of Heilongjiang Institute of Science in 1994, and is a Chinese Certified Public Accountant and Certified Public Valuer. Mr. Qu was appointed as the officer of the financial division of Songjiang Copper Group in 1996, the director of financial division of Songjiang Copper Group in 1999, the assistant to general manager and director of financial division of Harbin Songjiang in 2004, has been working at the present position since 2007 and was appointed as the director of Harbin Songjiang in 2008. Mr. Qu has 14 years of experience in financial management and is currently responsible for the financial management of Harbin Songjiang Group.

SENIOR MANAGEMENT *(CONTINUED)*

LEUNG Lai Ming

Ms. Leung Lai Ming ("Ms. Leung"), aged 33, is the company secretary and the accounting manager of the Company.

Ms. Leung graduated from The Hong Kong Polytechnic University with a bachelor degree in Accountancy. Ms. Leung is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries. Ms. Leung has 11 years of experience in handling accounting matters. Ms. Leung joined the Company in July 2007.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has a policy of seeking to comply with established best practice in corporate governance. The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of its shareholders. For the year ended 31 December 2009, the Company has applied the principles of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Code") and complied with all the applicable code provisions of the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has 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 2009, and they all confirmed that they had fully complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

Composition

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

Executive Directors:

Cai Yuan, *Chairman*	(retired on 5 June 2009)
You Xian Sheng, *Chairman*	(re-designated from Deputy Chairman to Chairman on 5 June 2009, resigned as Chief Executive Officer on 5 June 2009)
Chen Shou Wu, *Deputy Chairman, Chief Executive Officer and Chief Investment Officer*	(appointed as Deputy Chairman and Chief Executive Officer on 5 June 2009)
Wang Hui	
Yeung Kwok Kuen, *Chief Financial Officer*	

Non-executive Director:

Lam Ming Yung

Independent Non-executive Directors:

Chan Sze Hon
Chu Kang Nam
Goh Choo Hwee
Lin Xiang Min

BOARD OF DIRECTORS *(CONTINUED)*

There is no relationship between members of the Board.

During the year ended 31 December 2009, the Board had at all times at least three independent non-executive directors of the Company and at least one independent non-executive director of the Company 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. In order to better understand the respective accountabilities and contributions of the Board and management, the Company has adopted written terms of reference specifying a schedule of matters which should be reserved to the Board and which should be delegated to management.

During the year, a total of sixteen full Board meetings were held and the attendance records are as follows:

Name of Director	Number of Board Meetings Attended	Attendance Rate
Cai Yuan	10/10	100%
You Xian Sheng	16/16	100%
Chen Shou Wu	16/16	100%
Wang Hui	16/16	100%
Yeung Kwok Kuen	16/16	100%
Lam Ming Yung	16/16	100%
Chan Sze Hon	16/16	100%
Chu Kang Nam	16/16	100%
Goh Choo Hwee	11/16	69%
Lin Xiang Min	16/16	100%

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Cai Yuan was appointed as the Chairman of the Company on 28 November 2005 and resigned on 5 June 2009. Dr. You Xian Sheng was appointed as the Chief Executive Officer of the Company on 31 January 2008 and re-designated as the Chairman of the Company on 5 June 2009. Mr. Chen Shou Wu was appointed as the Chief Executive Officer of the Company on 5 June 2009.

The roles of Chairman and Chief Executive Officer are clearly defined by written terms of reference adopted by the Company in order to ensure a balance of power and authority, so that power is not concentrated in any one individual. The Chairman and the Chief Executive Officer of the Company are independent and not connected with each other except for being officers of the same company.

NON-EXECUTIVE DIRECTORS

All the independent non-executive directors of the Company and non-executive directors of the Company were appointed for an initial term of one year. All directors of the Company appointed during the year are subject to re-election by shareholders at the next annual general meeting after their appointment 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.

REMUNERATION OF DIRECTORS

The Company established the Remuneration Committee in 2005. The current members of the Remuneration Committee are:

Chan Sze Hon, *Independent Non-executive Director, Chairman of the Remuneration Committee*
Chu Kang Nam, *Independent Non-executive Director*
Goh Choo Hwee, *Independent Non-executive Director*
Yeung Kwok Kuen, *Executive Director*

The Remuneration Committee has adopted terms of reference which are in line with the Code. A copy of the terms of reference is posted on the Company's website.

The Remuneration Committee is primarily responsible for the following duties:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

2. to consult the chairman of the Board and/or the chief executive officer about their proposals relating to the remuneration of other executive directors and senior management of the Company;

3. to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management of the Company, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors of the Company;

4. to review and approve performance-based remuneration with reference to corporate goals and objectives resolved by the Board from time to time;

5. to review and approve the compensation payable to executive directors and senior management of the Company in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

6. to review and approve compensation arrangements relating to dismissal or removal of directors of the Company for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

7. to ensure that no director of the Company or any of his associates is involved in deciding his own remuneration; and

8. to deal with any other matters delegated by the Board.

REMUNERATION OF DIRECTORS *(CONTINUED)*

The Remuneration Committee met three times during the year to review the remuneration policy and remuneration packages of the executive directors and members of the senior management of the Company and share options granted during the year.

Individual attendance of each member of the Committee is set out below:

Name of Member	Number of Remuneration Committee Meetings Attended	Attendance Rate
Chan Sze Hon	3/3	100%
Chu Kang Nam	3/3	100%
Goh Choo Hwee	3/3	100%
Yeung Kwok Kuen	3/3	100%

Details of the remuneration of the directors of the Company for the year ended 31 December 2009 are set out in note 12 to the consolidated financial statements.

NOMINATION OF DIRECTORS

Directors were nominated by members of the Board during the year to fill casual vacancies or as an addition to the existing Board. The nominations were submitted to the Board for decision with reference to criteria which include the candidates' experience, qualifications, professional knowledge, personal ethics and integrity. During the year, none of Board meetings was held for approving the nomination and appointment of directors of the Company. Each director of the Company appointed during the year is subject to re-election by shareholders of the Company at the next annual general meeting of the Company after his appointment and every director of the Company (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.

No director of the Company is involved in fixing his own terms of appointment and nominations and no independent non-executive director of the Company is involved in assessing his own independence.

AUDITORS' REMUNERATION

For the year ended 31 December 2009, the Group engaged Deloitte Touche Tohmatsu ("DTT"), auditors of the Company and CCIF CPA Limited ("CCIF") to perform audit service and non-audit services. The fees were as follows:

Nature of services	Name of auditors	Amount *HK$'000*
Audit services in relation to annual result	DTT	2,100
Review of interim results	DTT	918
Services in relation to very substantial acquisition and major transactions	DTT	209
Services in relation to very substantial acquisition and major transactions	CCIF	1,150
Others	DTT	176
		4,553

AUDIT COMMITTEE

The Company established the Audit Committee in 1998. The current members of the Audit Committee are:

Chan Sze Hon, *Independent Non-executive Director of the Company, Chairman of the Audit Committee*
Chu Kang Nam, *Independent Non-executive Director of the Company*
Goh Choo Hwee, *Independent Non-executive Director of the Company*

The Audit Committee has adopted terms of reference which are in line with the Code. A copy of the terms of reference is posted on the Company's website.

The Audit Committee is primarily responsible for the following duties:

1. to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

2. to review and monitor the external auditor's independence and objectively and the effectiveness of the audit process in accordance with applicable standard, to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination where more than one audit firm is involved;

3. to develop and implement policy on the engagement of an external auditor to supply non-audit services;

4. to review the interim and annual financial statements of the Company before submission to the Board;

5. to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management of the Company where necessary);

6. to review the Company's financial control, internal control and risk management systems;

7. to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;

8. to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

9. where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

10. to review the group's financial and accounting policies and practices;

11. to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

12. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

13. to report to the Board on the matters set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited "Code on Corporate Governance Practices";

AUDIT COMMITTEE *(CONTINUED)*

14. to consider major findings of internal investigations and management's response; and

15. to consider other topics, as defined by the Board or handle the job assigned by the Board.

The Audit Committee reviewed the external auditor's plan for the audit of the Group's accounts, the internal control procedures and the financial reporting systems of the Group during the year. The Audit Committee also made recommendations with respect to the appointment and reappointment of the auditors of the Company. The Audit Committee met four times during the year to review, discuss the Group's annual and interim financial statements of the Company before the same were presented to the Board for approval. Individual attendance of each member of the Committee is set out below:

Name of Member	Number of Audit Committee Meetings Attended	Attendance Rate
Chan Sze Hon	4/4	100%
Chu Kang Nam	4/4	100%
Goh Choo Hwee	4/4	100%

The financial statements for the year ended 31 December 2009 have been reviewed by the Audit Committee.

INTERNAL CONTROLS

The Board should maintain a sound and effective internal control system to safeguard the shareholders' investment and the Group's assets. The directors of the Company have reviewed the effectiveness of the internal control system of the Group for the year ended 31 December 2009, which covered financial, operational and compliance controls and risk management functions of the Group.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors of the Company acknowledge that it is their responsibility to prepare the accounts for each financial period 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.

On behalf of the Board
China Mining Resources Group Limited

You Xian Sheng
Chairman

Hong Kong, 15 April 2010

DIRECTORS' REPORT

The directors of the Company submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 46 to the consolidated financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (the "Group") during the financial year are set out in note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2009 and the Group's affairs as at that date are set out in the consolidated financial statements on pages 33 to 107.

The directors of the Company do not recommend the payment of a dividend in respect of the year ended 31 December 2009.

RESERVES

Movement in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 36 to 37 of this annual report.

DONATION

Donations made for charitable purposes by the Group during the year amounted to HK$6,015,000.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 33 to the consolidated financial statements.

CONTRIBUTED SURPLUS

The Group's contributed surplus represents the special reserve arising upon the reorganisation of the Group in March 1997.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

Movement in the contributed surplus of the Group during the year is set out in the consolidated statement of changes in equity on pages 36 to 37 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group for the year ended 31 December 2009 are set out in note 14 to the consolidated financial statements.

DIRECTORS

The directors of the Company who were in office during the financial year and up to the date of this report were:

Executive Directors

Cai Yuan (retired on 5 June 2009)
(Chairman)
You Xian Sheng
(Chairman)
Chen Shou Wu
(Deputy Chairman, Chief Executive Officer and Chief Investment Officer)
Wang Hui
Yeung Kwok Kuen
(Chief Financial Officer)

Non-executive Director

Lam Ming Yung

Independent Non-executive Directors

Chan Sze Hon
Chu Kang Nam
Goh Choo Hwee
Lin Xiang Min

Pursuant to Bye-law 87(1) of the Bye-laws of the Company, at each annual general meeting one-third of the directors of the Company for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. Accordingly, Dr. You Xian Sheng, Mr. Goh Choo Hwee and Mr. Lin Xiang Min will retire by rotation at the forthcoming annual general meeting of the Company. Each of Dr. You Xian Sheng, Mr. Goh Choo Hwee and Mr. Lin Xiang Min being eligible, have offered themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the directors of the Company has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2009, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares of equity derivatives and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were recorded in the register required to be kept under Section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company were as follows:

Interests in underlying shares of the Company — share options

Name	Number of share options	% of total issued shares of the Company
Directors		
You Xian Sheng	60,000,000	0.98%
Chen Shou Wu	60,000,000	0.98%
Wang Hui	40,000,000	0.65%
Yeung Kwok Kuen	60,000,000	0.98%
Lam Ming Yung	5,000,000	0.08%
Chan Sze Hon	5,000,000	0.08%
Chu Kang Nam	5,000,000	0.08%
Goh Choo Hwee	5,000,000	0.08%
Lin Xiang Min	5,000,000	0.08%
Chief executives		
Yin Guanguan	40,000,000	0.65%
Qiao Hongbo	12,000,000	0.20%
Qu Yanchun	12,000,000	0.20%

Save as disclosed above, as at 31 December 2009, none of the directors of the Company, chief executives or their respective associates had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 31 December 2009, persons (other than directors or chief executives of the Company as disclosed herein) who had interests or short positions in the shares or underlying shares of equity derivatives of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in shares in the capital of the Company

Name of Shareholders	Capacity	Personal interests	Corporate interests	Total number of shares in the capital of the Company	Approximate % of total issued shares of the Company
Yeh Tung Ming	Interest in controlled corporation	—	398,686,000 *(Note 1)*	398,686,000	6.50%
Ho Ho Wai	Interest in controlled corporation	—	660,377,358 *(Note 2)*	660,377,358	10.77%

Notes:

1. These shares are held by Fit Plus Limited which is 100% beneficially owned by Mr. Yeh Tung Ming.

2. Master Long Limited is a company wholly and beneficially owned by Mr. Ho Ho Wai. Pursuant to an agreement entered into between the Company, Master Long Limited and certain other parties in relation to the acquisition of 80% interests of King Gold Investments Limited, the Company would issue Shares equivalent to an amount of HK$140,000,000 (subject to adjustment) at an issue price of HK$0.212 per Share (namely, 660,377,358 Shares) to Master Long Limited as part of consideration for the acquisition.

SHARE OPTION SCHEMES

Pursuant to ordinary resolutions of the shareholders of the Company passed on 11 March 1997, the Company adopted a share option scheme (the "Old Share Option Scheme"). The Old Share Option Scheme was terminated on 26 June 2002 such that no further options shall be granted under the Old Share Option Scheme but the options granted shall continue to be valid and exercisable in accordance with their terms of issue and, in all other respects, its provisions shall remain in full force and effect. Pursuant to ordinary resolutions of the shareholders of the Company passed on 26 June 2002, the Company adopted another share option scheme (the "New Share Option Scheme").

SHARE OPTION SCHEMES *(CONTINUED)*

Particulars of New Share Option Scheme are set out in note 42 to the consolidated financial statements.

Summary of main terms of New Share Option Scheme are as follows:

1. The purpose of the New Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contributions to the Group.

2. The participants of the New Share Option Scheme are: (i) any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or advisers of or contractor to the Group or an entity in which any member of the Group holds any interest from time to time ("Invested Entity"); (ii) any discretionary trust who discretionary objects include any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any Invested Entity; and (iii) the option may be granted to any corporation wholly-owned by any person mentioned in (i).

3. As at 15 April 2010, the total number of ordinary shares of HK$0.10 in the capital of the Company ("Shares") available for issue under the New Share Option Scheme was 613,078,485 (including 419,000,000 Shares that have been granted but not yet lapsed or exercised or cancelled) representing approximately 10.0% of the issued share capital of the Company.

4. Unless otherwise approved by shareholders of the Company in general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme to each participant in any 12-month period must not exceed 1% (except for substantial shareholders, as defined in the Listing Rules, or independent non-executive director of the Company, or any of their respective associates, as defined in the Listing Rules, must not exceed 0.1%) of the issued share capital of the Company from time to time.

5. An option shall be exercised in whole or in part in accordance with the terms of the New Share Option Scheme at any time during a period to be notified by the Board to each grantee, provided that no option shall be exercisable later than 10 years after its date of grant.

6. An option shall be accepted by a participant together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof within 30 days from the date of the offer of grant of the option.

7. The subscription price for Shares under the New Share Option Scheme, subject to any adjustment stipulated therein, shall be a price determined by the Board, but shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations on the date of grant which must be a business day, (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant and (iii) the nominal value of a Share.

8. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on 26 June 2002.

SHARE OPTION SCHEMES *(CONTINUED)*

Details of movements in the share options held by directors, chief executives, employees and other parties of the Company under the New Share Option Scheme for the year ended 31 December 2009 are as follows:

Name	Date granted	Period during which options are exercisable	No. of options outstanding at the beginning of the year	No. of options granted during the year	No. of options cancelled during the year	No. of shares acquired on exercise of options during the year	No. of options outstanding at the year end	Exercise price per share	* Market value per share at date of grant of options	* Market value per share on exercise of options
Share option granted in 2008										
Directors										
You Xian Sheng	14 October 2008	*(Note 1)*	40,000,000	–	–	–	40,000,000	HK$0.275	HK$0.275	–
Chen Shou Wu	14 October 2008	*(Note 1)*	35,000,000	–	–	–	35,000,000	HK$0.275	HK$0.275	–
Wang Hui	14 October 2008	*(Note 1)*	35,000,000	–	–	–	35,000,000	HK$0.275	HK$0.275	–
Yeung Kwok Kuen	14 October 2008	*(Note 1)*	35,000,000	–	–	–	35,000,000	HK$0.275	HK$0.275	–
Lam Ming Yung	14 October 2008	*(Note 1)*	3,000,000	–	–	–	3,000,000	HK$0.275	HK$0.275	–
Chan Sze Hon	14 October 2008	*(Note 1)*	3,000,000	–	–	–	3,000,000	HK$0.275	HK$0.275	–
Chu Kang Nam	14 October 2008	*(Note 1)*	3,000,000	–	–	–	3,000,000	HK$0.275	HK$0.275	–
Goh Choo Hwee	14 October 2008	*(Note 1)*	3,000,000	–	–	–	3,000,000	HK$0.275	HK$0.275	–
Lin Xiang Min	14 October 2008	*(Note 1)*	3,000,000	–	–	–	3,000,000	HK$0.275	HK$0.275	–
			160,000,000				160,000,000			
Chief executives										
Yin Guangyuan	14 October 2008	*(Note 1)*	35,000,000	–	–	–	35,000,000	HK$0.275	HK$0.275	–
Qiao Hongbo	14 October 2008	*(Note 1)*	10,000,000	–	–	–	10,000,000	HK$0.275	HK$0.275	–
Qu Yanchun	14 October 2008	*(Note 1)*	10,000,000	–	–	–	10,000,000	HK$0.275	HK$0.275	–
			55,000,000				55,000,000			
Employee	14 October 2008	*(Note 1)*	26,600,000	–	–	–	26,600,000	HK$0.275	HK$0.275	–
Others *(Note 3)*	14 October 2008	*(Note 1)*	63,000,000	–	(13,000,000)	–	50,000,000	HK$0.275	HK$0.275	–
			304,600,000	–	(13,000,000)	–	291,600,000			

SHARE OPTION SCHEMES *(CONTINUED)*

Name	Date granted	Period during which options are exercisable	No. of options outstanding at the beginning of the year	No. of options granted during the year	No. of options cancelled during the year	No. of shares acquired on exercise of options during the year	No. of options outstanding at the year end	Exercise price per share	* Market value per share at date of grant of options	* Market value per share on exercise of options
Share option granted in 2009										
Directors										
You Xian Sheng	18 September 2009	*(Note 2)*	–	20,000,000	–	–	20,000,000	HK$0.358	HK$0.358	–
Chen Shou Wu	18 September 2009	*(Note 2)*	–	25,000,000	–	–	25,000,000	HK$0.358	HK$0.358	–
Wang Hui	18 September 2009	*(Note 2)*	–	5,000,000	–	–	5,000,000	HK$0.358	HK$0.358	–
Yeung Kwok Kuen	18 September 2009	*(Note 2)*	–	25,000,000	–	–	25,000,000	HK$0.358	HK$0.358	–
Lam Ming Yung	18 September 2009	*(Note 2)*	–	2,000,000	–	–	2,000,000	HK$0.358	HK$0.358	–
Chan Sze Hon	18 September 2009	*(Note 2)*	–	2,000,000	–	–	2,000,000	HK$0.358	HK$0.358	–
Chu Kang Nam	18 September 2009	*(Note 2)*	–	2,000,000	–	–	2,000,000	HK$0.358	HK$0.358	–
Goh Choo Hwee	18 September 2009	*(Note 2)*	–	2,000,000	–	–	2,000,000	HK$0.358	HK$0.358	–
Lin Xiang Min	18 September 2009	*(Note 2)*	–	2,000,000	–	–	2,000,000	HK$0.358	HK$0.358	–
			–				85,000,000			
Chief executives										
Yin Guangyuan	18 September 2009	*(Note 2)*	–	5,000,000	–	–	5,000,000	HK$0.358	HK$0.358	–
Qiao Hongbo	18 September 2009	*(Note 2)*	–	2,000,000	–	–	2,000,000	HK$0.358	HK$0.358	–
Qu Yanchun	18 September 2009	*(Note 2)*	–	2,000,000	–	–	2,000,000	HK$0.358	HK$0.358	–
			–				9,000,000			
Employee	18 September 2009	*(Note 2)*	–	33,400,000	–	–	33,400,000	HK$0.358	HK$0.358	–
			–	127,400,000	–	–	127,400,000			

The options granted to the directors and the chief executives of the Company are registered under the names of the directors and the chief executives of the Company who are also the beneficial owners.

* Being the weighted average closing price of the Company's ordinary shares immediately before the dates on which the options were granted or exercised, as applicable.

Notes:

1. Exercisable from 14 October 2008 to 13 October 2013.

2. Exercisable from 18 September 2009 to 17 September 2014.

3. (i) 3,000,000 share options was granted to Mr. Cai Yuan on 14 October 2008. Mr. Cai Yuan retired as a director of the Company on 5 June 2009 and the share options was cancelled on 5 June 2009.

   (ii) 10,000,000 share options was granted to Mr. Su Qingyu on 14 October 2008. Mr. Su Qingyu resigned from all positions of the Group on 28 February 2009 and the share options was cancelled on 6 April 2009.

   (iii) 50,000,000 share options were granted to a chief adviser of the Company and a consulting company.

   (iv) According to the New Share Option Scheme, share options granted to a director of the Company do not lapse upon their resignation.

SHARE OPTION SCHEMES *(CONTINUED)*

Information on the accounting policy for share options granted and the weighted average value per option is provided in note 3 to the consolidated financial statements respectively.

Apart from the foregoing, at no time during the year was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities during the year ended 31 December 2009. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the year.

CONNECTED TRANSACTION

On 26 April 2007, a master supply agreement was entered into between Harbin Songjiang and its subsidiaries ("Harbin Songjiang Group") and Chi Feng Jin Jian Copper Company Limited（赤峰金劍銅業有限公司）("the Corporate Vendor"), a company incorporated in the PRC with limited liability, holding 40% equity interests in a subsidiary of Harbin Songjiang, Chifeng Songjiang Jinjian Mining Limited（赤峰松江金劍礦業有限責任公司）("the Master Supply Agreement"). The key terms of the Master Supply Agreement are (i) Harbin Songjiang Group has agreed to supply copper concentrates to the Corporate Vendor commencing from the formal date of completion of the acquisition of Harbin Songjiang Group by the Group (the "date of Completion") to 31 December 2009; (ii) the purchase price will be determined between the Corporate Vendor and Harbin Songjiang Group with reference to the market value of copper, gold and silver contents in the copper concentrates, grades of metals and parameters reflecting the treatment and refining charges incurred to produce copper anodes from copper concentrates; (iii) the purchase price will be paid by the Corporate Vendor within 10 days after the end of each month in arrears; and (iv) the supply of copper concentrates (VAT inclusive) for the period from the date of Completion to 31 December 2007 and for the two years ending 31 December 2009 should not exceed RMB139,151,000, RMB243,368,000 and RMB243,368,000 respectively ("aggregate annual caps"). The Master Supply Agreement is non-exclusive on the part of Harbin Songjiang Group and the Corporate Vendor. The Master Supply Agreement was approved by the independent shareholders of the Company in the shareholders' meeting of the Company held on 8 June 2007.

The Corporate Vendor was no longer being the related party of the Company and the Group since 1 July 2008. The supply of copper concentrates (VAT inclusive) for the period from 1 January 2008 to 30 June 2008 was RMB36,286,000. Details of the transactions are set out in note 45 to the financial statements.

Save as aforesaid, there was no discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules during the year ended 31 December 2009.

Save as aforesaid, none of the "Material related party transactions" as disclosed in note 45 to the financial statements for the year ended 31 December 2009 constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

To the extent of the above "Material related party transactions" constituted connected transaction as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	16%	
Five largest customers in aggregate	54%	
The largest supplier		10%
Five largest suppliers in aggregate		34%

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

COMPETING INTEREST

None of the directors of the Company or their respective associates had any interest in a business which competes with or may compete with the business of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda requiring the Company to offer new shares to the existing shareholders of the Company in proportion to their respective shareholdings if new shares of the Company are issued.

SUFFICIENCY OF PUBLIC FLOAT

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

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2009 are set out in notes 28 and 29 to the consolidated financial statements.

FIVE YEARS SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 108 of this annual report.

RETIREMENT SCHEMES

Details of the retirement benefit schemes operated by the Group are set out in note 41 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors of the Company an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors of the Company to be independent.

POST BALANCE SHEET EVENTS

No significant events occuring after the balance sheet date.

AUDITORS

Deloitte Touche Tohmatsu ("DTT") acted as auditors of the Company for the financial year ended 31 December 2008 and 2009. The consolidated financial statements for the year ended 31 December 2009 have been audited by DTT. DTT were appointed as auditors of the Company on 8 April 2009 for the financial year ended 31 December 2008 upon the retirement of KPMG, who have acted as auditors of the Company for the preceding two financial years.

DTT will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for the re-appointment of DTT as auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By order of the Board
China Mining Resources Group Limited

You Xian Sheng
Chairman

Hong Kong, 15 April 2010

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
CHINA MINING RESOURCES GROUP LIMITED
中國礦業資源集團有限公司
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Mining Resources Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 107, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Companies Act of Bermuda, 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 as to 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 and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

15 April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 HK$'000	2008 HK$'000
Continuing operations			
Revenue	5	**250,103**	493,767
Cost of sales		**(129,472)**	(446,688)
Gross profit		**120,631**	47,079
Other income	6	**25,823**	67,186
Other gains and losses	7	**274,008**	(108,480)
Selling and distribution expenses		**(16,101)**	(8,051)
Administrative expenses		**(191,312)**	(223,010)
Finance costs	8	**(18,849)**	(24,306)
Share of results of jointly controlled entities		**—**	(476)
Impairment losses on exploration and evaluation assets and other intangible assets	16 & 17	**(452,766)**	(4,420,555)
Impairment losses on property, plant and equipment and prepaid lease payments	14 & 15	**(149,463)**	(706,025)
Loss before tax		**(408,029)**	(5,376,638)
Income tax credit	9	**10,195**	628,661
Loss for the year from continuing operations		**(397,834)**	(4,747,977)
Discontinued operation	10		
Profit for the year from discontinued operation		**—**	1,880
Loss for the year	11	**(397,834)**	(4,746,097)
Other comprehensive income (expense)			
Exchange difference arising on translation		**1,269**	359,933
Gain on fair value change of available-for-sale investments		**93,965**	594
Reclassification adjustment upon disposal of available-for-sale investments		**(71,500)**	—
Other comprehensive income for the year (net of tax)		**23,734**	360,527
Total comprehensive expense for the year		**(374,100)**	(4,385,570)
Loss for the year attributable to:			
Owners of the Company		**(318,355)**	(3,174,608)
Minority interests		**(79,479)**	(1,571,489)
		(397,834)	(4,746,097)
Total comprehensive expense attributable to:			
Owners of the Company		**(294,715)**	(2,908,157)
Minority interests		**(79,385)**	(1,477,413)
		(374,100)	(4,385,570)
Loss per share	13		
From continuing and discontinued operation			
Basic and diluted		**(5.2) cents**	(52.7) cents
From continuing operations			
Basic and diluted		**(5.2) cents**	(52.7) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	14	**121,192**	218,441
Prepaid lease payments	15	**37,447**	71,951
Exploration and evaluation assets	16	**—**	11,229
Goodwill	34	**511,381**	—
Other intangible assets	17	**182,374**	546,777
Interests in jointly controlled entities	19	**—**	—
Available-for-sale investments	20	**214,199**	72,121
Deposit for acquisition of subsidiaries	21	**—**	100,000
Other receivables		**—**	968
		1,066,593	1,021,487
Current assets			
Inventories	22	**256,185**	209,050
Trade and other receivables	23	**105,531**	126,644
Prepaid lease payments	15	**3,167**	2,120
Held-for-trading investments	20	**6,746**	590
Bank balances and cash	24	**531,223**	1,000,408
		902,852	1,338,812
Current liabilities			
Trade and other payables	25	**221,880**	358,895
Amounts due to jointly controlled entities	26	**—**	758
Amounts due to minority shareholders	26	**150,500**	150,636
Tax payable		**62,277**	100,536
Bank borrowings	28	**51,192**	136,428
Other borrowings	29	**1,137**	1,137
Provisions	30	**56,302**	20,363
		543,288	768,753
Net current assets		**359,564**	570,059
Total assets less current liabilities		**1,426,157**	1,591,546

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000*
Non-current liabilities			
Deferred income	*27*	**32,435**	46,644
Bank borrowings	*28*	**68,256**	34,107
Other borrowings	*29*	**4,880**	4,877
Provisions	*30*	**67,747**	120,604
Deferred tax liabilities	*31*	**25,070**	42,077
Other long term payables	*32*	**95,664**	85,642
		294,052	333,951
		1,132,105	1,257,595
Capital and reserves			
Share capital	*33*	**613,078**	602,665
Share premium and reserves		**434,199**	529,615
Equity attributable to owners of the Company		**1,047,277**	1,132,280
Minority interests		**84,828**	125,315
		1,132,105	1,257,595

The consolidated financial statements on pages 33 to 107 were approved and authorised for issue by the Board of Directors on 15 April 2010 and are signed on its behalf by:

Chen Shou Wu
Director

Yeung Kwok Kuen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Statutory surplus reserve HK$'000 *(Note b)*	Capital reserve HK$'000 *(Note c)*	Share options reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Issuable shares HK$'000 *(Note 34)*	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008	602,665	3,080,571	152,150	26,372	–	142,976	–	161,233	–	(173,075)	3,992,892	1,660,142	5,653,034
Loss for the year	–	–	–	–	–	–	–	–	–	(3,174,608)	(3,174,608)	(1,571,489)	(4,746,097)
Exchange difference arising on translation	–	–	–	–	–	–	–	265,857	–	–	265,857	94,076	359,933
Gain on fair value change of available-for-sale investments	–	–	–	–	–	–	594	–	–	–	594	–	594
Other comprehensive income for the year	–	–	–	–	–	–	594	265,857	–	–	266,451	94,076	360,527
Total comprehensive income (expense) for the year	–	–	–	–	–	–	594	265,857	–	(3,174,608)	(2,908,157)	(1,477,413)	(4,385,570)
Recognition of equity-settled share-based payments	–	–	–	–	–	47,545	–	–	–	–	47,545	–	47,545
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(1,132)	(1,132)
Cancellation of share options	–	–	–	–	–	(155,661)	–	–	–	155,661	–	–	–
Dividend to minority interests	–	–	–	–	–	–	–	–	–	–	–	(56,282)	(56,282)
Reduction of share premium and contributed surplus *(Note a)*	–	(219,091)	(152,150)	–	–	–	–	–	–	371,241	–	–	–
Transfer	–	–	–	69,109	18,121	–	–	–	–	(87,230)	–	–	–
Subtotal	–	(219,091)	(152,150)	69,109	18,121	(108,116)	–	–	–	439,672	47,545	(57,414)	(9,869)
At 31 December 2008 and 1 January 2009	602,665	2,861,480	–	95,481	18,121	34,860	594	427,090	–	(2,908,011)	1,132,280	125,315	1,257,595
Loss for the year	–	–	–	–	–	–	–	–	–	(318,355)	(318,355)	(79,479)	(397,834)
Exchange difference arising on translation	–	–	–	–	–	–	–	1,175	–	–	1,175	94	1,269
Gain on fair value change of available-for-sale investments	–	–	–	–	–	–	93,965	–	–	–	93,965	–	93,965
Reclassification adjustment upon disposal of available-for-sale investments	–	–	–	–	–	–	(71,500)	–	–	–	(71,500)	–	(71,500)
Other comprehensive income for the year	–	–	–	–	–	–	22,465	1,175	–	–	23,640	94	23,734
Total comprehensive income (expense) for the year	–	–	–	–	–	–	22,465	1,175	–	(318,355)	(294,715)	(79,385)	(374,100)
Shares issued	10,413	16,631	–	–	–	–	–	–	–	–	27,044	–	27,044
Recognition of equity-settled share-based payments	–	–	–	–	–	25,498	–	–	–	–	25,498	–	25,498
Cancellation of share options	–	–	–	–	–	(1,488)	–	–	–	1,488	–	–	–
Acquisition of subsidiaries *(Note 34)*	–	–	–	–	–	–	–	–	157,170	–	157,170	38,898	196,068
Transfer	–	–	–	6,004	1,786	–	–	–	–	(7,790)	–	–	–
Subtotal	10,413	16,631	–	6,004	1,786	24,010	–	–	157,170	(6,302)	209,712	38,898	248,610
At 31 December 2009	613,078	2,878,111	–	101,485	19,907	58,870	23,059	428,265	157,170	(3,232,668)	1,047,277	84,828	1,132,105

Notes:

(a) Pursuant to a special resolution passed at Annual General Meeting of the Company on 23 May 2008 and with the sanction of the Register of Companies of Bermuda dated 4 June 2008, share premium and contributed surplus were eliminated against an equal amount of accumulated losses of the Company effective on 23 May 2008.

(b) According to the relevant rules and regulations in the People's Republic of China ("PRC"), subsidiaries of the Group established in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these subsidiaries. Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.

(c) Pursuant to regulations <高危行業企業安全生產費用財務管理暫行辦法> in the PRC relating to the mining industry, the Group is required to transfer an amount to the capital reserve account. The amount is calculated based on the volume of ores excavated each year and at the applicable rate per tonne of ores ("Appropriation for Mining Company"). The utilisation of the amount in the capital reserve account will be used on modification and maintenance of safety equipment in accordance with the rules in the PRC Company Law and is not available for distribution to shareholders.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
	HK$'000	*HK$'000*
Operating activities		
Loss before tax	**(408,029)**	(5,374,582)
Adjustments for:		
Interest income	**(4,346)**	(21,936)
Interest expenses	**18,849**	24,306
Depreciation of property, plant and equipment	**20,031**	29,178
Amortisation of prepaid lease payments	**1,693**	6,061
Amortisation of other intangible assets	**2,978**	126,652
Government grants	**—**	(42,182)
Gain on disposal of property, plant and equipment	**(2,208)**	(1,494)
Loss on disposal of other intangible assets	**—**	14,799
Share of results of jointly controlled entities	**—**	476
Gain on disposal of subsidiaries	**(85,850)**	(898)
Gain on disposal of business	**(57,524)**	—
Gain on disposal of prepaid lease payments	**(28,378)**	—
Gain on disposal of available-for-sale investments	**(71,500)**	—
Provisions for land reclamation and cavity refill costs	**—**	140,967
Impairment losses on exploration and evaluation assets and other intangible assets	**452,766**	4,420,555
Impairment losses on property, plant and equipment and prepaid lease payments	**149,463**	706,025
Share-based payment expenses	**25,498**	47,545
(Reversal of) impairment losses on trade and other receivables	**(1,650)**	57,099
(Reversal of) allowance for inventories	**(34,764)**	29,002
Operating cash flows before movements in working capital	**(22,971)**	161,573
Decrease (increase) in inventories	**9,111**	(190,113)
Decrease in trade and other receivables	**105,668**	284,095
Increase in trade and other payables	**6,696**	108,249
Decrease (increase) in held-for-trading investments	**21,019**	(590)
Utilisation of provisions	**(16,918)**	—
Cash generated from operations	**102,605**	363,214
PRC Enterprise Income Tax paid	**(55,282)**	(189,061)
Net cash from operating activities	**47,323**	174,153

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 HK$'000	2008 HK$'000
Investing activities			
Acquisition of subsidiaries	34	**(380,898)**	—
Purchases of available-for-sale investments		**(172,625)**	(71,527)
Decrease in other long term payables		**(68,158)**	(5,168)
Purchases of prepaid lease payments		**(24,548)**	—
Purchases of property, plant and equipment		**(18,439)**	(106,475)
Purchases of exploration and evaluation assets		**(310)**	(4,919)
Purchases of other intangible assets		**(30)**	(74)
Proceeds from disposal of available-for-sale investments		**124,512**	—
Proceeds from disposal of prepaid lease payments		**43,187**	—
Proceeds from disposal of subsidiaries	35	**28,842**	(18,919)
Government grants received	27	**20,732**	12,930
Proceeds from disposal of business	36	**6,998**	—
Interest received		**4,346**	21,936
Proceeds from disposal of property, plant and equipment		**3,405**	5,900
Increase in deposit for acquisition of subsidiaries		**—**	(100,000)
Repayment from minority shareholders		**—**	1,067
Advances from jointly controlled entities		**—**	499
Net cash used in investing activities		**(432,986)**	(264,750)
Financing activities			
Repayment of bank borrowings		**(170,474)**	(134,136)
Interest paid		**(18,849)**	(17,911)
Repayment of other borrowings		**(1,701)**	—
Repayment of amounts due to jointly controlled entities		**(758)**	—
Repayment to minority shareholders		**(229)**	(12,137)
New bank borrowings raised		**108,109**	78,731
Dividend paid to minority interests		**—**	(56,282)
Repayment to a related company		**—**	(17,423)
Net cash used in financing activities		**(83,902)**	(159,158)
Net decrease in cash and cash equivalents		**(469,565)**	(249,755)
Cash and cash equivalents at 1 January		**1,000,408**	1,247,594
Effect of foreign exchange rate changes		**380**	2,569
Cash and cash equivalents at 31 December, represented by bank balances and cash		**531,223**	1,000,408

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” of the annual report.

The functional currency of the Company is Renminbi (“RMB”). The consolidated financial statements are presented in Hong Kong dollars for the convenience of the investors as its shares are listed on the Stock Exchange.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are mining, processing and sales of copper, zinc, molybdenum, and cultivating and sales of tea products. In prior year, the Group was also engaged in the provision of cord blood bank and relevant laboratory service which was discontinued in prior year (see Note 35).

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

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

Hong Kong Accounting Standard (“HKAS”) 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
Hong Kong (International Financial Reporting Interpretations Committee) (“HK (IFRIC)”) — Interpretations (“Int”) 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

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

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes, (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see Note 5) nor changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments *(Amendments to HKFRS 7 Financial Instruments: Disclosures)*

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
[3] Effective for annual periods beginning on or after 1 January 2010
[4] Effective for annual periods beginning on or after 1 February 2010
[5] Effective for annual periods beginning on or after 1 July 2010
[6] Effective for annual periods beginning on or after 1 January 2011
[7] Effective for annual periods beginning on or after 1 January 2013

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

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

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

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" ("HKAS 17") has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below.

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

Basis of consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Basis of consolidation *(CONTINUED)*

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity 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.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Acquisition of additional interest in a subsidiary

On acquisition of additional interest in a subsidiary, the excess of the cost of the acquisition over the fair values of the underlying assets and liabilities attributable to the additional interest in the subsidiary is debited to goodwill, while discount arising on the excess of the fair value of the underlying assets and liabilities attributable to the additional interest in a subsidiary over the cost of the acquisition is credited to profit or loss for the period.

The difference between the fair values and carrying values of the underlying assets and liabilities attributable to the additional interest in the subsidiary is charged directly to equity, if any.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Goodwill *(CONTINUED)*

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

Contingent consideration is recognised, if and only if, the contingent consideration is probable and could be measured reliably. Subsequent adjustments to contingent consideration are recognised against goodwill.

Interest in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

Where a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group’s interest in the jointly controlled entity.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in a jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group’s share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group’s share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entities (which includes any long-term interests that, in substance, form part of the Group’s net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Revenue recognition

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

Revenue from sale of goods is recognised when goods are delivered and title has been passed.

Processing and storage fee income are recognised when services are rendered.

Interest income from a financial asset including financial assets at fair value through profit or loss (“FVTPL”) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Prepaid lease payments

Payments for obtaining land use rights are accounted for as prepaid operating lease payments and are charged to profit or loss over the lease terms.

Leasing

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

The Group as lessee

Operating lease payment are recognised as an expense 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.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting date, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a group entity on or after 1 January 2005 are treated as assets and liabilities of that group entity and re-translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan received on or after 1 January 2009 at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan on initial recognition.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Taxation

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

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

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

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

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

Deferred tax assets and liabilities are measured, at the tax rates that are expected to apply to the period in which the asset is realised or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Intangible assets *(CONTINUED)*

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses as follows:

(i) Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment losses. The mining rights are amortised using the units of production method based on the proven and probable mineral reserves.

(ii) Exploration rights

Exploration rights are stated at cost less accumulated amortisation and impairment losses. The exploration rights are amortised on a straight line basis over the respective periods of the rights. During the exploration and evaluation period, the amortisation charge is included as part of cost of exploration and evaluation assets.

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

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 cost less any accumulated impairment losses. Exploration and evaluation assets include the amortisation and exploration rights and the expenditure incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as either intangible assets or property, plant and equipment. These assets are assessed for impairment before reclassification.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Exploration and evaluation assets *(CONTINUED)*

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 "Impairment of Assets" ("HKAS 36") whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure incurred on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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

Inventories

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

Provisions for land reclamation and cavity refill costs are based on estimates of required expenditure on the mines in accordance with rules and regulations in the PRC. The Group estimates its liabilities for land reclamation and cavity refill based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work, escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation.

Provisions for land reclamation and cavity refill costs is recognised in profit or loss in the period in which the obligation is identified.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Borrowing costs

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

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into three categories, including financial assets at FVTPL, loans and receivables and available-for-sales financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of asset within the time frame established by regulation or convention in the marketplace.

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 paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(CONTINUED)*

Financial assets *(CONTINUED)*

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-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 (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(CONTINUED)*

Financial assets *(CONTINUED)*

Impairment of financial assets *(CONTINUED)*

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

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period ranging from 90 to 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(CONTINUED)*

Financial liabilities and equity *(CONTINUED)*

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to jointly controlled entities and minority shareholders, bank borrowings, other borrowings and other long term payables are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

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

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.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Share-based payment transactions *(CONTINUED)*

Equity-settled share-based payment transactions *(CONTINUED)*

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

Estimated impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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). Where the actual future cash flows are less than expected, a material impairment loss may arise. The movement of allowance for doubtful debts for trade and other receivables during the year is set out in Note 23.

Estimated impairment of goodwill, other intangible assets, property, plant and equipment and prepaid lease payments

In impairment testing, the Group determines the recoverable amount of the CGU to which the asset belongs. Determining whether impairment needs to be provided requires an estimation of the value in use of the CGUs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation for goodwill, other intangible assets, property, plant and equipment and prepaid lease payments are disclosed in Note 18.

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 whenever events or changes in circumstances as state in Note 3 under the heading at "Exploration and evaluation assets" indicate that the carrying amount may not be recoverable. Determining whether an asset is impaired requires an estimation of the future cash flow and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Impairment loss of exploration and evaluation assets of approximately HK$11,580,000 (2008: HK$32,984,000) was recognised in profit or loss during the year.

Provisions for land reclamation and cavity refill costs

The provisions for land reclamation and cavity refill costs have been determined by the directors based on their best estimates. The directors of the Company estimated this liability for land reclamation and cavity refill based upon detailed calculations of the amount and timing of future cash flows spending for a third party to perform the required work, escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability, such that the provision reflects the present value of the costs expected to be required to settle the obligation. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change in the near term. The provision is reviewed regularly to verify that it properly reflects the present value of the obligation arising from the current and past mining activities. The movement of provisions for land reclamation and cavity refill costs during the year is set out in Note 30.

5. REVENUE AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" ("HKFRS 8") with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14, "Segment Reporting") ("HKAS 14") required an entity to identity two sets of segments (business and geographical) using a risk and return approach. However, segment information reported externally in prior years and to the Group's Chief Executive Officer, being the CODM for the purpose of resource allocation and assessment of performance was the same and analysed on the basis of the Group's operating divisions. As a result, the application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss, segment assets and segment liabilities.

5. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

An analysis of the Group's revenue for the year, for both continuing and discontinued operations is as follows:

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Sales of goods		
— tea products	**145,813**	—
— molybdenum	**63,582**	400,517
— copper and zinc	**31,477**	77,751
— rutile and others	**9,231**	15,499
	250,103	493,767
Discontinued operation		
Processing and storage of cord blood	**—**	25,037
	250,103	518,804

For management purposes, the Group is organised into four (2008: five) operating divisions — Tea products, Molybdenum, Copper and zinc, Rutile and others and Cord blood. These divisions are the basis on which the Group reports its primary segment information.

Principal activities of these divisions are as follows:

Tea products	—	production and sales of tea (a new division in 2009)
Molybdenum	—	mining, processing and sales of molybdenum
Copper and Zinc	—	mining, processing and sales of copper and zinc
Rutile and others	—	mining, processing and sales of other minerals such as rutile, silicon and iron
Cord blood	—	processing and storage of cord blood

The Group has discontinued the processing and storage of cord blood on 21 November 2008 (Note 10).

5. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2009

	Continuing operations				
	Tea products HK$'000	Molybdenum HK$'000	Copper and zinc HK$'000	Rutile and others HK$'000	Total HK$'000
REVENUE					
Segment revenue — external sales	**145,813**	**63,582**	**31,477**	**9,231**	**250,103**
RESULT					
Segment result	**89,820**	**(590,088)**	**10,493**	**(79,270)**	**(569,045)**
Unallocated income					
— Interest income on bank deposits					**4,346**
— Gain on disposal of available-for-sale investments					**71,500**
— Gain on disposal of business *(Note 36)*					**57,524**
— Gain on disposal of subsidiaries *(Note 35)*					**85,850**
— Gain on changes in fair value of held-for-trading investments					**18,738**
— Others					**38,557**
Total unallocated income					**276,515**
Sub-total					**(292,530)**
Unallocated expenses — central administrative expenses					**(96,650)**
Finance costs					**(18,849)**
Loss before tax					**(408,029)**

5. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Segment revenue and results *(CONTINUED)*

For the year ended 31 December 2008

	Continuing operations				Discontinued operation	
	Molybdenum HK$'000	Copper and zinc HK$'000	Rutile and others HK$'000	Sub-total HK$'000	Cord blood HK$'000	Total HK$'000
REVENUE						
Segment revenue — external sales	400,517	77,751	15,499	493,767	25,037	518,804
RESULT						
Segment result	(2,166,906)	(388,531)	(2,383,760)	(4,939,197)	1,158	(4,938,039)
Unallocated income						
— Interest income on bank deposits				21,634	—	21,634
— Others				5,526	—	5,526
Total unallocated income				27,160	—	27,160
Sub-total				(4,912,037)	1,158	(4,910,879)
Unallocated expenses — central administrative expenses				(439,819)	—	(439,819)
Finance costs				(24,306)	—	(24,306)
Share of results of jointly controlled entities				(476)	—	(476)
Gain on disposal of a discontinued operation				—	898	898
Loss (profit) before tax				(5,376,638)	2,056	(5,374,582)

5. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Segment revenue and results *(CONTINUED)*

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment results represent the results from each segment without allocation of central administration costs, directors' salaries, share of results of jointly controlled entities, other income (mainly includes interest income on bank deposits), gain on disposal of available-for-sales investments, gain on disposal of business, gain on disposal of subsidiaries, changes in fair value of held-for-trading investments, finance costs and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment.

As at 31 December 2009

	Continuing operations				
	Tea products *HK$'000*	Molybdenum *HK$'000*	Copper and zinc *HK$'000*	Rutile and others *HK$'000*	Total *HK$'000*
ASSETS AND LIABILITIES					
Segment assets	**865,972**	**417,283**	**15,655**	**20,488**	**1,319,398**
Unallocated assets					
— Available-for-sale investments					**214,199**
— Held-for-trading investments					**6,746**
— Bank balances and cash					**335,171**
— Others					**93,931**
Total unallocated assets					**650,047**
Consolidated total assets					**1,969,445**
Segment liabilities	**59,583**	**387,917**	**38,191**	**12,977**	**498,668**
Unallocated liabilities					
— Other payables					**100,825**
— Amounts due to minority shareholders					**150,500**
— Tax payable					**62,277**
— Deferred tax liabilities					**25,070**
Total unallocated liabilities					**338,672**
Consolidated total liabilities					**837,340**

5. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Segment assets and liabilities *(CONTINUED)*

As at 31 December 2008

	Continuing operations				Discontinued operation	
	Molybdenum *HK$'000*	Copper and zinc *HK$'000*	Rutile and others *HK$'000*	Sub-total *HK$'000*	Cord blood *HK$'000*	Total *HK$'000*
ASSETS AND LIABILITIES						
Segment assets	938,839	4,235	173,246	1,116,320	—	1,116,320
Unallocated assets						
— Deposit for acquisition of subsidiaries						100,000
— Available-for-sale investments						72,121
— Held-for-trading investments						590
— Bank balances and cash						985,051
— Others						86,217
Total unallocated assets						1,243,979
Consolidated total assets						2,360,299
Segment liabilities	538,553	48,500	136,421	723,474	—	723,474
Unallocated liabilities						
— Other payables						85,981
— Amounts due to minority shareholders						150,636
— Tax payable						100,536
— Deferred tax liabilities						42,077
Total unallocated liabilities						379,230
Consolidated total liabilities						1,102,704

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

- all assets are allocated to reportable segments other than deposit for acquisition of subsidiaries, available-for-sale investments and held-for-trading investments, certain bank balances and cash and assets that are not attributable to segments; and

- all liabilities are allocated to reportable segments other than certain other payables, amounts due to minority shareholders, tax payable and deferred tax liabilities.

5. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Other segment information

For the year ended 31 December 2009

	Continuing operations						
	Tea products HK$'000	Molybdenum HK$'000	Copper and zinc HK$'000	Rutile and others HK$'000	Sub-total HK$'000	Unallocated HK$'000	Total HK$'000
Additions to non-current assets excluding financial instruments	672,226	—	5,841	6,097	684,164	6,118	690,282
Impairment losses on exploration and evaluation assets and other intangible assets	—	441,186	—	11,580	452,766	—	452,766
Depreciation and amortisation	3,486	13,307	3,321	3,505	23,619	1,120	24,739
Impairment losses on property, plant and equipment and prepaid lease payments	—	97,222	—	52,241	149,463	—	149,463
Gain on disposal of property, plant and equipment	—	—	(2,208)	—	(2,208)	—	(2,208)
(Reversal of) impairment losses on trade and other receivables	554	—	—	—	554	(2,204)	(1,650)
Reversal of allowance for inventories	—	(28,877)	(2,351)	(3,536)	(34,764)	—	(34,764)

5. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Other segment information *(CONTINUED)*

For the year ended 31 December 2008

	Continuing operations				Discontinued operation		
	Molybdenum	Copper and zinc	Rutile and others	Sub-total	Cord blood	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions to non-current assets excluding financial instruments	26,100	1,157	48,551	75,808	2,952	33,511	112,271
Impairment losses on exploration and evaluation assets and other intangible assets	2,096,129	316,155	2,008,271	4,420,555	—	—	4,420,555
Depreciation and amortisation	114,370	26,297	14,001	154,668	1,097	6,929	162,694
Gain on disposal of property, plant and equipment	—	—	—	—	(13)	(1,481)	(1,494)
Loss on disposal of other intangible assets	—	—	14,799	14,799	—	—	14,799
Impairment loss on trade and other receivables	—	5,668	366	6,034	—	51,065	57,099
Impairment losses on property, plant and equipment and prepaid lease payments	298,649	65,575	341,801	706,025	—	—	706,025
Provision for land reclamation and cavity refill costs (included in cost of sales)	140,967	—	—	140,967	—	—	140,967
Allowance for inventories	28,879	—	123	29,002	—	—	29,002

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

For the year ended 31 December 2009

	Hong Kong	**The PRC**	**Europe**	**Japan**	**Macau**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Revenue from external customers	**—**	**159,333**	**34,845**	**183**	**55,742**	**250,103**
Non-current assets excluding financial instruments	**14,496**	**837,898**	**—**	**—**	**—**	**852,394**

5. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Geographical segments *(CONTINUED)*

For the year ended 31 December 2008

Continuing operations

	Hong Kong *HK$'000*	The PRC *HK$'000*	Europe *HK$'000*	Korea *HK$'000*	Total *HK$'000*
Revenue from external customers	—	269,805	216,655	7,307	493,767
Non-current assets excluding financial instruments	15,348	833,050	—	—	848,398

Discontinued operation

	Hong Kong *HK$'000*	The PRC *HK$'000*	Europe *HK$'000*	Korea *HK$'000*	Total *HK$'000*
Revenue from external customers	25,037	—	—	—	25,037
Non-current assets excluding financial instruments	—	—	—	—	—

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2009 ***HK$'000***	2008 *HK$'000*
Customer A[1]	**40,448**	N/A[3]
Customer B[2]	**30,054**	N/A[3]
Customer C[1]	**25,225**	N/A[3]
Customer D[2]	**N/A[3]**	97,106
Customer E[2]	**N/A[3]**	74,553
Customer F[2]	**N/A[3]**	58,770
Customer G[2]	**N/A[3]**	57,004

1 Revenue from tea products
2 Revenue from molybdenum products
3 The corresponding revenue did not contribute over 10% of the total sales of the Group

6. OTHER INCOME

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Interest income on bank deposits	**4,346**	21,634
Net gain on sales of scrap materials	**618**	869
Government grants *(Note)*	**19,637**	42,182
Others	**1,222**	2,501
	25,823	67,186
Discontinued operation		
Interest income from bank deposits	**—**	302

Note: In 2009, government grants received of approximately HK$19,637,000 (2008: Nil) had no conditions to be fulfilled and they were received by the Group from the government as a financial subsidy to the Group. The government grants are recognised directly in other income upon receipt.

In 2008, government grants of approximately HK$42,182,000 were related to acquisition of property, plant and equipment and prepaid lease payments. Details are set out in Note 27.

7. OTHER GAINS AND LOSSES

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Gain on disposal of property, plant and equipment	**2,208**	1,481
Loss on disposal of intangible assets	**—**	(14,799)
Reversal of (provision of) impairment losses on trade and other receivables	**1,650**	(57,099)
Gain on disposal of available-for-sale investments	**71,500**	—
Foreign exchange gain (loss)	**8,160**	(38,961)
Gain from changes in fair value of held-for-trading investments	**18,738**	—
Gain on disposal of business *(Note 36)*	**57,524**	—
Gain on disposal of prepaid lease payments	**28,378**	—
Gain on disposal of subsidiaries *(Note 35)*	**85,850**	898
	274,008	(108,480)
Discontinued operation		
Gain on disposal of property, plant and equipment	**—**	13

8. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank borrowings wholly repayable within five years	**10,256**	14,847
Interest on other borrowings	**8,593**	9,459
	18,849	24,306

9. INCOME TAX CREDIT

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Current tax:		
Hong Kong	**1,918**	—
PRC Enterprise Income Tax	**24,623**	94,443
	26,541	94,443
Deferred tax *(Note 31)*:		
Current year	**(36,736)**	(723,108)
Attributable to a change in tax rate	**—**	4
	(36,736)	(723,104)
	(10,195)	(628,661)
Discontinued operation		
Deferred tax *(Note 31)*:		
Current year	**—**	150
Attributable to a change in tax rate	**—**	26
	—	176
Total	**(10,195)**	(628,485)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2009. For the year ended 31 December 2008, no provision for Hong Kong Profits Tax had been made as there was no assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, Wuyi Star Tea Industrial Co., Ltd., a subsidiary of the Company acquired in 2009, is exempted from PRC income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years. The subsidiary of the Company was in its third profit-making year and hence PRC income tax was calculated at 12.5% which is 50% of the standard tax rate, on the estimated assessable profit of the subsidiary for the year ended 31 December 2009.

9. INCOME TAX CREDIT *(CONTINUED)*

Income tax credit for the year can be reconciled to the loss before tax as follows:

	2009	2008
	HK$'000	*HK$'000*
Loss before tax:		
Continuing operations	**(408,029)**	(5,376,638)
Discontinued operation	**—**	2,056
	(408,029)	(5,374,582)
Tax at the domestic income tax rate of 25%	**(102,007)**	(1,343,646)
Tax effect of expenses not deductible for tax purposes	**36,694**	83,206
Tax effect of income not taxable for tax purposes	**(56,077)**	(14,601)
Tax effect of tax loss not recognised	**810**	—
Tax effect of utilisation of tax loss previously not recognised	**—**	(82)
Tax effect of deductible temporary differences not recognised	**118,461**	646,661
Effect of change in tax rate	**—**	30
Income tax on concessionary rate	**(6,966)**	—
Effect of different tax rate of subsidiaries	**(988)**	(53)
Others	**(122)**	—
Income tax credit for the year	**(10,195)**	(628,485)

The domestic income tax rate represents the tax rate in the jurisdiction where the operation of the Group is substantially based.

10. DISCONTINUED OPERATION

On 21 November 2008, the Group entered into a sale agreement to dispose of a subsidiary, Cell Therapy Technologies Center Limited ("CTTC"), which was engaged in the Group's processing and storage of cord blood operation. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The disposal was completed on 21 November 2008, on which date control of CTTC was passed to the acquirer.

The profit for the period from 1 January 2008 to 21 November 2008 in respect of the discontinued operation for CTTC is analysed as follows:

	2008
	HK$'000
Profit of processing and storage of cord blood operation for the period	982
Gain on disposal of processing and storage of cord blood *(Note 35(ii))*	898
	1,880

10. DISCONTINUED OPERATION *(CONTINUED)*

The results of the processing and storage of cord blood operations for the period from 1 January 2008 to 21 November 2008, which have been included in the consolidated statement of comprehensive income, were as follows:

	2008 *HK$'000*
Revenue	25,037
Cost of sales	(9,004)
Gross profit	16,033
Other income	302
Other gains	13
Selling and distribution expenses	(5,619)
Administrative expenses	(9,571)
Profit before tax	1,158
Income tax expense	(176)
Profit for the period	982

During 2008, CTTC contributed approximately HK$17,334,000 to the Group's net operating cash flows and paid approximately HK$2,600,000 in respect of investing activities.

The carrying amounts of the assets and liabilities of CTTC at the date of disposal are disclosed in note 35(ii).

11. LOSS FOR THE YEAR

	Continuing operations		**Discontinued operation**		**Total**	
	2009 *HK$'000*	2008 *HK$'000*	**2009** *HK$'000*	2008 *HK$'000*	**2009** *HK$'000*	2008 *HK$'000*
Loss for the year has been arrived at after charging:						
Directors' remuneration *(Note 12)*	**36,781**	38,468	**—**	—	**36,781**	38,468
Other staff's salary, bonus and allowance	**53,871**	99,614	**—**	7,314	**53,871**	106,928
Other staff's contribution to retirement benefit cost	**7,152**	12,562	**—**	335	**7,152**	12,897
Total staff costs	**97,804**	150,644	**—**	7,649	**97,804**	158,293
(Reversal of) allowance for inventories (included in cost of sales)	**(34,764)**	29,002	**—**	—	**(34,764)**	29,002
Amortisation of other intangible assets	**3,015**	127,455	**—**	—	**3,015**	127,455
Amortisation of prepaid lease payments	**1,693**	6,061	**—**	—	**1,693**	6,061
Auditor's remuneration	**3,203**	3,587	**—**	—	**3,203**	3,587
Costs of inventories recognised as an expense	**129,472**	305,721	**—**	—	**129,472**	305,721
Depreciation of property, plant and equipment	**20,031**	28,081	**—**	1,097	**20,031**	29,178

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

	2009 HK$'000	2008 HK$'000
Fees	**600**	638
Other emoluments		
Salaries and other benefits	**5,357**	7,400
Performance related incentive payments *(Note a)*	**12,406**	—
Share-based payments	**17,570**	30,180
Retirement benefits contributions	**848**	250
	36,781	38,468

The emoluments paid or payable to each of the 10 (2008: 13) directors were as follows:

2009

	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000	Share-based payments HK$'000	Retirement benefits contributions HK$'000	Total HK$'000
Chairman						
Cai Yuan *(Note b)*	—	207	—	—	10	217
You Xian Sheng	—	1,500	250	4,135	88	5,973
Executive directors						
Wang Hui	—	1,025	348	1,034	3	2,410
Yeung Kwok Kuen	—	1,260	5,895	5,168	368	12,691
Chen Shou Wu	—	1,365	5,913	5,168	379	12,825
Non-executive directors						
Lam Ming Yung	120	—	—	413	—	533
Independent non-executive directors						
Chan Sze Hon	120	—	—	413	—	533
Goh Choo Hwee	120	—	—	413	—	533
Chu Kang Nam	120	—	—	413	—	533
Lin Xiang Min	120	—	—	413	—	533
	600	5,357	12,406	17,570	848	36,781

Notes:

(a) The performance related incentive payment is determined by reference to the financial performance of certain subsidiaries of the Group during the year.

(b) Cai Yuan was resigned as a director on 5 June 2009 and his position as Chairman was replaced by You Xian Sheng.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

2008

	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Share-based payments *HK$'000*	Retirement benefits contributions *HK$'000*	Total *HK$'000*
Chairman					
Cai Yuan	—	480	343	24	847
Executive directors					
Dong Wenxue	—	405	3,829	—	4,234
Wang Hui	—	1,959	4,341	3	6,303
Yeung Kwok Kuen	—	1,500	5,387	71	6,958
Chen Shou Wu	—	1,665	4,006	83	5,754
You Xian Sheng	—	1,391	6,415	69	7,875
Non-executive directors					
Wu King Shiu Kelvin	—	—	4,144	—	4,144
Lam Ming Yung	120	—	343	—	463
Chan Siu Tat	47	—	—	—	47
Independent non-executive directors					
Chan Sze Hon	120	—	343	—	463
Goh Choo Hwee	120	—	343	—	463
Chu Kang Nam	120	—	343	—	463
Lin Xiang Min	111	—	343	—	454
	638	7,400	30,180	250	38,468

No directors waived any emoluments for both years.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2008: four) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining one (2008: one) individual were as follows:

	2009 ***HK$'000***	2008 *HK$'000*
Salaries and other benefits	**1,030**	1,214
Share-based payments	**1,034**	4,326
Retirement benefits contributions	**3**	3
	2,067	5,543

13. LOSS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted loss per share for the year is based on the following data:

	2009	2008
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company and loss for the purposes of basic and diluted loss per share	**(318,355)**	(3,174,608)
	'000	*'000*
Weighted average number of shares for the purpose of basic and diluted loss per share	**6,102,826**	6,026,653

For continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	2009	2008
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(318,355)**	(3,174,608)
Less: Profit for the year from discontinued operation	**—**	(1,880)
Loss for the purpose of basic and diluted loss per share from continuing operations	**(318,355)**	(3,176,488)

The denominators used are the same as those detailed above for basic and diluted loss per share.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding share options as their exercise would result in a decrease in loss per share for both years. In 2009, the computation of diluted loss per share does not assume the conversion of the Company's issuable shares (Note 34) since their conversion would result in a decrease in loss per share.

For discontinued operation

Basic and diluted earnings per share for the discontinued operation in 2008 is HK$0.031 cents per share based on the profit for the period from the discontinued operation of approximately HK$1,880,000 and the denominators detailed above for basic loss per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Mining structures HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2008	63,458	299,799	89,663	8,601	14,957	87,496	563,974
Exchange adjustments	4,154	20,745	6,820	441	1,020	5,757	38,937
Additions	—	38,259	11,245	743	1,148	55,080	106,475
Disposal of a subsidiary	—	(712)	(8,918)	(394)	(1,000)	—	(11,024)
Disposals	(562)	(4,396)	(647)	(455)	(819)	(1,792)	(8,671)
Transfers	—	9,343	23,143	—	845	(33,331)	—
At 31 December 2008 and 1 January 2009	67,050	363,038	121,306	8,936	16,151	113,210	689,691
Exchange adjustments	41	185	53	7	8	95	389
Additions	707	13,430	1,198	396	2,264	444	18,439
Acquisition of subsidiaries	—	36,658	3,531	3,838	1,333	—	45,360
Disposal of a subsidiaries	—	(2,812)	(9,085)	(79)	(609)	(75,806)	(88,391)
Disposal of business	—	—	(754)	—	—	—	(754)
Disposals	—	(33,378)	(8,115)	(223)	(2,284)	—	(44,000)
Transfers	—	4,466	—	—	—	(4,466)	—
At 31 December 2009	67,798	381,587	108,134	12,875	16,863	33,477	620,734
DEPRECIATION AND IMPAIRMENT							
At 1 January 2008	2,299	5,357	3,512	3,729	972	—	15,869
Exchange adjustments	150	673	378	65	128	—	1,394
Charge for the year	1,967	13,975	10,545	715	1,976	—	29,178
Eliminated on disposal of subsidiary	—	(385)	(3,813)	(193)	(311)	—	(4,702)
Eliminated on disposals	(203)	(2,243)	(555)	(221)	(1,043)	—	(4,265)
Impairment loss recognised in profit or loss	40,298	213,088	63,871	781	6,554	109,184	433,776
At 31 December 2008 and 1 January 2009	44,511	230,465	73,938	4,876	8,276	109,184	471,250
Exchange adjustments	3	69	38	4	1	93	208
Charge for the year	1,630	10,653	4,392	705	2,651	—	20,031
Eliminated on disposal of a subsidiaries	—	(2,773)	(8,992)	(50)	(157)	(75,800)	(87,772)
Eliminated on disposal of business	—	—	(59)	—	—	—	(59)
Eliminated on disposals	—	(33,129)	(7,903)	(1)	(1,770)	—	(42,803)
Impairment loss recognised in profit or loss	14,081	85,416	37,409	—	1,781	—	138,687
At 31 December 2009	60,225	290,701	98,823	5,534	10,782	33,477	499,542
CARRYING VALUES							
At 31 December 2009	**7,573**	**90,886**	**9,311**	**7,341**	**6,081**	**—**	**121,192**
At 31 December 2008	22,539	132,573	47,368	4,060	7,875	4,026	218,441

14. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

The Group's buildings and mining structures are situated in the PRC under medium-term leases.

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight line basis as follows:

Mining structures	6 — 28 years
Buildings	Shorter of lease term of land or 8 — 40 years
Plant and machinery	12 — 14 years
Furniture, fixtures and equipment	5 — 10 years
Motor vehicles	5 — 10 years

Due to the decrease in market price of various minerals and the increase in cost of production of molybdenum products, impairment loss was recognised during the year to write down the carrying amount of the related processing plant and production plant to their recoverable amounts. The impairment loss was related to the following segments:

	2009	2008
	HK$'000	*HK$'000*
Molybdenum products	**86,643**	223,167
Copper and zinc products	**—**	48,756
Rutile and other related products	**52,044**	161,853
	138,687	433,776

Processing plant and production plant attributed to the CGU of rutile and other related products of the related processing prepaid lease payments are fully impaired in 2009 whereas processing plant and production plant attributable to the CGU of copper and zinc products were fully impaired in 2008. Details of the impairment testing are set out in Note 18.

15. PREPAID LEASE PAYMENTS

Analysed for reporting purposes as:

	2009	2008
	HK$'000	*HK$'000*
Current asset	**3,167**	2,120
Non-current asset	**37,447**	71,951
	40,614	74,071

The prepaid lease payments are under medium-term leases and are situated in the PRC. The prepaid lease payments are amortised over their lease periods.

15. PREPAID LEASE PAYMENTS *(CONTINUED)*

Applications for land use right certificates of certain leasehold land located in Harbin with aggregate carrying value of nil (2008: HK$16,294,000) were still in progress and these land use right certificates had not yet been issued to the Group by the relevant government authorities as at 31 December 2009 and 2008. The aggregate carrying value of leasehold land located in Harbin was nil as at 31 December 2009 due to full impairment made in 2009.

Applications for property ownership certificates of certain buildings and land use right certificates of certain leasehold land located in Wuyishan which were acquired in 2009 with aggregate carrying value of approximately HK$33,475,000 were still in progress and these property ownership certificates and land use right certificates had not yet been issued to the Group by the relevant government authorities as at 31 December 2009.

Application for land use right certificates of certain leasehold land located in Inner Mongolia with aggregate carrying value of approximately HK$2,436,000 as at 31 December 2008 were still in progress and these land use right certificates had not yet been issued to the Group by the relevant government authorities as at 31 December 2008. The land use right was disposed of in 2009.

The directors of the Company are of the opinion that the Group has acquired the beneficial title to these buildings and leasehold land at the end of the reporting period, and the property ownership certificates and land use right certificates can be obtained in due course.

Due to the decrease in market price of various minerals and the increase in cost of production for molybdenum products, impairment loss was recognised during the year to write down the carrying amount of the related prepaid lease payments to their recoverable amounts. The impairment loss was related to the following segments:

	2009 ***HK$'000***	2008 *HK$'000*
Molybdenum products	**10,579**	75,482
Copper and zinc products	**—**	16,819
Rutile and other related products	**197**	179,948
	10,776	272,249

Prepaid lease payments attributable to the CGU of rutile and other related products are fully impaired in 2009 whereas prepaid lease payments attributable to the CGU of copper and zinc products were fully impaired in 2008. Details of the impairment testing are set out in Note 18.

16. EXPLORATION AND EVALUATION ASSETS

	HK$'000
COST	
At 1 January 2008	36,044
Exchange adjustments	2,447
Additions	5,722
At 31 December 2008 and 1 January 2009	44,213
Exchange adjustments	4
Additions	347
At 31 December 2009	44,564
IMPAIRMENT	
At 1 January 2008	—
Impairment loss recognised in profit or loss	32,984
At 31 December 2008 and 1 January 2009	32,984
Impairment loss recognised in profit or loss	11,580
At 31 December 2009	44,564
CARRYING VALUES	
At 31 December 2009	—
At 31 December 2008	11,229

The Group has performed exploration in certain locations in Inner Mongolia and Heilongjiang province, the PRC, in both years. In 2008, the exploration and evaluation assets were fully impaired except for those in respect of certain mines which the management believed that it was still feasible to continue the exploration in the future. In 2009, the management considers that it is not commercially viable to further continue the exploration given the unfavourable economic environment. As the carrying amount of the exploration and evaluation assets is unlikely to be recovered, the management decided to fully impair the related evaluation and exploration assets in 2009. Accordingly, impairment loss of approximately HK$11,580,000 (2008: HK$32,984,000) was recognised in profit or loss during the year.

17. OTHER INTANGIBLE ASSETS

	Mining rights *HK$'000*	Exploration rights *HK$'000*	Brand name *HK$'000*	Total *HK$'000*
COST				
At 1 January 2008	4,860,019	13,002	—	4,873,021
Exchange adjustments	306,404	1,880	—	308,284
Additions	74	—	—	74
Disposals	(30,498)	—	—	(30,498)
At 31 December 2008 and 1 January 2009	5,135,999	14,882	—	5,150,881
Exchange adjustments	343	19	57	419
Acquired on acquisition of subsidiaries *(Note 34)*	—	—	79,374	79,374
Additions	30	—	—	30
At 31 December 2009	5,136,372	14,901	79,431	5,230,704
AMORTISATION AND IMPAIRMENT				
At 1 January 2008	88,773	12,204	—	100,977
Exchange adjustments	1,963	1,837	—	3,800
Amortised to profit or loss	126,652	—	—	126,652
Amortised to exploration and evaluation assets	—	803	—	803
Elimination on disposals	(15,699)	—	—	(15,699)
Impairment loss recognised in profit or loss	4,387,568	3	—	4,387,571
At 31 December 2008 and 1 January 2009	4,589,257	14,847	—	4,604,104
Exchange adjustments	8	17	—	25
Amortised to profit or loss	2,978	—	—	2,978
Amortised to exploration and evaluation assets	—	37	—	37
Impairment loss recognised in profit or loss	441,186	—	—	441,186
At 31 December 2009	5,033,429	14,901	—	5,048,330
CARRYING VALUES				
At 31 December 2009	102,943	—	79,431	182,374
At 31 December 2008	546,742	35	—	546,777

The above intangible assets other than brand name have finite useful lives. Mining rights are amortised using the units of production method based on the proven and probable mineral reserves. Exploration rights are amortised on a straight line basis over two years based on their contractual rights.

17. OTHER INTANGIBLE ASSETS *(CONTINUED)*

Mining rights

Due to the decrease in market price of various minerals described below and also the increase in cost of production for molybdenum products, impairment loss was recognised during the year to write down the carrying amounts of the related mining rights to their recoverable amounts. The impairment loss was related to the following segments:

	2009	2008
	HK$'000	*HK$'000*
Molybdenum products	**441,186**	2,096,129
Copper and zinc products	**—**	316,155
Rutile and other related products	**—**	1,975,287
	441,186	4,387,571

Mining rights attributable to the CGU of copper, zinc, rutile and other related products were fully impaired in 2008. Details of the impairment testing are set out in Note 18.

Brand name (included in the CGU of tea business)

Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the brand name has no foreseeable limit to the period over which the products with the brand name are expected to generate net cash flows for the Group.

As a result, the brand name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The brand name will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in Note 18.

18. IMPAIRMENT TESTING ON GOODWILL, OTHER INTANGIBLE ASSETS PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

Impairment testing on tea business

The goodwill and other intangible assets with indefinite useful life (brand name) as set out in Note 18 arose from the acquisition of King Gold Investments Limited and its subsidiaries ("King Gold Group") (Note 34) in 2009. The tea business operated by King Gold Group is the CGU for the purpose of impairment testing of goodwill and other intangible assets with indefinite useful life.

During the year ended 31 December 2009, management appointed an independent valuer, BMI Appraisals Limited, to perform a business valuation on King Gold Group. Management of the Group determines that there is no impairment on the goodwill and other intangible assets arising from the acquisition of King Gold Group, as the recoverable amount of King Gold Group (being the CGU to which the goodwill and other intangible assets has been allocated) is in excess of the aggregate carrying amounts of the goodwill, other intangible assets and the net assets value of King Gold Group. The recoverable amount of King Gold Group has been determined on the basis of value in use calculation and is based on certain key assumptions. The value in use calculation is based on cash flow projections prepared from financial budget approved by the management of the Group covering a ten-year period, and a discount rate of 12.6%. Cash flows beyond the ten-year period are extrapolated using a 3% steady growth rate. The period of 10 years is considered to be reliable as tea industry is a relatively stable business given that tea is the daily consumables for traditional Chinese. This growth rate is based on the relevant growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The cash flow projections are prepared based on the expected gross margins determined based on past performance and management's expectations for the market development.

Impairment testing on mining business of molybdenum

The impairment losses of other intangible assets, property, plant and equipment and prepaid lease payments relating to the mining business of molybdenum ("Mining Unit") is attributable to the continuous decrease in market price of molybdenum products during 2008 and further decrease in 2009 due to the unfavorable economic environment. The operation of mining, processing and sales of molybdenum products is the CGU for the purpose of impairment testing of the Mining Unit.

18. IMPAIRMENT TESTING ON GOODWILL, OTHER INTANGIBLE ASSETS PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS *(CONTINUED)*

Impairment testing on mining business of molybdenum *(CONTINUED)*

During the year ended 31 December 2009, management appointed an independent valuer, Greater China Appraisal Limited, to perform a business valuation on the Mining Unit and impairment loss of approximately HK$538,408,000 (2008: HK$2,394,778,000) has been made according to the excess of the aggregate carrying amounts of the Mining Unit over the recoverable amount (being the CGU to which the Mining Unit has been allocated) based on the valuation report. The value in use calculation is based on a discount rate of 21.6% (2008: 20.5%) and cash flow projections prepared from financial forecasts approved by the management of the Group covering a 63-year period (2008: 31-year period) until the ore reserve run out, taking into account of the cavity refill requirement by the PRC government which lowered the maximum annual production of minerals and a longer forecast period for compliance with the tightened government safety requirements. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

The impairment loss recognised during the year to reduce the carrying amounts to the recoverable amounts of each class of asset is as follows:

	2009	2008
	HK$'000	*HK$'000*
Property, plant and equipment	**86,643**	223,167
Prepaid lease payments	**10,579**	75,482
Other intangible assets — mining rights	**441,186**	2,096,129
	538,408	2,394,778

Impairment testing on mining business of minerals other than molybdenum

The impairment losses of other intangible assets, property, plant and equipment and prepaid lease payments related to the mining business other than molybdenum is attributable to the continuous decrease in market price of other minerals including copper, zinc, iron, silicon and rutile during 2008 and further decrease in 2009 due to the unfavorable economic environment. The property, plant and equipment and prepaid lease payments related to the mining business of these minerals are fully impaired as at 31 December 2009, as the management is of the view that the market of these minerals would take a long time to recover. The impairment loss made during the year amounted to approximately HK$52,241,000 (2008: HK$2,698,818,000).

	2009	2008
	HK$'000	*HK$'000*
Property, plant and equipment	**52,044**	210,609
Prepaid lease payments	**197**	196,767
Other intangible assets — mining rights	**—**	2,291,442
	52,241	2,698,818

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2009	2008
	HK$'000	*HK$'000*
Cost of unlisted investments in jointly controlled entities	**—**	39
Share of post-acquisition losses	**—**	(39)
	—	—

All the jointly controlled entities were deregistered in 2009. Details of the Company's jointly controlled entities as at 31 December 2008 are set out as follows:

Name of company	Form of business structure	Place of incorporation/ operation	Issued and fully paid capital	Proportion of equity held by the Company Directly	Proportion of equity held by the Company Indirectly	Principal activity
GCMR Fujian Holdings Limited	Incorporated	British Virgin Islands/ Hong Kong	1,000 shares of US$10 each	50%	—	Investment holding
GCMR Fujian (Hong Kong) Limited	Incorporated	Hong Kong	1,000 shares of US$10 each	—	50%	Inactive

No summarised financial information in respect of the Group's jointly controlled entities is presented as these amounts involved are insignificant.

20. AVAILABLE-FOR-SALE INVESTMENTS/HELD-FOR-TRADING INVESTMENTS

	2009	2008
	HK$'000	*HK$'000*
Available-for-sale investments listed in overseas stock exchange		
Equity securities	**214,199**	72,121
Held-for-trading investments		
Listed warrants at fair value	**5,381**	—
Unlisted warrants at fair value	**1,365**	590
	6,746	590

At 31 December 2009, the listed available-for-sale investments represent investments in listed equity securities listed in Toronto Stock Exchange ("TSE") and New York Stock Exchange ("NYSE"). At 31 December 2008, the listed available-for-sale investments represent investments in equity securities listed in TSE. They are measured at fair values determined with reference to quoted market bid prices at the end of the reporting period.

At 31 December 2009, the fair value measurement of the listed warrants is derived from quoted prices in an active market and the fair value measurement of the unlisted warrants is derived from valuation techniques.

At 31 December 2009 and 2008, in assessing the fair value of the unlisted warrants, key valuation parameters including stock price, exercise price, risk-free rate, nature of the warrants, expected life, historical volatility and expected dividend yield are used. The risk-free rate was determined with reference to the yield of the Canada Government Bond with duration similar to the expected life of the warrants. The expected life was determined with reference to the remaining life of the warrants as at the valuation date.

21. DEPOSIT FOR ACQUISITION OF SUBSIDIARIES

On 22 December 2008, the Company entered into an agreement with Joy Success Limited and Master Long Limited, pursuant to which the Company agreed to acquire a 80% of the issued share capital of King Gold Investments Limited for an aggregate consideration of HK$640,000,000 which was satisfied by HK$500,000,000 in cash and new shares to be issued by the Company. As at 31 December 2008, the Company paid a deposit of HK$100,000,000 for acquisition of King Gold Group.

As the acquisition was completed on 30 April 2009, the balance was included in consideration paid for the acquisition of King Gold Group. For details, please refer to Note 34.

22. INVENTORIES

	2009	2008
	HK$'000	*HK$'000*
Raw materials	**16,989**	11,328
Work in progress	**108,084**	72,031
Finished goods	**131,112**	125,691
	256,185	209,050

During the year, the net realisable value of some finished goods which provision has been made in prior years has increased. As a result, a reversal of provision of finished goods amounting to HK$34,764,000 (2008: Nil) has been recognised and included in cost of sales in the current year.

23. TRADE AND OTHER RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**42,176**	68,686
Less: Allowance for doubtful debts	**(4,612)**	(4,055)
	37,564	64,631
Other receivables	**111,308**	98,641
Less: Allowance for doubtful debts	**(61,801)**	(63,682)
	49,507	34,959
Deposits and prepayments	**18,460**	27,054
Total trade and other receivables	**105,531**	126,644

23. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

The Group normally allows credit period ranging from 90 to 180 days to its trade customers. The aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

	2009	2008
	HK$'000	*HK$'000*
0 — 30 days	**17,228**	2,954
31 — 60 days	**10,162**	14,893
61 — 90 days	**160**	26,179
Over 90 days	**10,014**	20,605
	37,564	64,631

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed once a year. As at 31 December 2009, approximately 92% (2008: 68%) of the trade receivables that are neither past due nor impaired have the best credit quality assessed by the Group.

Included in the Group's trade receivable balance as at 31 December 2009 are debtors with aggregate carrying amount of approximately HK$10,014,000 (2008: HK$20,605,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered to be recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 60 days (2008: 48 days).

Trade receivables which are past due but not impaired:

	2009	2008
	HK$'000	*HK$'000*
Overdue by:		
0 — 30 days	**6,949**	9,685
31 — 90 days	**2,434**	9,725
Over 90 days	**631**	1,195
	10,014	20,605

Movement in the allowance for doubtful debts for trade receivables:

	2009	2008
	HK$'000	*HK$'000*
Balance at beginning of the year	**4,055**	4,455
Exchange adjustments	**3**	192
Disposal of subsidiaries	**—**	(6,308)
Impairment losses reversal	**—**	(225)
Amount written off as uncollectable	**—**	(1)
Impairment loss recognised	**554**	5,942
Balance at end of the year	**4,612**	4,055

23. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Movement in the allowance for doubtful debts for other receivables:

	2009	2008
	HK$'000	*HK$'000*
Balance at beginning of the year	**63,682**	11,375
Exchange adjustments	**379**	925
Disposal of subsidiaries	**(56)**	—
Impairment losses reversal	**(2,204)**	(3,807)
Impairment loss recognised	**—**	55,189
Balance at end of the year	**61,801**	63,682

Included in the Group's allowance for doubtful debts are individually impaired trade receivables and other receivables with an aggregate balance of HK$4,612,000 (2008: HK$4,055,000) and HK$61,801,000 (2008: HK$63,682,000) respectively in which the directors of the Company consider that the Group is unlikely to recover these debts. The Group does not hold any collateral over these balances.

24. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates ranging from 0.01% to 0.72% (2008: 0.01% to 0.72%) per annum.

25. TRADE AND OTHER PAYABLES

	2009	2008
	HK$'000	*HK$'000*
Trade payables	**12,935**	21,491
Other payables and accruals *(Note)*	**208,945**	337,404
	221,880	358,895

Note: The amount includes approximately HK$30,379,000 (2008: HK$108,440,000) mining right payables to be settled in the next twelve months from the end of the reporting period. For details, Please refer to Note 32.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
0 — 90 days	**6,814**	13,823
91 — 180 days	**972**	952
181 — 365 days	**381**	1,145
Over 1 year	**4,768**	5,571
	12,935	21,491

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timetable.

26. AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES AND MINORITY SHAREHOLDERS

The amounts due to jointly controlled entities were unsecured, interest-free and fully repaid in 2009.

The amounts due to minority shareholders are unsecured, interest-free and repayable on demand.

27. DEFERRED INCOME

Deferred income represents government grants received by the Group at the end of the reporting period in respect of acquisition of property, plant and equipment and prepaid lease payments. Such government grants are recognised as deferred income initially and recognised in profit or loss as other income over the useful lives of the assets.

Movements of government grants received during the year are as follows:

	2009	2008
	HK$'000	*HK$'000*
At beginning of the year	**46,644**	133,790
Exchange difference	**50**	4,970
Acquisition of subsidiaries *(Note 34)*	**306**	—
Disposal of subsidiaries *(Note 35)*	**(35,297)**	(62,864)
Received during the year	**20,732**	12,930
Recognised in profit or loss for the year	**—**	(42,182)
At end of the year	**32,435**	46,644

The Group received several one-off government grants in respect of acquisition of property, plant and equipment and prepaid lease payments which can only be recognised when the relevant mines subsidised by the government commence operations, which is a condition set out by the government. In 2009, government grants of approximately HK$20,732,000 were received but no amount has been recognised in profit or loss because the relevant subsidised mining properties have not yet commenced operations in 2009, while in 2008, subsidised mining properties were in operations in 2008 and the relevant government grants of approximately HK$42,182,000 were recognised in profit or loss over the respective useful lives of the mining properties.

28. BANK BORROWINGS

	2009 HK$'000	2008 HK$'000
Bank loans — unsecured	**85,320**	79,583
Bank loans — guaranteed by a third party	**34,128**	90,952
	119,448	170,535
Carrying amount payable:		
On demand or within one year	**51,192**	136,428
More than one year but not exceeding two years	**68,256**	34,107
	119,448	170,535
Less: Amounts due within one year shown under current liabilities	**(51,192)**	(136,428)
	68,256	34,107

The ranges of effective interest rates on the Group's bank borrowings are as follows:

	2009	2008
Variable-rate borrowings (with reference to the lending rate of The People's Bank of China ("PBOC"))	**5.31%-6.37%**	5.31%-7.56%

29. OTHER BORROWINGS

	Notes	2009 HK$'000	2008 HK$'000
Analysed for reporting purposes as:			
Current liabilities	*(a)*	**1,137**	1,137
Non-current liabilities	*(b)*	**4,880**	4,877
		6,017	6,014

Notes:

(a) A loan with a principal amount of approximately HK$1,137,000 (equivalent to RMB1,000,000) was provided by the Industry Development Fund（工業發展基金）of the Harbin Finance Bureau in 1998. The amount is unsecured, interest-free and repayable on demand.

(b) A loan with a principal amount of approximately HK$4,880,000 (equivalent to RMB4,290,000) was provided by the Harbin Finance Bureau in 2007. The amount is unsecured, interest bearing with a fixed rate of 2.55% per anuum and the repayment terms are as follows.

	2009 HK$'000	2008 HK$'000
Within one year	**—**	—
More than one year, but not more than two years	**222**	—
More than two years, but not more than five years	**1,331**	1,108
More than five years (up to 2022)	**3,327**	3,769
	4,880	4,877

30. PROVISIONS

In accordance with relevant PRC rules and regulations, the Group is obliged to accrue the costs for land reclamation and cavity refill for the Group's existing mines. The provision for land reclamation and cavity refill costs has been determined by the directors of the Company based on their best estimation and such costs are expected to be incurred during the period from 2010 to 2012 (2008: 2009 to 2012).

	2009	2008
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current liabilities	**56,302**	20,363
Non-current liabilities	**67,747**	120,604
	124,049	140,967
At beginning of the year	**140,967**	—
Additional provision in the year	**—**	140,967
Utilisation of provision	**(16,918)**	—
At end of the year	**124,049**	140,967

31. DEFERRED TAX LIABILITY

The followings are the deferred tax liabilities (assets) recognised and movements thereon during both years:

	Accelerated tax depreciation	**Intangible assets**	**Tax losses**	**Provisions**	**Other**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	66,662	697,002	(2,366)	(29,155)	(7,462)	724,681
(Credit) charge to profit or loss for the year	(58,145)	(642,445)	1,556	(24,983)	1,059	(722,958)
Disposal of a subsidiary	(566)	—	836	—	—	270
Attributable to a change in tax rate	(27)	—	57	—	—	30
Exchange difference	3,685	39,177	(83)	(2,513)	(212)	40,054
At 31 December 2008 and 1 January 2009	11,609	93,734	—	(56,651)	(6,615)	42,077
(Credit) charge to profit or loss for the year	(4,406)	(93,791)	—	55,463	5,998	(36,736)
Acquisition of subsidiaries *(Note 34)*	246	19,844	—	—	—	20,090
Exchange difference	3	57	—	(175)	(246)	(361)
At 31 December 2009	**7,452**	**19,844**	**—**	**(1,363)**	**(863)**	**25,070**

31. DEFERRED TAX LIABILITY *(CONTINUED)*

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$1,063,200,000 (2008: HK$589,356,000) mainly arising from provision and impairment of assets, including exploration and evaluation assets, other intangible assets, property, plant and equipment and prepaid lease payments. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the end of the reporting period, the Group has unused tax losses of approximately HK$16,044,000 (2008: HK$12,803,000). No deferred tax asset has been recognised in relation to such tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$41,958,000 (2008: Nil) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

32. OTHER LONG TERM PAYABLES

Other long term payables comprised of:

	2009	2008
	HK$'000	*HK$'000*
Mining right payables	**126,043**	194,082
Less: Amounts included under "Trade and other payables" *(Note 25)*	**(30,379)**	(108,440)
	95,664	85,642

Other long term payables comprised of mining right payables, pursuant to mining rights premium agreements entered into between the Group and the relevant government authorities of the PRC in respect of the mining rights of Shanxi Dai County Rutile mine and Wudaoling Molybdenum mine amounting to approximately HK$76,711,000 and HK$179,386,000 respectively.

The mining rights payable in respect of Shanxi Dai County Rutile mine and Wudaoling Molybdenum mine are interest free. According to repayment terms in 2008, they shall be settled in four instalments payable on or before 30 June 2012 and 22 May 2011 respectively.

In 2009, the mining rights of Shanxi Dai County Rutile mine were disposed while the repayment term of the mining rights payable for Wudaoling Molybdenum has been extended to 22 May 2016.

The carrying amounts of the mining rights payables in respect of Wudaoling Molybdenum mine have been determined using a discount rate of 5.76% (2008: 6.80%). For Shanxi Dai County Rutile mine which was disposed of in 2009, the mining rights payables in 2008 had been determined using a discount rate of 5.73%.

33. SHARE CAPITAL

	Number of shares		Share Capital	
	2009	2008	**2009**	2008
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**10,000,000**	10,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At beginning of year	**6,026,653**	6,026,653	**602,665**	602,665
Issued in consideration for the acquisition of held-for-trading investments	**104,132**	—	**10,413**	—
At end of year	**6,130,785**	6,026,653	**613,078**	602,665

On 8 April 2009, the Company issued and allotted a total of 104,132,000 shares of HK$0.1 each at approximately HK$0.26 per share (being the market price at that date) as consideration to purchase held-for-trading investments. These shares rank pari passu with existing shares in all respects.

34. ACQUISITION OF SUBSIDIARIES

On 30 April 2009, the Group acquired a 80% of the issued share capital of King Gold Group for a cash consideration of HK$500,000,000 and 660,377,358 ordinary shares of the Company with a par value of HK$0.1 each to be issued upon the issue of the audited financial statements of King Gold Group for the year ended 31 December 2009 (the "Acquisition") from a third party. The Acquisition has been accounted for using the purchase method. The amount of goodwill and other intangible assets (brand name) arising from the acquisition were approximately HK$511,381,000 and HK$79,374,000 respectively. The goodwill was determined as part of the consideration for acquisition is satisfied by shares to be issued at a date subsequent to the end of the reporting period. The goodwill arising on the acquisition of King Gold Group is attributable to the anticipated profitability of the revenue from cultivation, production, sales and research of tea and the anticipated future operating synergies from the combination.

King Gold Group is principally engaged in the production, sales and research of oolong tea, green tea, jasmine tea, black tea and in particular, WuYi rock-essence tea in the PRC.

34. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination *HK$'000*	Fair value adjustments *HK$'000*	Fair value *HK$'000*
Net assets acquired:			
Property, plant and equipment	46,810	(1,450)	45,360
Prepaid lease payments	8,366	2,437	10,803
Other intangible assets (brand name)	—	79,374	79,374
Inventories	21,353	—	21,353
Trade and other receivables	62,624	—	62,624
Bank balances and cash	28,902	—	28,902
Trade and other payables	(18,445)	—	(18,445)
Tax payable	(2,048)	—	(2,048)
Bank borrowings	(11,339)	—	(11,339)
Other borrowings	(1,701)	—	(1,701)
Deferred income	(306)	—	(306)
Deferred tax liabilities	—	(20,090)	(20,090)
	134,216	60,271	194,487
Minority interests			(38,898)
Goodwill			511,381
			666,970
Total consideration satisfied by:			
Cash *(Note)*			500,000
Directly attributable costs			9,800
Shares to be issued			157,170
			666,970
Net cash outflow arising on acquisition:			
Cash consideration and transaction costs paid during the year *(Note)*			(409,800)
Bank balances and cash acquired			28,902
			(380,898)

Note: The total amount of consideration includes a deposit for acquisition of subsidiaries of HK$100,000,000 paid in 2008.

34. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

Pursuant to the sale and purchase agreement, the consideration of HK$657,170,000 is subject to adjustment. If the actual audited consolidated net profit after tax of the King Gold Group ("Actual Profit") for the year ended from 1 January 2009 to 31 December 2009 is equal to or more than HK$80,000,000 ("Guarantee Profit"), there shall be no adjustment to the consideration and 660,377,358 ordinary shares of the Company shall be issued by the Company to the vendor. The consideration shall be adjusted downward if the Actual Profit is less than Guarantee Profit. Details of the Acquisition are set out in the announcement and circular of the Company dated 7 January 2009 and 27 March 2009 respectively.

As part of the consideration for the acquisition of King Gold Group, 660,377,358 ordinary shares of the Company with a par value of HK$0.1 each are to be issued only upon the Actual Profit for the year ended from 1 January 2009 to 31 December 2009 is equal to or more than HK$80,000,000. The fair value of the ordinary shares of the Company, determined using the published price available at the date of the acquisition of HK$0.238, amounted to HK$157,169,811 is recorded in equity. The directors of the Company are of the opinion that no adjustment would be required on the number of shares to be issued for the acquisition of King Gold Group since it was probable that the Actual Profit for the year ended 1 January 2009 to 31 December 2009 was more than HK$80,000,000 based on the unaudited management accounts of group entities comprising King Gold Group.

King Gold Group contributed profit of approximately HK$69,754,000 to the Group's results for the period between the date of acquisition to 31 December 2009.

If the acquisition had been completed on 1 January 2009, total group revenue and profit for the year ended 31 December 2009 would have been increased by HK$38,231,000 and HK$11,338,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is it intended to be a projection of future results.

35. DISPOSAL OF SUBSIDIARY

(i) On 24 May 2009 and 27 August 2009, the Group disposed of 100% equity interest in Wuhai Derun Ferroalloy Limited Liability Company and Inner Mongolia Zhongrun Magnesium Co., Ltd. respectively to third parties.

The net assets of the disposed subsidiaries at the dates of disposal were as follows:

	Wuhai Derun Ferroalloy Limited Liability Company 24 May 2009	**Inner Mongolia Zhongrun Magnesium Co., Ltd. 27 August 2009**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Net assets disposed of:			
Property, plant and equipment	—	619	619
Prepaid lease payments	—	22,241	22,241
Other receivables	85	—	85
Bank balances and cash	—	2	2
Trade and other payables	(205)	(32,823)	(33,028)
Tax payable	—	(11,628)	(11,628)
Deferred income	—	(35,297)	(35,297)
	(120)	(56,886)	(57,006)
Gain on disposal	6,252	79,598	85,850
Total consideration	6,132	22,712	28,844
Satisfied by:			
Cash	6,132	22,712	28,844
Net cash inflow arising on disposal:			
Cash consideration	6,132	22,712	28,844
Bank balances and cash disposed of	—	(2)	(2)
Total consideration	6,132	22,710	28,842

The assets being disposed of also included property, plant and equipment and prepaid lease payments of which impairment loss had been made in prior years. The impact of Wuhai Derun Ferroalloy Limited and Inner Mongolia Zhongrun Magnesium Co., Ltd. on the Group's results and cash flows in 2009 were insignificant.

35. DISPOSAL OF SUBSIDIARY *(CONTINUED)*

(ii) Disposal of CTTC

As set out in Note 10, on 21 November 2008, the Group discontinued its processing and storage of cord blood operation at the time of disposal of its subsidiary CTTC, to the third party. The net assets of CTTC at the date of disposal were as follows:

	21 November 2008 *HK$'000*
Net assets disposed of:	
Property, plant and equipment	6,322
Deferred tax assets	270
Inventories	1,105
Trade and other receivables	12,425
Amounts due from related parties	17,423
Bank balances and cash	33,904
Trade and other payables	(2,698)
Deferred income	(62,864)
	5,887
Attributable goodwill	8,200
	14,087
Gain on disposal	898
Total consideration	14,985
Satisfied by:	
Cash	14,985
Net cash outflow arising on disposal:	
Cash consideration	14,985
Bank balances and cash disposed of	(33,904)
	(18,919)

The impact of CTTC on the Group's results and cash flows in 2008 is disclosed in Note 10.

36. DISPOSAL OF BUSINESS

On 9 December 2009, the Group disposed of certain asset and liabilities of Shanxi Shenli Aerospace Titanium Company Limited. The net liabilities of Shanxi Shenli Aerospace Titanium Company Limited disposed of were as follows:

	9 December 2009 *HK$'000*
Net liabilities disposed of:	
Property, plant and equipment	**695**
Other payables	**(51,221)**
	(50,526)
Gain on disposal	**57,524**
Total consideration	**6,998**
Satisfied by:	
Cash	**6,998**
Net cash inflow arising on disposal:	
Cash consideration	**6,998**

The assets being disposed of also included property, plant and equipment, prepaid lease payments and mining rights of which impairment loss had been fully made in prior years.

The impact of Shanxi Shenli Aerospace Titanium Company Limited on the Group's results and cash flows in 2009 was insignificant.

37. MAJOR NON-CASH TRANSACTIONS

In 2009, the Group's major non-cash transaction is set out in Note 33.

In 2008, Harbin Songjiang acquired additional interest in another subsidiary, Xinganmeng Songjian Mining Co. Ltd. from the minority shareholders. The consideration of acquisition of approximately HK$1,132,000 (equivalent to RMB1,000,000) was net off with the amounts due from minority shareholders.

38. LITIGATION

As set out in the announcement of the Company dated 8 August 2007, the Company became aware of a litigation instituted in 深圳市中級人民法院 (Shenzhen City Middle People's Court) (the "Shenzhen City Court") between two former shareholders of Top Rank International Group Limited ("Top Rank"), a subsidiary of the Company (the "Unrelated Litigation"). Insofar as the Company is aware and based on legal advice obtained from the Company's PRC legal adviser, the Unrelated Litigation involves a dispute between two individuals, both of whom are third parties independent of the Company and its connected persons, regarding the transfer of 20% of the issued share capital in Top Rank; none of the Company, Top Rank, or any other subsidiaries of the Company or any of their respective directors and/or employees is a party to the Unrelated Litigation; and the Unrelated Litigation does not involve any allegation against the Company, any of its subsidiaries, or their respective directors and/or employees.

38. LITIGATION *(CONTINUED)*

As far as the Company is aware, the Unrelated Litigation involves a dispute regarding the transfer of 20% of the issued share capital in Top Rank (the "Share Transfer") amongst former shareholders of Top Rank, and the plaintiff has made allegations with respect to the authenticity and the legality of the procedures involving the Share Transfer. As advised by the PRC legal adviser of the Company, insofar as Top Rank is concerned, the Shenzhen City Court has made orders (the "Orders") for the former handling agent of Top Rank to (i) preserve the records relating to registration, annual audit and transfer of shares; and (ii) prohibit from arranging for or assisting in the transfer of shares in Top Rank. Based on legal advice sought by the Company from its PRC legal adviser, none of the assets or shares of any member of the Group were sealed up or frozen pursuant to any court orders.

According to legal advice obtained by the Company from its British Virgin Islands and PRC legal adviser and based on the statutory records of Top Rank, Lead Sun Investments Limited ("Lead Sun"), a subsidiary of the Company, has since 1 June 2006 been the legal owner of the entire issued share capital of Top Rank. As such, according to the Company's PRC legal adviser, the Orders do not have any effect on the ownership of Top Rank by Lead Sun as such Orders were made after Lead Sun has become the owner of Top Rank. For the reasons above and based on legal advice obtained from the Company's BVI legal adviser and the PRC legal adviser, the directors of the Company are of the view that the Company has proper and valid title in Top Rank, which owns a 90% equity interest in Shanxi Shenli Aerospace Titanium Company Limited ("Shanxi Shenli"), a subsidiary of the Company which holds the mine.

To the best knowledge of the directors of the Company, all the claims made by the plaintiff in respect of the Unrelated Litigation were rejected by the Shenzhen City Court pursuant to a judgement（民事判決書(2007)深中法民四初字第20號）made on 17 December 2007.

On 9 August 2007, the Company received a writ issued by the Shenzhen City Court on 6 August 2007 together with a statement of claim dated 2 August 2007 pursuant to which Mr. Tang Yan was the plaintiff (the "Plaintiff"), and Mr. Tse Michael Nam ("Mr. Tse") and Mr. Huang Shi Lin ("Mr. Huang"), being two former shareholders (previously holding 80% and 20%, respectively, of the issued share capital) of Top Rank, together with Lead Sun, Shanxi Shenli and the Company were named as defendants in a litigation concerning the transfer of shares in Top Rank, amongst former shareholders of Top Rank (the "Litigation").

Pursuant to the statement of claim dated 2 August 2007, the Plaintiff claimed for an order involving the following: (i) to invalidate the agreement effecting the transfer of shares from the former shareholders to Lead Sun; (ii) Mr. Tse to transfer the shares in Top Rank back to the Plaintiff at US$1; (iii) the defendants to issue an apology to the plaintiff; and (iv) the defendants to jointly bear the legal costs in relation to the Litigation.

As advised by the PRC legal adviser of the Company, the direct claims made to the Company only involve (iii) and (iv) above, and which is to issue an apology to the Plaintiff and bear legal costs in relation to the Litigation.

A judgement was made by the Shenzhen City Court on 17 December 2007 (the "Judgement") pursuant to which: (1) all claims of the Plaintiff were rejected; (2) the counter-claims of each of Lead Sun and Shanxi Shenli were rejected; (3) as the Company has no direct relationship whatsoever in relation to the dispute involving the Share Transfer, the joining of the Company as one of the co-defendants by the Plaintiff is not appropriate, and as such, the Plaintiff was ordered to bear the notarisation and translation costs of the Company which were necessarily incurred by the Company in connection with the Litigation; and (4) the other counter-claims of the Company were rejected.

38. LITIGATION *(CONTINUED)*

On 6 March 2008, the Company received a copy of the Application for Civil Appeal（民事上訴狀）(the "Application") dated 3 March 2008 issued by the Plaintiff and which has been lodged with the Guangdong Province High Court, pursuant to which the Plaintiff has made an application to the Guangdong Province High Court to appeal for the revocation of the orders (2) and (3) of the Judgement made against the Plaintiff as stated above and for the support of all claims of the Plaintiff.

A judgement was made by the Guangdong Province High Court on 30 September 2009 pursuant to which: (1) the Application of the Plaintiff was rejected; (2) the Plaintiff would bear legal costs in relation to the Application; (3) the judgement is final. As the litigation has been settled during the year, the directors of the Company do not expect any material impact on the consolidation financial statements.

39. OPERATING LEASES

	2009 ***HK$'000***	*2008* *HK$'000*
Minimum lease payments in respect of premises and tea plantation paid under operating leases during the year	**3,332**	1,843

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:

	2009 ***HK$'000***	2008 *HK$'000*
Within one year	**889**	725
In the second to fifth years inclusive	**5,347**	—
After five years	**199**	—
	6,435	725

Operating lease payments represent rentals payable by the Group for certain of its office and tea plantation premises. Leases are negotiated and rentals are fixed for terms ranging from one to five years, and there is option to renew the lease contract of a tea plantation on expiry of lease term at rental rates based on the last rental payments.

40. CAPITAL COMMITMENTS

	2009 ***HK$'000***	2008 *HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**15,046**	15,301
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	**—**	132

41. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying Hong Kong employees. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees.

The PRC employees of the Group are members of state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The contributions paid/payable to the scheme by the Group at rates specified in the rules of the schemes are included in staff costs and disclosed in Notes 11 and 12 for employees and directors respectively.

42. SHARE OPTION SCHEME

(a) 2002 Option Scheme

The Company has a share option scheme which was adopted on 26 June 2002 ("2002 Option Scheme") whereby the directors of the Company may, at their discretion, invite directors and employees of the Company or its subsidiaries to subscribe for shares in the Company subject to terms and conditions stipulated therein. The options granted were vested immediately at the date of grant and were exercisable within a period of three years. Each option gives the holder the right to subscribe for one ordinary share in the Company.

Details of the terms and movements of the share options granted pursuant to the 2002 Option Scheme are as follows:

				Number of options				
Category of grantee	**Date of grant**	**Exercise price per share**	**Expiry date**	**Balance as at 01.01.2009**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year** *(Note 2)*	**Balance as at 31.12.2009**
Directors	18.09.2009	HK$0.358	17.09.2014	—	85,000,000	—	—	85,000,000
	14.10.2008	HK$0.275	13.10.2013	163,000,000	—	—	(3,000,000)	160,000,000
Employees	18.09.2009	HK$0.358	17.09.2014	—	42,400,000	—	—	42,400,000
	14.10.2008	HK$0.275	13.10.2013	91,600,000	—	—	(10,000,000)	81,600,000
Other *(Note 1)*	14.10.2008	HK$0.275	13.10.2013	50,000,000	—	—	—	50,000,000
				304,600,000	127,400,000	—	(13,000,000)	419,000,000
Exercisable at the end of the year								419,000,000
Weighted average exercise price				0.275	0.358	—	0.275	0.300

42. SHARE OPTION SCHEME *(CONTINUED)*

(a) 2002 Option Scheme *(CONTINUED)*

				Number of options				
Category of grantee	Date of grant	Exercise price per share	Expiry date	Balance as at 01.01.2008	Granted during the year	Exercised during the year	Cancelled during the year *(Note 3)*	Balance as at 31.12.2008
Directors	06.07.2007	HK$1.82	05.07.2010	173,000,000	—	—	(173,000,000)	—
	25.09.2007	HK$1.30	24.09.2010	12,000,000	—	—	(12,000,000)	—
	31.01.2008	HK$0.60	30.01.2011	—	10,000,000	—	(10,000,000)	—
	14.10.2008	HK$0.275	13.10.2013	—	163,000,000	—	—	163,000,000
Employees	06.07.2007	HK$1.82	05.07.2010	40,000,000	—	—	(40,000,000)	—
	11.07.2007	HK$1.82	10.07.2010	1,000,000	—	—	(1,000,000)	—
	14.10.2008	HK$0.275	13.10.2013	—	91,600,000	—	—	91,600,000
Other *(Note 1)*	06.07.2007	HK$1.82	05.07.2010	2,000,000	—	—	(2,000,000)	—
	14.10.2008	HK$0.275	13.10.2013	—	50,000,000	—	—	50,000,000
				228,000,000	314,600,000	—	(238,000,000)	304,600,000
Exercisable at the end of the year								304,600,000
Weighted average exercise price				1.79	0.29	—	(1.74)	0.275

Notes:

1. Other represented a former director or employee of the Group. The share options remain exercisable until the expiry date.

2. On 6 April 2009 and 5 June 2009, the Company cancelled the share options granted to the directors and employees under the 2002 Share Option Scheme after they resigned from all position of the Group.

3. On 14 October 2008, the Company cancelled the outstanding options granted to them under the 2002 Share Option Scheme which were not exercised as the exercise prices for the Options which range from HK$0.6 to HK$1.82 were significantly higher than the recent market prices of the shares of the Company, and option holders had no intention to exercise such options to subscribe for the shares.

During the year ended 31 December 2009, options were granted on 18 September 2009. The estimated fair values of the options granted on those dates are approximately HK$25,498,000. During the year ended 31 December 2008, options were granted on 31 January 2008 and 14 October 2008. The estimated fair values of the options granted on 31 January 2008 and 14 October 2008 are approximately HK$1,837,000 and HK$34,860,000 respectively.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes model.

42. SHARE OPTION SCHEME *(CONTINUED)*

(a) 2002 Option Scheme *(CONTINUED)*

The options granted under the 2002 Option Scheme are vested immediately.

These fair values were calculated by using the Black-Scholes model based on each tranche of the 2002 Option Scheme with reference to the vesting period respectively. The inputs into the model with different issue dates were as follows:

Grant date	**31 January 2008**	**14 October 2008**	**18 September 2009**
Valuation date	31 January 2008	14 October 2008	18 September 2009
Share price	HK$0.60	HK$0.275	HK$0.355
Exercise price	HK$0.60	HK$0.275	HK$0.358
Expected volatility	62.55%	67.21%	89.89%
Risk-free rate	1.50%	1.54%	1.731%
Expected dividend yield	—	—	—
Exercisable period	3 years	5 years	5 years
Fair value per option	HK$0.1837	HK$0.1144	*Note*

Note: The details of the fair value per option for options granted during the year were set out below:

Grantee	**Exercise multiple**	**Number of options**	**Option value** *HK$*	**Total option value** *HK$'000*
Executives	2.8	94,000,000	0.2067	19,432
Non-executives	2.4	33,400,000	0.1816	6,066
Total		127,400,000		25,498

The difference in option value adopted for executives and non-executives is due to the difference in the input parameter of exercise multiple, which is the early-exercise behaviour assumption of different groups of parties. Executives refer to directors and chief executives while non-executives refer to other staff. Exercise multiple represents the value of underlying stock as a multiple of the exercise price of the option which, if achieved, results in exercise of the option.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

(b) Discounted Shares Subscription

The Company entered into the subscription agreement with the directors and senior management of the Group ("the subscribers") on 13 July 2007. The Company has agreed to issue, and the subscribers have agreed to subscribe a total of 157,070,000 shares before the completion date of such agreement (the date being the first anniversary date of the subscription agreement or, if such date is not a business day, the immediately preceding day which is a business day), at a subscription price of HK$1.10 per subscription share in cash ("Discounted Share Subscription"). The subscription price represented a discount of approximately 34.13% to the closing price of HK$1.67 per share as quoted in the stock market on 12 July 2007 (being the last day of trading in stock market before the date of the subscription agreement), with a lock-up period ranged from one to three years. If any terms and conditions of the subscription agreement are not fulfilled before the completion date, the arrangement should terminate. In the event that the subscribers ceases to be employed by a member of the Group for whatever reason during the lock-up period, the Company has the right to repurchase the relevant portion of subscription shares at a share repurchase price of HK$1.10 per subscription share.

The Discounted Share Subscription was approved in the special general meeting held on 21 August 2007.

42. SHARE OPTION SCHEME *(CONTINUED)*

(b) Discounted Shares Subscription *(CONTINUED)*

The share invitations issued under the Discounted Shares Subscription vest as follows:

On 1st anniversary of the date of grant	$33^1/_3$% vest
On 2nd anniversary of the date of grant	Further $33^1/_3$% vest
On 3rd anniversary of the date of grant	Remaining $33^1/_3$% vest

A deed of termination of the subscription agreement date 26 May 2008 was entered into between the Company and the subscribers, pursuant to which the subscription agreement was terminated with immediate effect.

No discounted shares were subscribed by the subscribers in 2008.

The fair value of services received in return for discounted shares offered is measured by reference to the fair value of discount offered. The estimation of fair value is based on the Black-Scholes model. The three years' lock-up period of the discounted share is used as an input into this model.

These fair values were calculated by using the Black-Scholes model based on each tranche of the Discounted Shares Subscription with reference to the vesting period respectively. The inputs into the model with different issue dates were as follows:

Grant date	**21 August 2007**
Valuation date	21 August 2007
Exercise price	HK$1.10
Expected volatility	47.27% — 52.64%
Risk-free rate	3.84% — 3.95%
Expected dividend yield	—
Exercisable period	3 years
Vesting period	1 — 3 years
Fair value per option	HK$0.1471 to HK$0.2406

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 10 years.

The expected volatility is based on the average annualised standard deviations of the continuously compounded rates of return on the average share prices of similar companies as of the measurement date publicly quoted. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Subscription of discounted shares was granted under a service condition. This condition has been taken into account in the grant date fair value measurement of the service received. There was no market conditions associated with grant of discounted shares subscription.

The Group recognised the total expenses of approximately HK$25,498,000 (2008: HK$36,697,000) and nil (2008: HK$10,848,000) for the year ended 31 December 2009 in relation to share options granted under the 2002 Option Scheme and Discounted Shares Subscription of the Company respectively.

43. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes amounts due to minority shareholders, bank borrowings and other borrowings disclosed in notes 26, 28 and 29 respectively, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and risks associates with each class of capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of the existing debt.

The Group has a gearing ratio of 26.4% (2008: 28.9%), calculated based on the aggregate amount of amounts due to minority shareholders, bank borrowings and other borrowings divided by equity attributable to owners of the Company.

44. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009	2008
	HK$'000	*HK$'000*
Financial assets		
Held-for-trading investments	**6,746**	590
Available-for-sale investments	**214,199**	72,121
Loans and receivables (including cash and cash equivalents)	**618,294**	1,100,966
Financial liabilities		
Financial liabilities at amortised cost	**514,961**	702,858

(b) Financial risk management objectives and polices

The Group's major financial instruments include available-for-sale investments, other receivables, trade and other receivables, held-for-trading investments, bank balances and cash, amounts due to jointly controlled entities and minority shareholders, trade and other payables, other borrowings, bank borrowings and other long term payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

44. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and polices *(CONTINUED)*

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, and certain trade and other receivables, bank balances, available-for-sale investments and held-for-trading investments are denominated in foreign currencies, which expose the Company to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States dollars ("USD")	**—**	—	**58,210**	2,754
Hong Kong dollars ("HK$")	**150,757**	150,782	**447,823**	579,507
Canadian dollars ("CAD")	**—**	—	**156,587**	106,298

Sensitivity analysis

The Group is mainly exposed to the USD, HK$ and CAD.

The following table details the Group's sensitivity to a 5% (2008: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2008: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items for a 5% (2008: 5%) change in foreign currency rates. The sensitivity analysis includes only outstanding foreign denominated monetary items and adjusts their transactions of the year end from 5% change in foreign currency rate (2008: 5%).

A negative number (i.e. in bracket) below indicates an increase in post-tax loss where RMB strengthen 5% (2008: 5%) against the relevant currency. For a 5% (2008: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss, and the balances below would be positive.

	USD Impact		HK$ Impact		CAD Impact	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Increase in post-tax loss	**(2,217)**	(104)	**(11,078)**	(16,077)	**(5,872)**	(3,986)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. USD, HK$ and CAD denominated transactions are with lower transaction volumes in the last quarter of the financial year, which results in a reduction in USD, HK$ and CAD denominated assets at year end.

44. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and polices *(CONTINUED)*

Market risk *(CONTINUED)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate other borrowings (see Note 29 for details of these borrowings). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see Note 28 for details of these borrowings). It is the Group's policy to maintain an appropriate level between its fixed-rate and variable-rate borrowings so as to balance the fair value and cash flow interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of lending rate of PBOC arising from the Group's RMB denominated bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate borrowings at the end of each reporting period. The analysis is prepared assuming these borrowings outstanding at the end of reporting period were outstanding for the whole year. A 50 basis point (2008: 150 basis points) increase or decrease 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.

For bank balances, management is of the opinion that the impact of interest rates risk is in significant. Accordingly, no sensitivity analysis is presented.

If interest rates had been 50 basis points (2008: 150 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2009 would increase/decrease by approximately HK$455,000 (2008: HK$1,919,000).

The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable-rate borrowings as well as adjustment of the sensitivity rate from 150 basis points in 2008 to 50 basis points in 2009 for assessing interest rate risk after considering the volatility of the financial market conditions during the year.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities, listed and unlisted warrants. The Group's equity price risk is mainly concentrated on equity instruments issued by three entities listed in TSE and NYSE (2008: four entities listed in TSE). In addition, the Group will monitor the price risk and will consider hedging the risk exposure should the need arise.

44. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and polices *(CONTINUED)*

Market risk *(CONTINUED)*

(iii) Other price risk *(CONTINUED)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 5% (2008: 5%) higher/lower:

- post-tax loss for the year ended 31 December 2009 would decrease/increase by approximately HK$252,750 (2008: HK$22,500) as a result of the changes in fair value of held-for-trading investments; and

- investment valuation reserve would increase/decrease by approximately HK$10,710,000 (2008: HK$3,606,000) for the Group as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31 December 2009, 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 is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has reviewed the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made to irrecoverable amounts.

In respect of mining operations, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 90 days from the date of billing. Billings to customers are normally made immediately after the date of delivery except for billings to copper and zinc customers which are made after 1 to 2 months from the date of delivery when metal contents are tested and confirmed by the customers. Overseas customers are required to settle in cash on delivery. Normally, the Group does not obtain collateral from customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate as at the end of the reporting period. The table includes both interest and principal cash flows.

44. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and polices *(CONTINUED)*

Liquidity risk *(CONTINUED)*

Liquidity tables

	Weighted average interest rate %	Within 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2009							
Trade and other payables	**—**	**143,332**	**—**	**—**	**—**	**143,332**	**143,332**
Amounts due to minority shareholders	**—**	**150,500**	**—**	**—**	**—**	**150,500**	**150,500**
Bank borrowings — variable rates	**5.49**	**59,652**	**74,545**	**—**	**—**	**134,197**	**119,448**
Other borrowings	**—**	**1,137**	**—**	**—**	**—**	**1,137**	**1,137**
Other borrowing — fixed rate	**2.55**	**124**	**341**	**1,619**	**3,607**	**5,691**	**4,880**
Other long term payables	**5.76**	**—**	**21,152**	**63,482**	**30,049**	**114,683**	**95,664**
		354,745	**96,038**	**65,101**	**33,656**	**549,540**	**514,961**

	Weighted average interest rate %	Within 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2008							
Trade and other payables	—	289,273	—	—	—	289,273	289,273
Amounts due to jointly controlled entities	—	758	—	—	—	758	758
Amounts due to minority shareholders	—	150,636	—	—	—	150,636	150,636
Bank borrowings — variable rates	5.31	145,565	35,949	—	—	181,514	170,535
Other borrowings	—	1,137	—	—	—	1,137	1,137
Other borrowing — fixed rate	2.55	124	124	1,432	4,136	5,816	4,877
Other long term payables	6.80	—	46,842	46,842	—	93,684	85,642
		587,493	82,915	48,274	4,136	722,818	702,858

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

44. FINANCIAL INSTRUMENTS *(CONTINUED)*

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices.
- the fair value of other financial assets and financial liabilities determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their corresponding fair values.

Fair value measurements recognised in the consolidated statement of financial position

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 market 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).

	At 31 December 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at FVTPL				
Listed warrants	5,381	—	—	5,381
Unlisted warrants	—	—	1,365	1,365
Available-for-sale investments				
Listed equity securities	214,199	—	—	214,199
Total	219,580	—	1,365	220,945

There were no transfers between Level 1 and 2 in the current year.

44. FINANCIAL INSTRUMENTS *(CONTINUED)*

(c) Fair value *(CONTINUED)*

Reconciliation of Level 3 fair value measurements of financial liabilities

	Unlisted warrants *HK$'000*
At 1 January 2009	590
Total gains included in "other gains or losses"	775
At 31 December 2009	1,365

45. RELATED PARTY TRANSACTIONS

Details of balances with related parties are disclosed in Note 26. The Group entered into the following transaction with a related party:

	2009 *HK$'000*	2008 *HK$'000*
Sales of goods to a minority shareholder	**—**	40,730

Compensation of key management personnel

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

	2009 *HK$'000*	2008 *HK$'000*
Short-term benefits	**20,930**	12,171
Post-employment benefits	**859**	261
Share-based payments	**19,432**	38,779
	41,221	51,211

The remuneration of directors and key executives is determined by the remuneration committee having regard to the financial performance of the Group, performance of individuals and market trends.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE GROUP

Details of the Group's principal subsidiaries as at 31 December 2009 and 2008 are set as follows:

			Proportion of ownership interest			
Name of company	Place of incorporation/ operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Biogrowth Assets Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	100%	—	Inactive
Lead Sun Investments Limited	British Virgin Islands/ Hong Kong	1,000 shares of US$1 each	57%	57%	—	Investment holding
New Legend International Group Limited	Hong Kong/ Hong Kong	1 share of HK$1	100%	100%	—	Provision of administrative support to group companies
Shanxi Shenli Aerospace Titanium Company Limited# ("Shanxi Shenli") (山西神利航天鈦業有限公司)	The PRC/ The PRC	Registered capital RMB184,800,000	51.3%	—	90%	Rutile mining
Titanspeed Investments Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	100%	—	Inactive
Top Rank International Group Limited	British Virgin Islands/ Hong Kong	50,000 shares of US$1 each	57%	—	100%	Investment holding
Saxony Goal Limited	Hong Kong/ Hong Kong	10,000 shares of HK$1 each	100%	100%	—	Inactive
Best Tone Holdings Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	100%	—	Investment holding
Will Win Group Limited	Hong Kong/ Hong Kong	1 share of HK$1	100%	100%	—	Investment holding
Harbin Songjiang Copper (Group) Company Limited# (哈爾濱松江銅業(集團)有限公司)	The PRC/ The PRC	RMB240,788,100	75.08%	75.08%	—	Sales of copper, zinc, molybdenum and other nonferrous metals
Acheng Xiaoling Iron & Zinc Co. Ltd.# (阿城市小嶺鐵鋅有限公司)	The PRC/ The PRC	RMB3,866,000	75.08%	—	100%	Processing of molybdenum and iron
Harbin Songjiang Copper Enterprise Co. Ltd.# (哈爾濱松江銅業實業有限公司)	The PRC/ The PRC	RMB50,962,500	75.08%	—	100%	Mining, processing and sales of copper and zinc
Harbin Songjiang Molybdenum Ltd.# (哈爾濱松江鉬業有限公司)	The PRC/ The PRC	RMB128,782,900	75.08%	—	100%	Mining, processing and sales of molybdenum

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE GROUP *(CONTINUED)*

Name of company	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Xinganmeng Songjiang Mining Co. Ltd# (興安盟松江礦業有限公司)	The PRC	RMB10,000,000	75.08%	—	100%	Under construction of smelting and mining plant
Shangzhi Zhuhe Mining Co. Ltd.# (尚志市珠河礦業有限公司)	The PRC/ The PRC	RMB50,000,000	75.08%	—	100%	Processing of molybdenum
Ejinaqi Qiaolun Engeci Quartz Production Co. Ltd# (額濟納旗喬倫恩格茨石英有限公司)	The PRC	RMB500,000	75.08%	—	100%	Not yet commenced business
Inner Mongolia Zhongrun Magnesium Co. Ltd.#* (內蒙古中潤鎂業有限公司)	The PRC	RMB50,000,000	75.08%	—	100%	Inactive
Wuhai Derun Ferroalloy Limited Liability Company#* (烏海市德潤鐵合金有限責任公司)	The PRC/ The PRC	RMB10,000,000	75.08%	—	100%	Inactive
New Victor Investment Limited^	Hong Kong/ Hong Kong	10,000 shares of HK$1 each	100%	—	100%	Inactive
King Gold Investments Limited^	British Virgin Islands/ Hong Kong	100 shares of US$1 each	80%	80%	—	Investment holding
Desire Star Hong Kong Limited^	Hong Kong/ Hong Kong	100 share of HK$1 each	80%	—	100%	Investment holding
Wuyi Star Tea Industrial Co., Ltd.#^ (武夷星茶業有限公司)	The PRC/ The PRC	RMB109,000,000	80%	—	100%	Production and sales of tea products
China Dahongpao Tea Industrial Company Limited^	Hong Kong/ Hong Kong	10,000 shares of HK$1 each	80%	—	100%	Inactive
Fortune Sharp Limited^	British Virgin Islands/ Hong Kong	1 share of US$1	80%	—	100%	Trading of tea products

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group.

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

A limited liability company established in the PRC
* Disposed of during 2009
^ Acquired during 2009

	For the year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Restated)		
RESULTS					
Revenue					
Continuing operations	**250,103**	493,767	674,955	17,366	15,634
Discontinued operations	**—**	25,037	21,461	138,207	175,204
	250,103	518,804	696,416	155,573	190,838
(Loss) profit for the year attributable to:					
Owners of the Company	**(318,355)**	(3,174,608)	212,297	(8,244)	(55,200)
Minority interests	**(79,479)**	(1,571,489)	12,095	(998)	—
	(397,834)	(4,746,097)	224,392	(9,242)	(55,200)

	As at 31 December				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**1,969,445**	2,360,299	7,439,339	2,172,179	297,041
Total liabilities	**(837,340)**	(1,102,704)	(1,786,305)	(239,759)	(69,614)
	1,132,105	1,257,595	5,653,034	1,932,420	227,427
Represented by:					
Equity attributable to owners of the Company	**1,047,277**	1,132,280	3,992,892	1,121,572	227,427
Minority interests	**84,828**	125,315	1,660,142	810,848	—
	1,132,105	1,257,595	5,653,034	1,932,420	227,427