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中國大冶有色金屬礦業有限公司

China Daye Non-Ferrous Metals Mining Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00661)

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

INTERIM RESULTS

The board of directors (the “Board”) of China Daye Non-Ferrous Metals Mining Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011. The interim results for the six months ended 30 June 2011 have been audited by the auditors of the Company and have been reviewed by the Company’s audit committee. The audit opinion issued by the auditors of the Company was modified due to the fact that the comparative figures for the six months ended 30 June 2010 were not subject to audit (see details in note 41).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		For the six months ended 30 June	
		2011	2010
			(Unaudited)
	Notes	HK\$'000	(Note 41) HK\$'000
REVENUE	6	50,283	100,861
COST OF SALES		(50,789)	(100,095)
		(506)	766
OTHER REVENUE	6	43	1,094
GENERAL AND ADMINISTRATIVE EXPENSES		(17,712)	(14,166)
OPERATING LOSS FOR THE PERIOD	8	(18,175)	(12,306)
FINANCE COSTS	9	(6,649)	(3)
LOSS BEFORE TAXATION		(24,824)	(12,309)
INCOME TAX	11	—	(36)
LOSS FOR THE PERIOD		(24,824)	(12,345)

		For the six months ended 30 June	
		2011	2010
			(Unaudited)
			(Note 41)
Notes	HK\$'000		HK\$'000
OTHER COMPREHENSIVE INCOME:			
Exchange difference arising on translation of foreign operations			
– Exchange differences arising during the period		<u>1,936</u>	<u>992</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX			
		<u>1,936</u>	<u>992</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			
		<u>(22,888)</u>	<u>(11,353)</u>
LOSS ATTRIBUTABLE TO:			
– owners of the Company		(21,723)	(10,761)
– non-controlling interests		<u>(3,101)</u>	<u>(1,584)</u>
		<u>(24,824)</u>	<u>(12,345)</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
– owners of the Company		(20,709)	(9,790)
– non-controlling interests		<u>(2,179)</u>	<u>(1,563)</u>
		<u>(22,888)</u>	<u>(11,353)</u>
		HK cents	HK cents
Loss per share:	13		
– Basic		<u>(0.39)</u>	<u>(0.19)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

		As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	14	69,376	55,535
Prepaid lease payment	15	1,667	1,656
Jointly controlled entities	18	–	–
Mining rights	16	2,156,585	2,156,585
TOTAL NON-CURRENT ASSETS		2,227,628	2,213,776
CURRENT ASSETS			
Deposit for acquisition	19	170,000	170,000
Prepaid lease payment	15	44	44
Inventories	20	2,864	2,885
Trade and other receivables	21	52,418	82,351
Cash and bank balances	22	190,382	187,304
TOTAL CURRENT ASSETS		415,708	442,584
CURRENT LIABILITIES			
Trade and other payables	23	10,600	7,521
Deferred income	24	7,104	6,966
Tax payable		4,032	4,032
TOTAL CURRENT LIABILITIES		21,736	18,519
NET CURRENT ASSETS		393,972	424,065

		As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000
	Notes		
TOTAL ASSETS LESS CURRENT LIABILITIES		2,621,600	2,637,841
NON-CURRENT LIABILITIES			
Cumulative redeemable preference shares	25	110	110
Convertible notes	26	96,533	89,886
Deferred tax liabilities	27	539,146	539,146
TOTAL NON-CURRENT LIABILITIES		635,789	629,142
NET ASSETS		1,985,811	2,008,699
CAPITAL AND RESERVES			
Share capital	28	279,560	279,560
Reserves	30	798,083	818,792
Equity attributable to owners of the Company		1,077,643	1,098,352
Non-controlling interests		908,168	910,347
TOTAL EQUITY		1,985,811	2,008,699

STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

		As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,940	2,154
Jointly controlled entities	18	–	–
Interest in subsidiaries	17	2,164,476	2,204,422
TOTAL NON-CURRENT ASSETS		2,166,416	2,206,576
CURRENT ASSETS			
Deposit for acquisition	19	170,000	170,000
Trade and other receivables	21	32,255	11,109
Cash and bank balances	22	15,423	5,798
TOTAL CURRENT ASSETS		217,678	186,907
CURRENT LIABILITIES			
Trade and other payables	23	4,792	3,237
TOTAL CURRENT LIABILITIES		4,792	3,237
NET CURRENT ASSETS		212,886	183,670
TOTAL ASSETS LESS CURRENT LIABILITIES		2,379,302	2,390,246

		As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000
	Notes		
NON-CURRENT LIABILITIES			
Cumulative redeemable preference shares	25	110	110
Convertible notes	26	96,533	89,886
TOTAL NON-CURRENT LIABILITIES		96,643	89,996
NET ASSETS		2,282,659	2,300,250
CAPITAL AND RESERVES			
Share capital	28	279,560	279,560
Reserves	30	2,003,099	2,020,690
TOTAL EQUITY		2,282,659	2,300,250

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

Attributable to the owners of the Company											
	Share capital	Share premium	Capital redemption reserve	Warrant reserve	Share-based payment reserve	Exchange reserve	Convertible notes equity reserve	Accumulated losses	Sub-total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2010 (Unaudited) (Note 41)											
At 1 January 2010	279,560	2,916,091	2,241	3,000	87,627	(38,337)	-	(2,155,373)	1,094,809	872,029	1,966,838
Loss for the period	-	-	-	-	-	-	-	(10,761)	(10,761)	(1,584)	(12,345)
Exchange differences arising on translation of foreign operations:											
- Exchange differences arising during the period	-	-	-	-	-	971	-	-	971	21	992
Total comprehensive income for the period	-	-	-	-	-	971	-	(10,761)	(9,790)	(1,563)	(11,353)
At 30 June 2010	279,560	2,916,091	2,241	3,000	87,627	(37,366)	-	(2,166,134)	1,085,019	870,466	1,955,485
For the six months ended 30 June 2011											
At 1 January 2011	279,560	2,916,091	2,241	3,000	85,003	(37,446)	25,725	(2,175,822)	1,098,352	910,347	2,008,699
Loss for the period	-	-	-	-	-	-	-	(21,723)	(21,723)	(3,101)	(24,824)
Exchange differences arising on translation of foreign operations:											
- Exchange differences arising during the period	-	-	-	-	-	1,014	-	-	1,014	922	1,936
Total comprehensive income for the period	-	-	-	-	-	1,014	-	(21,723)	(20,709)	(2,179)	(22,888)
Lapse of warrants	-	-	-	(3,000)	-	-	-	3,000	-	-	-
At 30 June 2011	279,560	2,916,091	2,241	-	85,003	(36,432)	25,725	(2,194,545)	1,077,643	908,168	1,985,811

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

		For the six months ended	
		30 June 2011	30 June 2010
			(Unaudited)
			(Note 41)
	Notes	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(24,824)	(12,309)
Adjustments for:			
Interest income	6	(91)	(347)
Finance costs	9	6,649	3
Impairment of other receivables		180	–
Amortisation of prepaid lease payment	15	22	21
Depreciation of property, plant and equipment	14	1,465	1,235
Deferred income recognised	24	–	(990)
Loss on disposal of property, plant and equipment		–	1
Operating loss before changes in working capital		(16,599)	(12,386)

		For the six months ended	
		30 June 2011	30 June 2010
			(Unaudited)
			(Note 41)
	Notes	HK\$'000	HK\$'000
Decrease in investments held for trading		–	6,990
Decrease/(Increase) in inventories		21	(134)
Decrease/(Increase) in trade and other receivables		29,753	(11,426)
Increase/(Decrease) in trade and other payables		3,077	(3,646)
Net cash generated from/(used in) operating activities		16,252	(20,602)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	6	91	347
Proceeds from disposal of property, plant and equipment		–	4
Purchase of property, plant and equipment	14	(14,772)	(1,544)
Net cash used in investing activities		(14,681)	(1,193)

	Notes	For the six months ended	
		30 June 2011	30 June 2010 (Unaudited) (Note 41)
		HK\$'000	HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		<u>-</u>	<u>-</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,571	(21,795)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		187,304	343,961
Effects of foreign exchange rate changes		<u>1,507</u>	<u>796</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>190,382</u>	<u>322,962</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		<u>190,382</u>	<u>322,962</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. CORPORATE INFORMATION

China Daye Non-Ferrous Metals Mining Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the main board of 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 Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Unit 2001, World Wide House, 19 Des Voeux Road Central, Hong Kong respectively.

During the period, the Company and its subsidiaries (collectively referred to the “Group”) was involved in the following principal activities:

- Corporate investment and trading in securities;
- Minerals exploitation; and
- Trading in non-ferrous metals.

In the opinion of the directors, as at 30 June 2011 the ultimate holding company is Daye Nonferrous Metals Group Holdings Co., Limited (“Daye Corp”) (formerly known as “Hubei Daye Non-Ferrous Metals Co.”), a company incorporated with limited liability under the laws of the People's Republic of China (the “PRC”).

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

During the period, the Group and the Company have 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”).

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKAS 1 (Amendments)	Presentation of Financial Statements
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK (IFRIC) -Int 14 (Amendments)	Prepayments of Minimum Funding Requirement
HK (IFRIC) -Int 19	Extinguishing Financial Liabilities with Equity

The adoption of the new and revised HKFRSs has no material effect on the financial statements of the Group and the Company for the current and prior accounting periods.

The Group and the Company have not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments ⁽¹⁾
HKFRS 10	Consolidated Financial Statements ⁽¹⁾
HKFRS 11	Joint Arrangements ⁽¹⁾
HKFRS 12	Disclosure of Interests in Other Entities ⁽¹⁾
HKFRS 13	Fair Value Measurement ⁽¹⁾
HKAS 1 (Revised)	Presentation of Financial Statements ⁽³⁾
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ⁽²⁾
HKAS 19	Employee Benefits ⁽¹⁾
HKAS 19 (2011)	Employee Benefits ⁽¹⁾
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁽¹⁾
HKAS 27 (2011)	Separate Financial Statements ⁽¹⁾
HKAS 28	Investments in Associates ⁽¹⁾
HKAS 28 (2011)	Investments in Associates and Joint Ventures ⁽¹⁾
HK(SIC)-Int 12	Consolidation – Special Purpose Entities ⁽¹⁾
HK(SIC)-Int 13	Jointly Controlled Entities – Jointly Controlled Entities – Non-Monetary Contributions by Venturers ⁽¹⁾

⁽¹⁾ Effective for annual periods beginning on or after 1 January 2013.

⁽²⁾ Effective for annual periods beginning on or after 1 January 2012.

⁽³⁾ Effective for annual periods beginning on or after 1 July 2012.

HKFRS 9 Financial Instruments 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 financial assets.

The issuance of HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements and HKFRS 12 Disclosure of Interests in Other Entities completes improvements to the accounting requirements for off balance sheet activities and joint arrangements and concludes an important element of the International Accounting Standards Board's comprehensive response to the financial crisis.

- HKFRS 10 Consolidated Financial Statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- HKFRS 11 Joint Arrangements provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities.
- HKFRS 12 Disclosure of Interests in Other Entities is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

HKFRS 13 Fair Value Measurement improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

The amendments to HKAS 1 (Revised) Presentation of Financial Statements require companies preparing financial statements in accordance with HKFRSs to group together items within other comprehensive income (OCI) that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.

The issuance of HKAS 19 (2011) Employee Benefits completes improvements to the accounting requirements for pensions and other post-employment benefits and HKAS 19 (2011) makes important improvements by:

- Eliminating an option to defer the recognition of gains and losses, known as the “corridor method”, improving comparability and faithfulness of presentation.
- Streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in OCI, thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations.
- Enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by HKICPA, accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for certain financial instruments, which are measured at fair values.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) 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 period 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.

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

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combinations and the non-controlling interests' share of changes in equity since the date of the combination. Losses of non-wholly owned subsidiary are attributed to the owners of the company and non-controlling interest even if that results in deficit balances.

(b) Business combinations

Business combinations not under common control arising on acquisitions prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was 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 met the relevant conditions for recognition were generally recognised at fair value at the acquisition date. Goodwill arising on acquisition was 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 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, after reassessment, is recognised immediately in profit or loss. The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Business combinations not under common control arising on acquisitions on or after 1 January 2010

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

At the acquisition date, the acquiree's identifiable assets acquired and the liabilities assumed are recognised at their fair values at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the share-based payment transactions of the acquiree or replacement of an acquiree's share-based payment transactions with the share-based payment transaction of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Noncurrent Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's net identifiable assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by HKFRSs.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

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

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

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

(c) *Subsidiary*

A subsidiary is an enterprise in which the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another enterprise.

Investment in subsidiaries is included in the Company's statement of financial position at cost less any impairment losses, unless it is classified as held for sale. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) *Associates and jointly controlled entities*

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets, unless it is classified as held for sale. The consolidated statement of comprehensive income includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the period, including any impairment loss on goodwill relating to the investment in associates and jointly controlled entities recognised for the period.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

From 1 January 2010 onwards, upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's statement of financial position, investment in associates and jointly controlled entities is stated at cost less impairment losses, unless it is classified as held for sale.

(e) Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Goodwill arising on an acquisition of an associate or a jointly controlled entity represents the excess of the cost of the acquisition over the Group's share of the relevant associate's or jointly controlled entity's net assets at the date of acquisition.

Capitalised goodwill is presented separately in the consolidated statement of financial position and is carried at cost less any accumulated impairment losses. 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 the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, an associate or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(f) *Revenue recognition*

Revenue, which is measured at the fair value of the consideration received or receivable, is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, on the following bases:

- (i) Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes;
- (ii) Income arising from sales of trading securities is recognised on the completion of transfer of risks and rewards of ownership of the investments to the transferee and the legal title being passed;

- (iii) interest income 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount; and
- (iv) Dividend income is recognised when the shareholder's right to receive payment is established.

(g) Leases

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.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss 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. Interest in leasehold land is amortised over the lease term on a straight-line basis

(h) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated 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 retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at closing rate. Exchange differences arising are included in the translation reserve.

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

(i) *Borrowing costs*

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

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

(j) *Employee benefits*

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

Employee entitlements to sick leave and maternity or paternity leaves are not recognised until the time of leave.

(ii) *Employee leave entitlements*

Provision for profit sharing and bonus payments due wholly within twelve months after the end of the reporting period are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) *Retirement benefit costs*

The Group's contributions to the defined contribution retirement scheme set up pursuant to the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "MPF" Scheme) for all qualifying employees are expensed as incurred. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(iv) *Retirement benefits schemes*

The Company's PRC and Mongolia subsidiaries participate in defined contribution retirements schemes organised by the local government authorities. All of the employees are entitled to an annual pension equivalent to a fixed portion of their basic salaries at their retirement dates. The Company's PRC and Mongolia subsidiaries are required to contribute certain percentage ranged from 11% to 15% of the basic salaries of their employees to the retirement schemes and have no further obligation for post-retirement benefits. The contributions are charged to the profit and loss of the Group as they become payable in accordance with the rules of schemes.

(v) *Share-based payments*

The Group operates equity-settled share-based payments to certain directors, employees and other parties.

Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period with a corresponding increase in a capital reserve within equity, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained earnings).

Fair value is measured using the Binomial Option Pricing Model. 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 behavioral considerations.

(k) 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 period. 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 periods 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 at 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 base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(I) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of property, plant and equipment, after taking into account of their estimated residual value, if any, over their estimated useful lives, using the straight-line method. The principal annual rates are as follows:

Leasehold improvement	20%
Furniture, fixtures and equipment	15% – 20%
Motor vehicles	25%
Plant and machineries	15%
Building and mining structure	5%

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 the consolidated statement of comprehensive income in the year in which the item is derecognised.

Construction in progress, which represents assets under construction, is stated at cost less impairment loss, if any. When the assets are completed and ready for use, the carrying amount of the assets will be reclassified to property, plant and equipment and depreciated in accordance with the policy as set out above.

(m) Mining right

Mining rights are stated at cost less accumulated amortisation and any impairment losses and are amortised on a straight line basis over the estimated useful life of the mines based on the total proven and probable reserves of the mines using the units of production method.

(n) Exploration and related expenses

Exploration and related expenses include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

(o) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of comprehensive income over the expected useful life of the relevant asset by equal annual installments.

(p) *Impairment of tangible and intangible assets excluding goodwill*

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under other standard, in which case the impairment loss is treated as revaluation decrease under other standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under other standard, in which case the reversal of the impairment loss is treated as a revaluation increase under other standard.

Impairment losses recognised in an interim financial report prepared in compliance with “HKAS 34 Interim Financial Reporting” are not reversed at the end of the financial year to which the interim period relates even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of that financial year.

(q) Financial instruments

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

Effective interest method

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

Interest income for financial assets and interest expense for financial liabilities are recognised on an effective interest basis.

(i) Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale 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 assets within the time frame established by regulation or convention in the marketplace.

The accounting policies adopted in respect of each category of financial assets are set out below.

(1) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of and 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.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

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

At the end of each reporting period subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade receivables, loan receivables, other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

(3) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At the end of each reporting period subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

(4) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At the end of each reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss.

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

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 directly in equity is recognised in profit or loss.

(ii) *Financial liabilities*

The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities are set out below.

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

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near future; or
- 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.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

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

At the end of each reporting period subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability.

(2) Other financial liabilities

Other financial liabilities (including bank and other borrowings, trade and other payables) are subsequently measured at amortised cost, using the effective interest method.

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 is recognised in profit or loss.

(3) Convertible notes

Convertible notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the convertible notes into equity, is included in equity (convertible notes equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

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

(iii) *Equity instruments*

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on purchase, sale, issue or cancellation of the Company's own equity instruments.

Warrants issued by the group entities which will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments, are recorded at the proceeds received, net of direct issue costs.

(iv) *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 profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

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.

(r) Financial guarantees, provisions and contingent liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The Group has asserted to regard financial guarantee contracts as insurance contracts and elect to apply “HKFRS 4 Insurance Contracts” to account for such contracts. The election applies to all existing contracts and new contracts on a contract-by-contract basis and is irrevocable for each contract elected.

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Present obligation is disclosed as a contingent liability where it is not probable that an outflow of economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future event (s) is also disclosed as a contingent liability unless the probability of outflow of economic benefits is remote.

(s) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(t) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(u) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ('reporting entity').

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

5. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

(a) Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations as discussed below, which have the most significant effect on the amounts recognised in the consolidated financial statements.

(i) Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(ii) *Exploration and related expenses*

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgments in determining whether it is likely that future economic benefits will arise, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalised, information becomes available suggesting that the recovery of capitalised expenditures are unlikely, the amount capitalised is written off in the consolidated statement of comprehensive income in the period when the new information becomes available.

(iii) *Income taxes*

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

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgment regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of each reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the consolidated statement of comprehensive income.

(b) Estimation uncertainty

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

(i) Impairment test of assets

The Group determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the subjective judgments involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as proven and probable. Proven and probable mine reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each mine. In addition, price and cost levels change from year to year, the estimates of proven and probable mine reserves also change. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in the related amortisation rates of mining rights.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining amortisation expenses and impairment losses of mining rights. Amortisation rates are determined based on estimated proven and probable mine reserve quantity and capitalised costs of mining rights. The capitalised costs of mining rights are amortised over the estimated useful lives of the mines based on the proven and probable reserves of the mines using the units of production method.

(iii) *Income taxes*

The Group reviews the carrying amount of deferred tax assets at the end of each reporting period and reduces the amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. This requires an estimation of the future taxable profits. Estimating the future taxable profits requires the Group to make an estimate of the expected future earnings from the Group and also to choose a suitable discount rate in order to calculate the present value of the earnings.

(iv) *Depreciation of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year the estimate is changed and the future period.

(v) *Valuation of share options*

Share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the consolidated statement of comprehensive income and share-based payment reserve.

6. REVENUE

- (a) An analysis of the Group's revenue for the six months ended 30 June 2011 is as follows:

	For the six months ended 30 June	
	2011	2010
		(Unaudited)
		(Note 41)
	HK\$'000	HK\$'000
Sales of marketable securities	–	7,221
Sales of copper concentrate	935	–
Sales of non-ferrous metals	49,257	93,293
Other interest income	91	347
	50,283	100,861

- (b) An analysis of the Group's other revenue for the six months ended 30 June 2011 is as follows:

	For the six months ended 30 June	
	2011	2010
		(Unaudited)
		(Note 41)
	HK\$'000	HK\$'000
Miscellaneous income	43	104
Government grant	–	990
	43	1,094

7. SEGMENT INFORMATION

HKFRS 8 *Operating Segments* requires the Group to disclose reported segments in accordance with internal reports that are provided to the Group's chief operating decision maker. The Group considers its directors to be the chief operating decision maker. For management purposes, the Group is organised into three operating segments. These operating segments form the basis on which the Group's directors make decisions about resource allocation and performance assessment. The Group has three reportable segments under HKFRS 8:

- (a) Corporate investment and trading in securities;
- (b) Minerals exploitation; and
- (c) Trading in non-ferrous metals.

For the purposes of assessing segment performance and resources allocation between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment revenue represents revenue generated from external customers. There were no inter-segment sales during the period.

Segment result represents the profit/(loss) earned by each segment without allocation of corporate income and expense, central administration cost, directors' salaries, interest income, impairment of other receivables.

Segment assets include all tangible, intangible assets and current assets.

Segment liabilities include all trade and other payables other than tax payable and deferred tax liabilities.

(a) Segment revenues and results

Six months ended 30 June 2011 (Audited)				
	Corporate investment and trading in securities HK\$'000	Minerals exploitation HK\$'000	Trading in non-ferrous metals HK\$'000	Total HK\$'000
Segments revenue	<u>-</u>	<u>935</u>	<u>49,257</u>	<u>50,192</u>
Segments results	<u>-</u>	<u>(6,672)</u>	<u>(620)</u>	<u>(7,292)</u>
Interest income				91
Unallocated corporate expenses				(10,794)
Impairment of other receivables				(180)
Finance costs				<u>(6,649)</u>
Consolidated loss before taxation				<u>(24,824)</u>

Six months ended 30 June 2010 (Unaudited) (Note 41)				
	Corporate investment and trading in securities HK\$'000	Minerals exploitation HK\$'000	Trading in non-ferrous metals HK\$'000	Total HK\$'000
Segments revenue	<u>7,221</u>	<u>-</u>	<u>93,293</u>	<u>100,514</u>
Segments results	<u>230</u>	<u>(2,821)</u>	<u>218</u>	<u>(2,373)</u>
Interest income				347
Unallocated corporate income				104
Unallocated corporate expenses				(10,384)
Finance costs				<u>(3)</u>
Consolidated loss before taxation				<u>(12,309)</u>

(b) Segment assets and liabilities

	As at 30 June 2011 (Audited)			Total HK\$'000
	Corporate investment and trading in securities HK\$'000	Minerals exploitation HK\$'000	Trading in non-ferrous metals HK\$'000	
Segment assets	40	2,287,446	135,578	2,423,064
Unallocated assets				220,272
Consolidated assets				2,643,336
Segment liabilities	56	12,657	47	12,760
Unallocated liabilities				644,765
Consolidated liabilities				657,525

	As at 31 December 2010 (Audited)			Total HK\$'000
	Corporate investment and trading in securities HK\$'000	Minerals exploitation HK\$'000	Trading in non-ferrous metals HK\$'000	
Segment assets	40	2,275,798	183,819	2,459,657
Unallocated assets				196,703
Consolidated assets				2,656,360
Segment liabilities	56	10,994	47	11,097
Unallocated liabilities				636,564
Consolidated liabilities				647,661

(c) Other segment information

Six months ended 30 June 2011 (Audited)			
	Corporate investment and trading in securities HK\$'000	Minerals exploitation HK\$'000	Trading in non-ferrous metals HK\$'000
Capital expenditure	–	14,720	–
Depreciation of property, plant and equipment	–	1,198	–
Amortisation of prepaid lease payment	–	22	–
	–	15,940	–

Six months ended 30 June 2010 (Unaudited)			
(Note 41)			
	Corporate investment and trading in securities HK\$'000	Minerals exploitation HK\$'000	Trading in non-ferrous metals HK\$'000
Capital expenditure	–	1,484	–
Depreciation of property, plant and equipment	–	1,084	–
Amortisation of prepaid lease payment	–	21	–
	–	2,589	–

(d) Geographical information

The Group operates in three principal geographical areas – the People's Republic of China (excluding Hong Kong) (The PRC), Hong Kong, and Mongolia.

The Group's revenue from external customers and information about its non-current assets and capital expenditure by geographical location are detailed below:

Six months ended 30 June 2011 (Audited)				
	Hong Kong	The PRC	Mongolia	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	49,257	935	–	50,192
Other segment information:				
Non-current assets	1,940	1,483,643	742,045	2,227,628
Capital expenditure	52	10,517	4,203	14,772

Six months ended 30 June 2010 (Unaudited) (Note 41)				
	Hong Kong	The PRC	Mongolia	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	100,514	–	–	100,514
Other segment information:				
Non-current assets	1,190	1,452,431	709,821	2,163,442
Capital expenditure	60	1,468	16	1,544

8. OPERATING LOSS FOR THE PERIOD

Operating loss of the Group for the period has been arrived at after charging the followings:

	For the six months ended 30 June	
	2011	2010
		(Unaudited)
		(Note 41)
	HK\$'000	HK\$'000
Staff costs (including directors' remuneration – note 10)		
– Salaries and allowances	4,771	3,492
– Other staff costs	301	324
– Retirement benefits scheme contributions	38	31
	5,110	3,847
Amortisation of prepaid lease payment	22	21
Depreciation of property, plant and equipment	1,465	1,235
Auditors' remuneration		
– Audit services	960	–
– Other services	51	66
Operating leases on land and buildings	1,353	786
Impairment of other receivables	180	–

9. FINANCE COSTS

	For the six months ended 30 June	
	2011	2010
		(Unaudited)
		(Note 41)
	HK\$'000	HK\$'000
Dividends on cumulative redeemable preference shares (note 12)	2	2
Other interest	–	1
Interest expenses on convertible notes maturing within five years (note 26)	6,647	–
	6,649	3

10. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

(i) Directors' emoluments

1 January 2011 to 30 June 2011 (Audited) Other emoluments

	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Employee share option benefits HK\$'000	Retirement benefits scheme HK\$'000	Total HK\$'000
Executive directors					
Wan Bi Qi	600	131	-	-	731
Chen Xiang	480	107	-	-	587
Yuan Ping	480	116	-	-	596
Long Zhong Sheng (note a)	-	-	-	-	-
Independent non-executive directors					
Wang Guoqi	50	-	-	-	50
Wang Qihong	50	-	-	-	50
Qiu Quan Zhou	50	-	-	-	50
	1,710	354	-	-	2,064

1 January 2010 to 30 June 2010 (Unaudited) (Note 41) Other emoluments

	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Employee share option benefits HK\$'000	Retirement benefits scheme HK\$'000	Total HK\$'000
Executive directors					
Wan Bi Qi	600	135	-	-	735
Zhang He (note b)	320	1	-	-	321
Chen Xiang	480	106	-	-	586
Yuan Ping	480	100	-	-	580
Independent non-executive directors					
Wang Guoqi	50	-	-	-	50
Wang Qihong	50	-	-	-	50
Qiu Quan Zhou	50	-	-	-	50
	2,030	342	-	-	2,372

Note (a): Appointed on 13 June 2011 and resigned on 15 June 2011

Note (b): Resigned on 1 May 2010

(ii) Five highest paid employees

During the six months ended 30 June 2011, the five highest paid individuals included three directors (for the six months ended 30 June 2010: four), details of whose emoluments are set out above. The emoluments of the remaining two (for the six months ended 30 June 2010: one) highest paid individual(s) were as follows:

	For the six months ended 30 June	
	2011	2010
		(Unaudited)
		(Note 41)
	HK\$'000	HK\$'000
Salaries and other emoluments	989	480
Retirement benefits scheme contributions	6	6
Employee share-based payment	–	–
	995	486

Emoluments of the two (for the six months ended 30 June 2010: one) non-director highest paid individual(s) fell within the following bands:

	Number of individual(s)	
	For the six months ended 30 June	
	2011	2010
		(Unaudited)
		(Note 41)
	HK\$'000	HK\$'000
HK\$ Nil to HK\$1,000,000	2	1

11. INCOME TAX

- (a) Income tax expense in the consolidated statement of comprehensive income represents:

	For the six months ended 30 June	
	2011	2010
		(Unaudited)
		(Note 41)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	–	36
Other jurisdictions	–	–
	–	36
Deferred taxation (note 27)	–	–
Tax expense for the period	–	36

The statutory tax rate for Hong Kong profit tax is 16.5% (For the six months ended 30 June 2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. No Hong Kong profits tax has been provided for in the consolidated financial statements as there are no assessable profits arising in or derived from Hong Kong during the period ended 31 June 2011 (For the six months ended 30 June 2010: HK\$36,000). Overseas income taxes have not been made as the Group's operation in these countries was operating at a loss during the period (For the six months ended 30 June 2010: Nil).

- (b) Reconciliation between income tax expense and accounting loss at applicable tax rates is as follows:

	For the six months ended 30 June	
	2011	2010
		(Unaudited)
		(Note 41)
	HK\$'000	HK\$'000
Loss before taxation	(24,824)	(12,309)
Notional tax on loss before taxation, calculated at the tax rates applicable to losses in the jurisdictions concerned	(4,559)	(2,259)
Tax effect of income not taxable	(1)	(38)
Tax effect of expenses not deductible and loss not allowable	4,458	2,333
Tax effect of estimated tax losses not recognised for the period	102	—
Tax expense for the period	—	36

12. DIVIDENDS ON CUMULATIVE REDEEMABLE PREFERENCE SHARES

	For the six months ended 30 June	
	2011	2010
		(Unaudited)
		(Note 41)
	HK\$'000	HK\$'000
Preference shares dividends		
Payable of HK\$0.151 per share on 16,485 shares	2	2

13. LOSS PER SHARE

The basic loss per share is calculated based on the loss attributable to owners of the Company of approximately HK\$21,723,000 (for the six months ended 30 June 2010: approximately HK\$10,761,000) and the weighted average number of 5,591,195,552 (for the period ended 30 June 2010: 5,591,195,552) ordinary shares in issue during the period.

The diluted loss per share for the six months ended 30 June 2011 and 30 June 2010 has not been disclosed as the potential shares arising from the exercise and conversion of the Company's share options, warrants, convertible notes and convertible preference shares would decrease the loss per share of the Group for the period and is regarded as anti-dilutive.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvement HK\$'000	Furniture, fixtures, and equipment HK\$'000	Motor vehicles HK\$'000	Plant and machineries HK\$'000	Building and mining structure HK\$'000	Construction in progress HK\$'000	Total HK\$'000
For the six months ended 30 June 2010 (Unaudited) (Note 41)							
Cost:							
At 1 January 2010	1,160	689	1,680	5,361	8,996	4,609	22,495
Additions	-	90	-	893	86	475	1,544
Transfer	-	-	-	-	-	-	-
Disposals	-	(9)	-	-	-	-	(9)
Exchange adjustment	-	2	14	65	99	53	233
At 30 June 2010	1,160	772	1,694	6,319	9,181	5,137	24,263
Accumulated depreciation and impairment losses:							
At 1 January 2010	99	338	1,022	1,555	750	-	3,764
Charge for the period	116	55	134	708	222	-	1,235
Written back on disposal	-	(4)	-	-	-	-	(4)
Exchange adjustment	-	1	7	22	10	-	40
At 30 June 2010	215	390	1,163	2,285	982	-	5,035
Net carrying amount:							
At 30 June 2010	945	382	531	4,034	8,199	5,137	19,228

	Leasehold improvement HK\$'000	Furniture, fixtures, and equipment HK\$'000	Motor vehicles HK\$'000	Plant and machineries HK\$'000	Building and mining structure HK\$'000	Construction in progress HK\$'000	Total HK\$'000
For the six months ended 30 June 2011							
Cost:							
At 1 January 2011	2,337	1,546	2,877	6,607	11,389	37,336	62,092
Additions	-	131	536	11	667	13,427	14,772
Transfer	-	-	-	-	336	(336)	-
Disposals	-	-	-	-	-	-	-
Exchange adjustment	(1)	13	10	131	165	310	628
At 30 June 2011	2,336	1,690	3,423	6,749	12,557	50,737	77,492
Accumulated depreciation and impairment losses:							
At 1 January 2011	362	558	1,712	2,607	1,318	-	6,557
Charge for the period	234	124	327	500	280	-	1,465
Written back on disposal	-	-	-	-	-	-	-
Exchange adjustment	-	3	6	57	28	-	94
At 30 June 2011	596	685	2,045	3,164	1,626	-	8,116
Net carrying amount:							
At 30 June 2011	1,740	1,005	1,378	3,585	10,931	50,737	69,376
At 31 December 2010	1,975	988	1,165	4,000	10,071	37,336	55,535

Company

	Leasehold improvement HK\$'000	Furniture, fixtures, and equipment HK\$'000	Total HK\$'000
For the six months ended 30 June 2010 (Unaudited) (Note 41)			
Cost:			
At 1 January 2010	1,160	487	1,647
Additions	–	59	59
At 30 June 2010	1,160	546	1,706
Accumulated depreciation and impairment losses:			
At 1 January 2010	99	266	365
Charge for the period	116	35	151
At 30 June 2010	215	301	516
Net carrying amount:			
At 30 June 2010	945	245	1,190
For the six months ended 30 June 2011			
Cost:			
At 1 January 2011	2,283	557	2,840
Additions	–	52	52
At 30 June 2011	2,283	609	2,892
Accumulated depreciation and impairment losses:			
At 1 January 2011	352	334	686
Charge for the period	228	38	266
At 30 June 2011	580	372	952
Net carrying amount:			
At 30 June 2011	1,703	237	1,940
At 31 December 2010	1,931	223	2,154

15. PREPAID LEASE PAYMENT

	As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000
Outside of Hong Kong – Lease less than 50 years	1,667	1,656
	1,667	1,656
	For the six months ended 30 June	
	2011	2010
		(Unaudited)
		(Note 41)
	HK\$'000	HK\$'000
Cost/carrying amount:		
At the beginning of the period	1,743	1,670
Exchange difference	33	18
	1,776	1,688
Accumulated amortisation:		
At the beginning of the period	43	–
Change for the period	22	21
	65	21
Net carrying value:		
At 30 June 2011 and 2010	1,711	1,667
Classified as current portion	44	44
Classified as non-current portion	1,667	1,623

Prepaid lease payment represented cost paid by a subsidiary to acquire land use right in the PRC on 25 December 2009. The subsidiary intends to erect office building on the land for own use. The land use right will be expired on 24 December 2049 and its cost is amortised over the lease term on a straight-line basis.

16. MINING RIGHTS

	As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000
Cost/carrying amount:		
At the beginning of the period/year	2,156,585	2,142,547
Impairment loss written back	<u>—</u>	<u>14,038</u>
At the end of the period/year	<u>2,156,585</u>	<u>2,156,585</u>

No amortisation was provided during the period as the Group has not yet commenced the exploitation of the ores. The impairment loss written back of HK\$14,038,000 was provided in the second half year of 2010.

17. INTEREST IN SUBSIDIARIES

	Company As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000
Unlisted shares, at cost	—	—
Amounts due from subsidiaries	2,228,335	2,261,281
Amounts due to subsidiaries	<u>(27,099)</u>	<u>(20,099)</u>
	2,201,236	2,241,182
Allowance for impairment losses	<u>(36,760)</u>	<u>(36,760)</u>
	<u>2,164,476</u>	<u>2,204,422</u>

The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Particulars of the Company's principal subsidiaries are set out in note 39 to financial statements.

18. JOINTLY CONTROLLED ENTITIES

Details of jointly controlled entities of the Group at the end of the reporting period are as follows:–

	Group		Company	
	As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000	As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000
Share of net liabilities	-	-	-	-
Amounts due from jointly controlled entities	-	-	-	-
Amounts due to jointly controlled entities	-	-	-	-
Allowances for impairment losses	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-	-

(a) Company	Place of Incorporation/ operation	Principal activities	Attributable equity interest
Yetcome Investments Limited	British Virgin Islands	Investment holding	33%
T & T Properties Sdn. Bhd	Malaysia	Property development	33%
Prizevest Sdn. Bhd	Malaysia	Property development	23%
Top Priority Sdn. Bhd.	Malaysia	Property development	23%
Victec Enterprise Sdn. Bhd.	Malaysia	Property development	23%
Prime Harvest Financial Holding Group Limited	British Virgin Islands	Investment holding	40%

Equity accounting for the Group's interests in all these jointly controlled entities has been discontinued since 2004 as the operations of these entities had ceased in consequence of Receivers appointed in the year 2002. The carrying amounts of these jointly controlled entities have been fully impaired.

The amounts due from/(to) these jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

19. DEPOSIT FOR ACQUISITION

On 13 April 2010, the Company entered into framework agreement pursuant to which the Company conditionally agreed to purchase 80% equity interest of Qianyi Limited, a company incorporated with limited liability in the British Virgin Islands which will, upon completion of the reorganization, indirectly hold 100% equity interest in 新疆同興礦業有限公司 (Xinjiang Tong Xing Mining Company Limited), a company incorporated with limited liabilities in the PRC ("Tong Xing"), at the consideration of HK\$280 million (the "Consideration"). The Consideration will be satisfied as to HK\$60 million by cash and as to HK\$220 million by the Company's issuing the convertible notes to the vendor. Details of the acquisition are set out in the announcement of the Company dated 16 April 2010.

On 14 July 2010, the Company entered into a formal agreement. Since there were changes to the proposed reorganisation, the parties now intend that Qianyi Limited will indirectly hold 80% equity interest in Tong Xing (instead of 100% equity interest as previously disclosed in the announcement dated 16 April 2010) upon completion of reorganization. Details of the formal agreement are set out in the announcement of the Company dated 16 July 2010.

On 30 December 2010, the Company entered into a supplemental agreement, pursuant to which certain terms of the agreement have been amended. Details of the supplemental agreement are set out in the announcement of the Company dated 30 December 2010.

As at 30 June 2011 and 31 December 2010, the Group had paid an aggregate deposit of approximately HK\$60 million in cash and delivered the first tranche of convertible notes in the principal amount of HK\$110 million for the acquisition.

20. INVENTORIES

	Group	
	As at	As at
	30 June	31 December
	2011	2010
	HK\$'000	HK\$'000
Raw materials	737	210
Work in progress	2,127	1,155
Finished goods	—	1,520
	<u>2,864</u>	<u>2,885</u>

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	As at	As at	As at	As at
	30 June	31 December	30 June	31 December
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	1,107	57,468	—	—
Other receivables	5,776	1,925	500	116
Prepayments and deposits	45,535	22,958	31,755	10,993
	<u>52,418</u>	<u>82,351</u>	<u>32,255</u>	<u>11,109</u>

The amount of HK\$Nil (31 December 2010: HK\$3.4 million) of margin deposit included in the above carrying amount of prepayments and deposits was pledged as a collateral for banking facilities.

The ageing analysis of trade receivables is as follows:

	Group		Company	
	As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000	As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000
0 – 3 months	1,107	39,108	-	-
4 – 6 months	-	18,360	-	-
	<u>1,107</u>	<u>57,468</u>	<u>-</u>	<u>-</u>

The Group normally offered credit terms of not over 180 days to customers.

22. CASH AND BANK BALANCES

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000	As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000
Trade payables	-	-	-	-
Temporary deposits, accruals and other payables	<u>10,600</u>	<u>7,521</u>	<u>4,792</u>	<u>3,237</u>
	<u>10,600</u>	<u>7,521</u>	<u>4,792</u>	<u>3,237</u>

The ageing analysis of trade payable is as follows:

	Group		Company	
	As at	As at	As at	As at
	30 June	31 December	30 June	31 December
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 – 3 months	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

24. DEFERRED INCOME

	Group	
	As at	As at
	30 June	31 December
	2011	2010
	HK\$'000	HK\$'000
Carrying value of deferred income	<u>7,104</u>	<u>6,966</u>

	For the six months	
	ended 30 June	
	2011	2010
		(Unaudited)
		(Note 41)
	HK\$'000	HK\$'000
Government grant received:		
At the beginning of the period	6,966	3,975
Recognition	-	(990)
Exchange adjustment	<u>138</u>	<u>15</u>
At the end of the period	<u>7,104</u>	<u>3,000</u>

25. CUMULATIVE REDEEMABLE PREFERENCE SHARES

	Number of shares	Amount HK\$'000
Authorised:		
6% convertible cumulative redeemable preference shares of HK\$1 each	100,000,000	100,000
Issued and fully paid:		
Balance at 31 December 2010 and 30 June 2011	16,485	110

A holder of the convertible cumulative redeemable preference shares ("CPS") is entitled to receive a fixed cumulative preferential dividend at the rate of 6% per annum on the notional value of HK\$5 per CPS to be paid half-yearly on 30 June and 31 December in each year.

A holder of the CPS may convert his shares held at any time into Ordinary Shares at the conversion price of HK\$0.036 per share, subject to adjustment.

The CPS may be redeemed by the holders of the CPS at any time after 30 June 1996 at a redemption price per share equal to the notional value plus accrued dividend.

The Company has the option to redeem all or some of the CPS at any time at the notional value of the CPS if the average of the closing prices of the Ordinary Share quoted on the Stock Exchange over the preceding 30 consecutive dealing days ending on the seventh day prior to the date upon which notice of redemption is given is greater than or equal to 150% of the conversion price in effect on such seventh day.

26. CONVERTIBLE NOTES

With reference to the announcements of the Company on the Stock Exchange of Hong Kong on 16 April 2010 and 16 July 2010, the Company entered into the Formal Agreement on 14 July 2010 for the acquisition of 100% shareholding in Qianyi Limited, a company which will, upon completion of the Reorganization, indirectly hold 80% equity interest in 新疆同興礦業有限責任公司 (Xinjiang Tong Xing Mining Company Limited) (“Tong Xing”).

Part of the Consideration will be satisfied by the Company’s issuing two tranches of convertible notes in the principal amount of HK\$110 million each (in aggregate, the principal amount is HK\$220 million). Only 50% of the Convertible Notes (First Tranche, that is, in the principal sum of HK\$110 million) has been delivered to the Vendor and the remaining 50% of the Convertible Notes (Second Tranche, that is, in the principal sum of HK\$110 million) will be delivered to the Vendor within 3 business days after the mining license of the Mine is granted to Tong Xing.

On 22 July 2010, the company delivered the First Tranche of convertible notes to the vendor. The notes carried coupon interest rate of 1% per annum, which shall be payable by the company upon redemption of the notes.

The notes entitle the holders to convert to ordinary shares of the Company at an initial conversion price of HK\$0.618 per conversion share (subject to the normal adjustments in accordance with the terms of the convertible notes) at any time during the period commencing from the date of issue of convertible notes.

Unless previous converted and cancelled by the Company, the Company shall redeem any outstanding convertible notes at the principal amount together with accrued interest on the maturity date which is the date falling two years after the issuing date.

The Company determined the fair value of the liability component based on the valuations performed by Ascent Partners Group Limited using discounted cash flow approach. The effective interest rate is 14.911%. The residual amount was assigned as the equity component for the conversion option and was included in the convertible notes equity reserve of the Company and the Group.

The liability component is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption.

The movement of different components of the convertible notes during the period is set out below:

	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
At 1 January 2010 and 30 June 2010 (Unaudited) (Note 41)	–	–	–
At 31 December 2010	89,886	25,725	115,611
At 1 January 2011	89,886	25,725	115,611
Interest expense (note 9)	6,647	–	6,647
At 30 June 2011	96,533	25,725	122,258

27. DEFERRED TAXATION

(a) The major deferred tax liabilities recognised are analysed below:

Group

	Mining rights HK\$'000
At 1 January 2010 and 30 June 2010 (Unaudited) (Note 41)	535,637
At 31 December 2010	539,146
At 1 January 2011 and 30 June 2011	539,146

During the six months ended 30 June 2011 and 30 June 2010, there was no deferred tax charged to consolidated statement of comprehensive income. The amount of deferred tax charged to consolidated statement of comprehensive income was HK\$3,509,000 (Unaudited) for the second half year of 2010.

(b) The major deferred tax assets/(liabilities) not recognised are analysed below:

Group

	Property, plant and equipment	Unused tax losses	Total
	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2010 (Unaudited) (Note 41)			
At 1 January 2010 and 30 June 2010	(8)	7,995	7,987
At 31 December 2010	(8)	7,995	7,987
For the six months ended 30 June 2011			
At 1 January 2011 and 30 June 2011	(8)	7,995	7,987

There was no net change in deferred tax assets/(liabilities) not recognised for the period.

Company

	Property, plant and equipment	Unused tax losses	Total
	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2010 (Unaudited) (Note 41)			
At 1 January 2010 and 30 June 2010	(8)	7,995	7,987
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2010	(8)	7,995	7,987
	<u> </u>	<u> </u>	<u> </u>
For the six months ended 30 June 2011			
At 1 January 2011 and 30 June 2011	(8)	7,995	7,987
	<u> </u>	<u> </u>	<u> </u>

There was no net change in deferred tax assets/(liabilities) not recognised for the period.

The Group and the Company have unused tax losses approximately HK\$7,995,000 respectively (For the year ended 31 December 2010: The Group and the Company have unused tax losses approximately HK\$7,995,000 respectively) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as the Company and its subsidiaries have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

28. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.05 each		
Balance at 31 December 2010 and 30 June		
2011	30,000,000,000	1,500,000
Issued and fully paid:		
Ordinary shares of HK\$0.05 each		
Balance at 31 December 2010 and 30 June		
2011	5,591,195,552	279,560

29. SHARE OPTIONS SCHEME

The Company's share options scheme was adopted by the Company on 13 October 2003 (the "Scheme") for the purpose of enabling the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme, the Board of Directors of the Company may, at its discretion, invite eligible participants (as contained in the Company's circular of 19 September 2003) to take up options to subscribe for shares of the Company. The principal terms of the Scheme are as follows:

- (i) The maximum number of shares in respect of which options may be granted under the Scheme must not, in aggregate, exceed 10% of the issued share capital of the Company as at the date of approval of the Scheme, unless approval of the shareholders has been obtained to renew the limit, and which must not in aggregate (including all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group) exceed 30% of the shares of the Company in issue from time to time.
- (ii) The number of shares in respect of which options may be granted to any individual in any 12-month period must not exceed 1% of the shares of the Company in issue as at the date of grant.

- (iii) The exercise price is determined by the Board in its absolute discretion at a price not less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (b) the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and (c) the nominal value of share.
- (iv) An option may be accepted by a proposed grantee within 7 days from the date of the offer of grant of the option. There is no minimum period for which an option must be held before it can be exercised. An option may be exercised at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date.
- (v) Upon acceptance of the option, the grantee shall pay of HK\$1.00 to the Company by way of consideration for the grant of the option.
- (vi) The Scheme will remain valid for a period of 10 years commencing on October 2003, being the date on which it was adopted.

Details of the existing share options granted by the Company under the Scheme are as follows:–

	Tranche 1	Tranche 2
Date of grant	: 19 June 2009	19 June 2009
Exercisable periods/Fair value at grant date	: 19 June 2009 – 18 June 2019/ HK\$0.2836	19 June 2010 – 18 June 2019/ HK\$0.2689
Number of share options granted	: 158,600,000	158,600,000
Exercise price	: HK\$0.61	HK\$0.61
Share price as at the valuation date	: HK\$0.60	HK\$0.60
Expected volatility	: 51.17%	51.17%
Risk-free interest rate as at the valuation date	: 2.276%	2.137%
Expected life of option	: 5 years	4.5 years

The fair value of equity-settled share options granted was estimated as at the date of grant, using the Black-Scholes Option Price Model, taking into account the terms and conditions upon which the share options were granted. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the share options granted was incorporated into the measurement of fair value.

Details of share options granted are as follows:

Date of grant/ acceptance	Exercise period	Exercise price per share	Closing price immediately before date of offer	Closing price immediately before date of grant
19 June 2009	19 June 2009 – 18 June 2019	HK\$0.61	HK\$ 0.61	HK\$ 0.60
19 June 2009	19 June 2010 – 18 June 2019	HK\$0.61	HK\$ 0.61	HK\$ 0.60

At no time during the period was the Company, its holding company, or any its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Share in, or debentures of, the Company or any other body corporate.

Details of the movement of the share options during the period under the Scheme are as follows:

For the six months ended 30 June 2011

	Date of Grant	Exercise price HK\$	Exercise period	At 1 January 2011	Granted during the period	Lapsed during the period	Forfeited during the period	Cancelled during the period	Exercise during the period	At 30 June 2011
Director	19 June 2009	0.610	19.6.2009- 18.6.2019	52,500,000	-	-	-	-	-	52,500,000
	19 June 2009	0.610	19.6.2010- 18.6.2019	52,500,000	-	-	-	-	-	52,500,000
Other employees	19 June 2009	0.610	19.6.2009- 18.6.2019	3,850,000	-	-	-	-	-	3,850,000
	19 June 2009	0.610	19.6.2010- 18.6.2019	3,850,000	-	-	-	-	-	3,850,000

For the six months ended 30 June 2011

	Date of Grant	Exercise price HK\$	Exercise period	At 1 January 2011	Granted during the period	Lapsed during the period	Forfeited during the period	Cancelled during the period	Exercise during the period	At 30 June 2011
Consultants	19 June 2009	0.610	19.6.2009- 18.6.2019	97,500,000	-	-	-	-	-	97,500,000
	19 June 2009	0.610	19.6.2010- 18.6.2019	97,500,000	-	-	-	-	-	97,500,000
				307,700,000	-	-	-	-	-	307,700,000

For the six months ended 30 June 2010 (Unaudited) (Note 41)

	Date of Grant	Exercise price HK\$	Exercise period	At 1 January 2010	Granted during the period	Lapsed during the period	Forfeited during the period	Cancelled during the period	Exercise during the period	At 30 June 2010	At 31 December 2010
Director	19 June 2009	0.610	19.6.2009- 18.6.2019	57,000,000	-	-	(4,500,000)	-	-	52,500,000	52,500,000
	19 June 2009	0.610	19.6.2010- 18.6.2019	57,000,000	-	-	(4,500,000)	-	-	52,500,000	52,500,000
Other employees	19 June 2009	0.610	19.6.2009- 18.6.2019	4,100,000	-	-	-	-	-	4,100,000	3,850,000
	19 June 2009	0.610	19.6.2010- 18.6.2019	4,100,000	-	-	-	-	-	4,100,000	3,850,000
Consultants	19 June 2009	0.610	19.6.2009- 18.6.2019	97,500,000	-	-	-	-	-	97,500,000	97,500,000
	19 June 2009	0.610	19.6.2010- 18.6.2019	97,500,000	-	-	-	-	-	97,500,000	97,500,000
				317,200,000	-	-	(9,000,000)	-	-	308,200,000	307,700,000

30. RESERVES

Group

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Warrant reserve HK\$'000	Share- based payment reserve HK\$'000	Exchange reserve HK\$'000	Convertible Notes equity reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
For the six months ended 30 June 2010 (Unaudited) (Note 41)								
At 1 January 2010	2,916,091	2,241	3,000	87,627	(38,337)	-	(2,155,373)	815,249
Loss for the period	-	-	-	-	-	-	(10,761)	(10,761)
Exchange difference arising on translation of foreign operations								
- Exchange differences arising during the period	-	-	-	-	971	-	-	971
Total comprehensive income for the period	-	-	-	-	971	-	(10,761)	(9,790)
At 30 June 2010	2,916,091	2,241	3,000	87,627	(37,366)	-	(2,166,134)	805,459
For the six months ended 30 June 2011								
At 1 January 2011	2,916,091	2,241	3,000	85,003	(37,446)	25,725	(2,175,822)	818,792
Loss for the period	-	-	-	-	-	-	(21,723)	(21,723)
Exchange difference arising on translation of foreign operations								
- Exchange differences arising during the period	-	-	-	-	1,014	-	-	1,014
Total comprehensive income for the period	-	-	-	-	1,014	-	(21,723)	(20,709)
Lapse of warrants	-	-	(3,000)	-	-	-	3,000	-
At 30 June 2011	2,916,091	2,241	-	85,003	(36,432)	25,725	(2,194,545)	798,083

Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Warrant reserve HK\$'000	Share-based payment reserve HK\$'000	Convertible Notes equity reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
For the six months ended 30 June 2010 (Unaudited) (Note 41)							
At 1 January 2010	2,916,091	2,241	3,000	87,627	-	(990,855)	2,018,104
Loss for the period	-	-	-	-	-	(9,340)	(9,340)
At 31 June 2010	<u>2,916,091</u>	<u>2,241</u>	<u>3,000</u>	<u>87,627</u>	<u>-</u>	<u>(1,000,195)</u>	<u>2,008,764</u>
For the six months ended 30 June 2011							
At 1 January 2011	2,916,091	2,241	3,000	85,003	25,725	(1,011,370)	2,020,690
Loss for the period	-	-	-	-	-	(17,591)	(17,591)
Lapse of warrants	-	-	(3,000)	-	-	3,000	-
At 30 June 2011	<u>2,916,091</u>	<u>2,241</u>	<u>-</u>	<u>85,003</u>	<u>25,725</u>	<u>(1,025,961)</u>	<u>2,003,099</u>

(a) Nature and purpose of the reserves are explained below:-

(i) Share premium

The share premium account of the Company is distributable to the equity holders of the Company under the Companies Law of the Bermuda subject to the provisions of the Company's Memorandum and Articles of Association and provided that the Company will be in a position to payoff its debts as they fall due in the ordinary course of business immediately following the date on which the dividend is proposed to be distributed.

(ii) *Share options reserve*

The share options reserve represents the fair value of the number of unexercised share options granted by the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(j)(v).

(iii) *Translation reserve*

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(h).

(iv) *Convertible notes equity reserve*

The convertible notes equity reserve represents the equity component of outstanding convertible notes issued by the company recognized in accordance with the accounting policy adopted for convertible notes in Note 4(q)(ii)(3).

(b) *Distributability of reserves*

In the opinion of the directors of the Company, the Company had no balance of distributable reserves available for distribution to equity holders as at 30 June 2011 (For the year ended 31 December 2010: Nil).

31. WARRANTS

In the second quarter of 2009, the Company issued 60,000,000 warrants at an issue price of HK\$0.05 per warrant which attaching the rights to subscribe for 60,000,000 ordinary shares of the Company at a subscription price of HK\$0.60 per share (which was subsequently adjusted to HK\$0.59 per share) to a placing agent. The subscription period commenced from the date of issue of the warrants to the expiry of the second anniversary of the issue of the warrants (both days inclusive) (the "Subscription Period"). None of the warrant had been exercised to subscribe for ordinary shares of the Company during the Subscription Period, and therefore the warrant reserve was transferred to the accumulated losses during the six months period ended 30 June 2011. Details of placing of warrants are set out in the Company's announcement dated 24 April 2009.

32. OPERATING LEASES COMMITMENTS

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

	As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000
Properties		
– within one year	4,177	1,912
– In the second to fifth years, both inclusive	5,051	184
	9,228	2,096

Operating lease payments represent rental payable by the Group for its office properties and director's apartment.

33. CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2011 and 31 December 2010 not provided for in the financial statements were as follows:

	As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000
Contracted but not provided for		
– acquisition of property, plant and equipment	27,715	25,588
– acquisition of Qianyi Limited and its subsidiaries	89,000	89,000
	116,715	114,588

34. RETIREMENT BENEFIT SCHEMES

The Group participates in the mandatory provident fund scheme (the “MPF Scheme”) for its employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are calculated as a percentage of employee’s basic salaries. The retirement benefit costs charged to the profit and loss represent contributions paid and payable by the Group to the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The subsidiaries in the PRC participate in certain employees’ retirement schemes implemented by the relevant local municipal governments. Contributions are made by the relevant subsidiaries to these schemes based on certain percentages of the applicable payroll costs.

The Group has no other obligations other than the above-mentioned contributions.

35. FINANCIAL INSTRUMENTS

(a) *Categories of financial instruments*

The Group

	As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000
Financial assets		
Loan and receivables		
– Deposit for acquisition	170,000	170,000
– Trade receivables	1,107	57,468
– Prepayments, deposits and other receivables	51,355	24,927
– Cash and bank balances	190,382	187,304
	412,844	439,699
	412,844	439,699
Financial liabilities		
Amortised cost		
– Other payables and accruals	10,600	7,521
– Cumulative redeemable preference shares	110	110
– Convertible notes	96,533	89,886
	107,243	97,517
	107,243	97,517

(b) Financial risk management and policies

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 4 to the consolidated financial statements.

Cash flow interest rate risk

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

Foreign currency risk

The Group has transactional currency exposures as the sales and purchases, certain trade and other receivables, cash and bank balances, and trade and other payables of the Group were mainly transacted in Renminbi ("RMB"), Mongolia Tugrugs ("T"), United States Dollars ("USD") and Hong Kong Dollars ("HKD").

The exchange rate of RMB and T were comparatively volatile.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate of RMB and T, with all other variables held constant, of the Group's loss before taxation.

	Change in exchange rate	(Increase)/ decrease in loss before tax HK\$'000
At 30 June 2011		
If HKD weakens against RMB	5%	2,278
If HKD strengthens against RMB	5%	(2,278)
If HKD weakens against T	5%	334
If HKD strengthens against T	5%	(334)

	Change in exchange rate	(Increase)/ decrease in loss before tax HK\$'000
At 31 December 2010		
If HKD weakens against RMB	5%	2,199
If HKD strengthens against RMB	5%	(2,199)
If HKD weakens against T	5%	118
If HKD strengthens against T	5%	(118)

At 30 June 2011 and 31 December 2010, the Group had not hedged any foreign currency to reduce such foreign currency risk.

In the opinion of the directors, if the exchange rates of these foreign currencies have continuous fluctuation, they will consider using forward currency contracts to reduce these risks.

Other price risks

As at 30 June 2011 and 31 December 2010, the Group did not hold investments held for trading. It is not exposed to commodity price risk.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the management.

The Group has concentration of credit risk as 100% (31 December 2010: 100%) of the total trade receivables was due from one (31 December 2010: second largest) customer at the end of the reporting period. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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 regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. For non-derivative financial liabilities, the tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

In addition, the following table details the Group's expected maturity for some of its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

		On demand	More than 3 months		Total	Total carrying amount at
	Effective	or less than	but less	More than	undiscounted	30 June
	interest rate	3 months	than 1 year	1 year	cash flows	2011
	%	HK\$	HK\$	HK\$	HK\$	HK\$

At 30 June 2011

Non-derivative financial assets

Cash and bank balances	-	190,382	-	-	190,382	190,382
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Non-derivative financial liabilities

Trade and other payables	-	10,600	-	-	10,600	10,600
Convertible notes	14.91	1,100	-	111,100	112,200	96,533
		11,700	-	111,100	122,800	107,133

		On demand	More than 3 months		Total	Total carrying amount at
	Effective	or less than	but less	More than	undiscounted	31 December
	interest rate	3 months	than 1 year	1 year	cash flows	2010
	%	HK\$	HK\$	HK\$	HK\$	HK\$

At 31 December 2010

Non-derivative financial assets

Cash and bank balances	-	187,304	-	-	187,304	187,304
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Non-derivative financial liabilities

Trade and other payables	-	7,521	-	-	7,521	7,521
Convertible notes	14.91	-	1,100	111,100	112,200	89,886
		7,521	1,100	111,100	119,721	97,407

36. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: Fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: Fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

As at 30 June 2011 and 31 December 2010, the Group did not have any financial assets at fair value through profit or loss.

37. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as debt divided by total equity. Debt represents current and non-current liabilities as shown in the consolidated statement of financial position. Total equity represents the equity as shown in the consolidated statement of financial position.

During the period, the Group's strategy, which was unchanged from 2010, was to maintain the net debt-to-equity ratio at satisfactory level. The net debt-to-equity ratios at 30 June 2011 and 31 December 2010 are as follows:

	Group	
	As at	As at
	30 June	31 December
	2011	2010
	HK\$'000	HK\$'000
Total debt	657,525	647,661
Total equity	1,985,811	2,008,699
Net debt-to-equity ratio	33.11%	32.24%

38. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

On 3 May 2010, China National Information Resources Holdings Limited (a subsidiary of the Company), entered into an agreement for trading of products with 大冶有色金屬股份有限公司 (Daye Nonferrous Metals Co., Ltd.) ("Daye Nonferrous"), a company incorporated in the PRC and is a subsidiary of Daye Nonferrous Metals Group Holdings Co., Limited (formerly known as "Hubei Daye Non Ferrous Metal Co."), the substantial shareholder of the Company. During the period ended 30 June 2011, non-ferrous metals amounted to approximately HK\$49,257,000 (for the six months ended 30 June 2010: HK\$Nil) were sold to Dajiang International Investment Co., Limited (formerly known as "Hong Kong Dajiang Trading Co., Limited"), a related company of Daye Nonferrous.

Dajiang International Investment Co., Limited (formerly known as Hong Kong Dajiang Trading Co., Limited) shared the company's rental and office expenses by HK\$275,000 (for the six months ended 30 June 2010: HK\$52,000). Dajiang International Investment Co., Limited is a subsidiary of Daye Nonferrous Metals Group Holdings Co., Limited (formerly known as "Hubei Daye Non Ferrous Metal Co."), a company incorporated in PRC, and is a related party of the Company.

On 10 October 2010, an agreement was entered into between 新疆滙祥永金礦業有限公司 (Xinjiang Huixiang Yong Jin Mining Company Limited) ("Xinjiang Huixiang"), a subsidiary of the Company and 大冶有色建築安裝有限公司 (Daye Non Ferrous Construction Installation Company Limited) ("DNF Construction") for engaging DNF Construction to build an integrated office building situated in 新疆烏恰縣 (Xinjiang Wuqia County) for Xinjiang Huixiang at a consideration of approximately RMB7,905,000 (equivalent to HK\$9,091,000). During the six months ended 30 June 2011 and 30 June 2010, no amount was incurred.

On 15 October 2010, an agreement was entered into between Xinjiang Huixiang and 湖北鑫力井巷有限公司 (Hubei Xinli Jing Xiang Company Limited) ("Hubei Xinli"), a company incorporated with limited liability in the PRC, for the construction of slanted mining wells and vertical mining wells by Hubei Xinli for Xinjiang Huixiang at a consideration of approximately RMB26,510,000 (equivalent to HK\$30,487,000). During the six months ended 30 June 2011, the amount of construction in progress incurred was approximately RMB4,674,000, equivalent to HK\$5,628,000 (six months ended 30 June 2010: Nil).

Key management personnel represent the directors of the Company and their remunerations are set out in note 10.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 30 June 2011 and 31 December 2010 are as follows:–

Name of Company	Place of incorporation/ operation	Form of legal entity	Issue and paid up	Proportion of nominal value		Principal activities
			capital/registered capital	of issued capital/registered capital held by the Company		
				Directly	Indirectly	
Ample Year Limited	British Virgin Islands	International business company	US\$1	100%	–	Investment holding
China National Recycling Int'l Trading Limited	Hong Kong	Limited liability company	HK\$1	–	100%	Investment holding
China National Information Resources Holdings Limited	Hong Kong	Limited liability company	HK\$2	–	100%	Trading in non-ferrous metals
China National Resources Investments Limited	Hong Kong	Limited liability company	HK\$2	–	100%	Investment holding
China Reservoir Mining Limited	British Virgin Islands	International business company	US\$50,000	–	51%	Investment holding
Fuken Investments Limited	British Virgin Islands	International business company	US\$1	–	100%	Investment holding
Giant Strong International Limited	British Virgin Islands	International business company	US\$3	–	100%	Investment holding

Name of Company	Place of incorporation/ operation	Form of legal entity	Issue and paid up	Proportion of nominal value		Principal activities
			capital/ registered capital	of issued capital/registered capital held by the Company		
				Directly	Indirectly	
Gold Way Investment International Limited	Hong Kong	Limited liability company	HK\$100	–	100%	Investment holding
Golden Brand Investments Limited	British Virgin Islands	International business company	US\$1	–	100%	Investment holding
Goldright Finance Limited	British Virgin Islands	International business company	US\$1	100%	–	Securities trading
Max Alliance International Limited	British Virgin Islands	International business company	US\$1	100%	–	Investment holding
Max Alliance Gold Resource Investment Limited	Hong Kong	Limited liability company	HK\$1	–	100%	Investment holding
Reservoir (Mongolia) Limited	The Republic of Mongolia	Limited liability company	US\$100,000	–	51%	Mineral exploitation
Reservoir Moly Mongolia Limited (note (a))	The Republic of Mongolia	Limited liability company	US\$10,000	–	28%	Mineral exploitation
Jetlight Investment Limited	British Virgin Islands	International business company	US\$1	100%	–	Investment holding

Name of Company	Place of incorporation/ operation	Form of legal entity	Issue and paid up	Proportion of nominal value		Principal activities
			capital/ registered capital	of issued capital/registered capital held by the Company		
				Directly	Indirectly	
Keytrade Investments Limited	British Virgin Islands	International business company	US\$1	100%	–	Securities trading
Profit Jumbo Investment Limited	British Virgin Islands	International business company	US\$1	100%	–	Investment holding
Shinemax Group Limited	British Virgin Islands	International business company	US\$1	100%	–	Investment holding
Vintage International Financial Holding Group Limited	British Virgin Islands	International business company	US\$1	100%	–	Investment holding
新疆匯祥永金礦業有限公司	People's Republic of China	Sino-foreign equity joint venture company	RMB121,000,000	–	55%	Mineral exploitation

Note (a) Although the Company does not own more than half of the equity shares of Reservoir Moly Mongolia Limited, and consequently it does not control more than half of the voting power of those shares, however, the Company has the power to appoint and remove the majority of the board of directors in this entity, and hence the control of this entity is by the board. Consequently, Reservoir Moly Mongolia Limited is controlled by the Company and is consolidated in these financial statements.

40. REVERSE TAKEOVER

On 23 January 2011, the Company, 大冶有色金屬集團控股有限公司 (Daye Nonferrous Metals Group Holdings Co., Limited) and the Vendors (China Times Development Limited, 中國信達資產管理股份有限公司 (China Cinda Assets Management Co., Ltd.), 華融資產管理公司 (China Huarong Asset Management Corporation)) entered into the Acquisition Agreement (as supplemented and amended by the Supplemental Agreement dated 31 January 2011), pursuant to which, among other things, the Company has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Sale Shares (the China Times Sale Shares, Cinda Sale Shares and Huarong Sale Shares) at a total consideration of RMB6,100,000,000 or HK\$7,207,334,940 (based on the exchange rate of HK1: RMB0.84636), which will be satisfied by the allotment and issue to the Vendors of an aggregate of 12,406,997,784 Ordinary Shares at the Issue Price of HK\$0.50 per Consideration Share and (to China Times only) the issue of the China Times Convertible Notes. The proposed acquisition is to eventually acquire the equity interest in Daye Nonferrous Metals Co., Limited. Details of the acquisition are set out in the announcements of the Company dated 1 February 2011 and 11 August 2011.

41. COMPARATIVE FIGURES

The consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows and the related disclosure notes for the six months ended 30 June 2010 of the Group were not audited.

42. APPROVAL OF ACCOUNTS

The consolidated financial statements were approved and authorised for issue by the Company's Board of directors on 26 August 2011.

FINANCIAL SUMMARY

For the six months ended 30 June 2011

The summarised consolidated results, assets and liabilities of the Group for the last five financial periods/years, as extracted from the audited consolidated financial statements of the Group, were set out below:

	Year ended 30 April		1 May 2009 to 31 December 2009 HK\$'000	1 January 2010 to 31 December 2010 HK\$'000	1 January 2011 to 30 June 2011 HK\$'000
	2008 HK\$'000	2009 HK\$'000			
Revenue	<u>164,330</u>	<u>20,235</u>	<u>1,672</u>	<u>954,314</u>	<u>50,283</u>
Operating loss after finance costs	(1,169,611)	(472,982)	(25,445)	(22,627)	(24,824)
Share of results of associates and jointly controlled entities	135	–	–	–	–
Gain on disposal of a jointly controlled entity	<u>4,493</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Loss before taxation	(1,164,983)	(472,982)	(25,445)	(22,627)	(24,824)
Income tax	<u>(1,901)</u>	<u>108,429</u>	<u>(21,852)</u>	<u>(5,640)</u>	<u>–</u>
Loss for the period/year	<u>(1,166,884)</u>	<u>(364,553)</u>	<u>(47,297)</u>	<u>(28,267)</u>	<u>(24,824)</u>

	Year ended 30 April		1 May 2009 to 31 December 2009	1 January 2010 to 31 December 2010	1 January 2011 to 30 June 2011
	2008 HK\$'000	2009 HK\$'000	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000
Attributable to:					
Owners of the Company	(1,165,896)	(123,313)	(91,168)	(23,073)	(21,723)
Non-controlling interests	<u>(988)</u>	<u>(241,240)</u>	<u>43,871</u>	<u>(5,194)</u>	<u>(3,101)</u>
	<u>(1,166,884)</u>	<u>(364,553)</u>	<u>(47,297)</u>	<u>(28,267)</u>	<u>(24,824)</u>
Loss per share					
Basic (HK cents)	(29.5)	(2.39)	(1.76)	(0.41)	(0.39)
Diluted (HK cents)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
ASSETS AND LIABILITIES					
Total assets	2,646,396	2,186,540	2,518,909	2,656,360	2,643,336
Total liabilities	<u>(634,440)</u>	<u>(527,558)</u>	<u>(552,071)</u>	<u>(647,661)</u>	<u>(657,525)</u>
	<u>2,011,956</u>	<u>1,658,982</u>	<u>1,966,838</u>	<u>2,008,699</u>	<u>1,985,811</u>
Equity attributable to					
owners of the Company	948,009	830,831	1,094,809	1,098,352	1,077,643
Non-controlling interests	<u>1,063,947</u>	<u>828,151</u>	<u>872,029</u>	<u>910,347</u>	<u>908,168</u>
	<u>2,011,956</u>	<u>1,658,982</u>	<u>1,966,838</u>	<u>2,008,699</u>	<u>1,985,811</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Future Prospects

For the six months ended 30 June 2011, the Group recorded a revenue of approximately HK\$50,283,000 (For the six months ended 30 June 2010: HK\$100,861,000) and had an audited loss attributable to shareholders of approximately HK\$21,723,000 whereas an unaudited loss of approximately HK\$10,761,000 was recorded for the six months ended 30 June 2010. As at 30 June 2011, the net assets of the Group amounted to approximately HK\$1,985,811,000 (As at 31 December 2010: HK\$2,008,699,000).

During the six months ended 30 June 2011, the Group did not buy or sell any marketable securities.

As compared to previous corresponding period, the Group's revenue was decreased because there was a significant decrease in the trading of non-ferrous metals recorded in a subsidiary of the Company.

In addition, the Group's net loss was enlarged because (i) the increase in the interest expenses on convertible notes amounted to approximately HK\$6,647,000; (ii) the increase in legal and professional fee amounted to approximately HK\$920,000; (iii) the increase in staff costs of the Group amounted to approximately HK\$1,285,000 and (iv) the decrease in the gross profit of the Group amount to approximately HK\$1,272,000.

The Group is principally engaged in corporate investment and trading in securities, minerals exploitation and trading in non-ferrous metals.

Given the continuing economic growth and accelerated industrialization and urbanization in the People's Republic of China (the "PRC"), natural resources are in demand at all times and the Board considers that the demand for natural resources will maintain its growth momentum.

Mining and related businesses

During the period ended 30 June 2011, in order to further strengthen the mining business of the Group, the Group has made the following planning:

Project in Philippines

On 6 January 2011, the Company signed a cooperation agreement (the “Cooperation Agreement”) with 菲律賓友邦礦業國際有限公司 (Phil. Youbang Mining Int’l Corp.) (“PYMIC”) for the exploration and mining of Iron-Copper ore in the Mati Region of Davao Province, Philippines (the “Core Mining Area”) and its periphery.

According to the Cooperation Agreement, if after conducting the risk exploration works, it is confirmed that the Core Mining Area contains not less than 100,000 tons of copper reserves or not less than 10,000,000 tons of iron reserves, the parties will set up a joint venture company in Philippines (the “Project Company”) for conducting development works in the Core Mining Area within 60 days after the amount of reserves in the Core Mining Area has been confirmed. The shareholding in the Project Company will be held as to 40% by the Company and as to 60% by PYMIC.

After the initial stage of risk exploration works in the Core Mining Area is completed, the Company and PYMIC will inject capital to the Project Company according to the following formula:

Amount of Capital Injection = (Value of Core Mining Area agreed between the Company and PYMIC at RMB120,000,000 x 30%) – Amount of expenses related to the initial stage of risk exploration works in the Core Mining Area paid by the Company.

If the above “Amount of Capital Injection” is a positive figure, then the capital injection will be paid by the Company, and if the above “Amount of Capital Injection” is a negative figure, then the capital injection will be paid by PYMIC. The aforesaid capital injection will not alter the proportion of shareholding in the Project Company to be held by the Company and PYMIC.

Also, according to the Cooperation Agreement, the Company will be responsible for:

- (i) payment of the expenses (in an amount to be agreed between the Company and PYMIC) related to the initial stage of risk exploration works in the Core Mining Area;
- (ii) the overall planning and implementation of the exploration and mining works for the Core Mining Area; and
- (iii) the construction, production and operation in the Core Mining Area.

PYMIC will be responsible for:

- (i) the incorporation of the Project Company (and payment of the related expenses, which will be reimbursed to PYMIC by the Project Company after it has been incorporated); and
- (ii) assigning and transferring all its interest in the Core Mining Area (including the Mining Right) to the Project Company at nil consideration within 30 days after the Project Company is incorporated.

During the Initial Period, neither party to the Cooperation Agreement shall terminate the Cooperation Agreement or transfer its shareholding in the Project Company, otherwise the capital injection paid by such party (and the related interest of such party) will be forfeited.

The Cooperation Agreement shall supersede the letter of intent dated 11 July 2010 signed between the Company and PYMIC, and therefore, the Company no longer intends to subscribe for or purchase any shares in PYMIC.

The Board believes that the cooperation with PYMIC in the exploration of Iron-Copper ore in Philippines can geographically diversify the mining business of the Company and its subsidiaries and that the mining business in the new market such as Philippines is prosperous and therefore will be beneficial to the Company and its shareholders as a whole.

The Board considers that the cost for acquisition of mining resources through the abovementioned risk exploration method is relatively low, and can substantially reduce the risk of such kind of investment. The Board believes that such acquisition method is a new and viable avenue for the Company's other possible investments in mining resources.

Project with parent Company

On 23 January 2011, the Company, 大冶有色金屬集團控股有限公司 (Daye Nonferrous Metals Group Holdings Co., Limited) ("parent Company") and the Vendors (China Times Development Limited, 中國信達資產管理股份有限公司 (China Cinda Assets Management Co., Ltd.), 華融資產管理公司 (China Huarong Asset Management Corporation) entered into the Acquisition Agreement (as supplemented and amended by the Supplemental Agreement dated 31 January 2011), pursuant to which, (a) among other things, the Company has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Sale Shares (the China Times Sale Shares, Cinda Sale Shares and Huarong Sale Shares) at a total consideration of RMB6,100,000,000 or HK\$7,207,334,940 (based on the exchange rate of HK1: RMB0.84636), which will be satisfied by the allotment and issue to the Vendors of an aggregate of 12,406,997,784 Ordinary Shares at the Issue Price of HK\$0.50 per Consideration Share and (to China Times only) the issue of the China Times Convertible Notes.

The proposed acquisition is to eventually acquire the equity interest in Daye Nonferrous Metals Co., Limited ("Daye Nonferrous") which owns various valuable mines in PRC. Details of the acquisition and definitions, including the mines held by Daye Non-Ferrous, are set out in the announcement of the Company dated 1 February 2011.

Future Prospects

In April, the Company has been informed that both the People's Government of Hubei (湖北省人民政府) and Hubei SASAC (湖北省人民政府國有資產監督管理委員會) have approved the proposal submitted by the Parent Company in relation to the transactions contemplated under the Reorganisation Agreement (details of the Reorganisation Agreement are set out in the announcement of the Company dated 1 February 2011).

The Company will make best effort to complete the project with parent company.

Given the continuing economic growth in China, the Board expects that there will be an increase in the demand and application of resources of molybdenum, wolfram, silver and copper, the Company is confident that the investment in mining and related businesses will produce considerable return to the Company in the future.

Looking ahead, the Group will continue to strengthen development of its internal resources and fortify its foundation while keeping its eyes on cooperation opportunities conduction to its development in order to build a portfolio of strong mining business with an emphasis on high value added products.

Liquidity and Capital Resources

As at 30 June 2011, the Group had cash and bank balances of approximately HK\$190,382,000; with net assets totaling approximately HK\$1,985,811,000; with current ratio, based on the current assets of approximately HK\$415,708,000 and current liabilities of approximately HK\$21,736,000 of 19.13. The Group's gearing ratio was 33.11% based on the total liabilities of approximately HK\$657,525,000 and total equity of approximately HK\$1,985,811,000.

As at 30 June 2011, the Group had neither bank borrowings nor assets pledged to fund/loan providers.

The Group believes that liquid assets, fund and future revenue will be sufficient to finance future expansion and working capital requirement.

Employees, Remuneration Policy and Share Option Scheme

As at 30 June 2011, the Group had a total of 63 employees (including Hong Kong and PRC offices). The remuneration package consists of basic salary, retirement benefits scheme contributions, medical insurance, and other benefits considered as appropriate. Remuneration packages are generally structured by reference to market terms, individual qualification and performance. They are under periodic review based on individual merit and other market factors.

The Company adopted a share option scheme on 13 October 2003 to enable the Company to grant options to selected participants, including employees and directors of the Group, as incentive or rewards for their contribution to the Group.

Foreign Exchange Exposure

The Group has transactional currency exposures as the sales and purchases, certain trade and other receivables, cash and bank balances, and trade and other payables of the Group were mainly transacted in Renminbi (“RMB”), Mongolia Tugrugs (“T”), United States Dollars (“USD”) and Hong Kong Dollars (“HKD”).

The exchange rate of RMB and T were comparatively volatile.

At 30 June 2011, the Group had not hedged any foreign currency to reduce such foreign currency risk. The management will monitor this risk, if the exchange rates of these foreign currencies have continuous fluctuation, the management will consider using forward currency contracts to reduce these risks.

Material acquisitions and disposal of subsidiaries

The Group has not made any material acquisition or disposal of subsidiaries during the six months period ended 30 June 2011.

Contingent liabilities

As at 30 June 2011, the Group had no contingent liabilities.

INTERIM DIVIDEND

The Board of Director has resolved not to declare any interim dividend for the six months ended 30 June 2011 (2010: Nil).

DIRECTORS' INTEREST IN SHARES

As at 30 June 2011, the interest and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company or The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

(i) Long positions in share of the Company

Name of director	Capacity	Number of shares	Approximate
			percentage of total relevant class of shares in issue
Wang Qihong	Beneficial owner	1,500,000 shares	0.03%
Wang Guoqi	Beneficial owner	900,000 shares	0.02%

(ii) Long positions in underlying share of the Company

Name of director	Capacity	Number of shares (Note)
Wan Bi Qi (Chairman)	Beneficial owner	50,000,000 Shares
Chen Xiang	Beneficial owner	50,000,000 Shares
Yuan Ping	Beneficial owner	5,000,000 Shares

Note: The long positions in the underlying Shares mentioned above represent the Shares to be issued and allotted upon the exercise in full of the options granted by the Company to the above mentioned directors pursuant the share option scheme of the Company.

Save as disclosed above, none of the Directors, chief executives or their associates had any interests and short positions in any shares, underlying shares and debentures of the Company or any its associated corporations as defined in Part XV of SFO as recorded in the register 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.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

The Company's share options scheme was adopted by the Company on 13 October 2003 (the "Scheme") for the purpose of enabling the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme, the Board of Directors of the Company may, at its discretion, invite eligible participants (as contained in the Company's circular of 19 September 2003) to take up options to subscribe for shares of the Company.

The following table discloses movements in the Company's share options during the period:

	No. of options outstanding at 31 December 2010	No. of options cancelled/ lapsed during the period	No. of options granted during the period	No. of options outstanding at 30 June 2011
Directors				
– Wan Bi Qi	50,000,000	–	–	50,000,000
– Chen Xiang	50,000,000	–	–	50,000,000
– Yuan Ping	5,000,000	–	–	5,000,000
Employees and others	<u>202,700,000</u>	<u>–</u>	<u>–</u>	<u>202,700,000</u>
Total	<u>307,700,000</u>	<u>–</u>	<u>–</u>	<u>307,700,000</u>

Details of share options granted were as follows:

Date of grant/ acceptance	Exercise period	Exercise price per share	Closing price immediately before date of offer	Closing price immediately before date of grant
19 June 2009	19 June 2009 – 18 June 2019	HK\$0.61	HK\$0.61	HK\$0.60
19 June 2009	19 June 2010 – 18 June 2019	HK\$0.61	HK\$0.61	HK\$0.60

At no time during the period was the Company, its holding company, or any its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Share in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 30 June 2011, so far is known to the Directors, the following persons (other than the Directors and Chief Executives of the Company) had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

(i) Long positions in shares of the Company

Name of Shareholder	Capacity	Number of shares	Approximate percentage of total relevant class of shares in issue
China Times Development Limited (Note 1)	Beneficial owner	1,163,236,988 Shares	20.80% (Note 2)
Daye Nonferrous Metals Group Holdings Co., Limited (Note 1)	Controlled corporation	1,163,236,988 Shares	20.80% (Note 2)
China Times Development Limited (Note 1)	Beneficial owner	5,495 CPS	33.33% (Note 3)
Daye Nonferrous Metals Group Holdings Co., Limited (Note 1)	Controlled corporation	5,495 CPS	33.33% (Note 3)

(ii) Long positions in underlying shares of the Company

Name of Shareholder	Capacity	Number of shares
Alexis Resources Limited (Note 4)	Beneficial owner	355,987,055 Shares
GobMin Inc. (Note 4)	Interest in a controlled corporation	355,987,055 Shares
Belmont Holdings Group Limited (Note 4)	Interest in a controlled corporation	355,987,055 Shares
Good Omen Investments Limited (Note 4)	Interest in a controlled corporation	355,987,055 Shares
Tan Felipe (Note 4)	Interest in a controlled corporation	355,987,055 Shares

Notes:

1. These Shares are held by China Times Development Limited, the entire issued capital of which are beneficially owned by Daye Nonferrous Metals Group Holdings Co., Limited.
2. The percentage is calculated based on 5,591,195,552 Shares in issue.
3. The percentage is calculated based on 16,485 CPS in issue.
4. These underlying shares were held by Alexis Resources Limited, the entire issued capital of which were beneficially owned by GobiMin Inc.

GobiMin Inc. was controlled by Belmont Holdings Group Limited, which owned 43% of its issued capital.

Belmon Holdings Group Limited was controlled by Good Omen Investments Limited, which owned 61.91% of its issued capital.

Good Omen Investments Limited was wholly owned by Tan Felipe.

Save as disclosed above, the Directors are not aware of any other persons who have interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed, no contract of significance, to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 30 June 2011 or during the period under review.

EQUITY

As at 30 June 2011, the total number of issued and fully paid ordinary shares of the Company was 5,591,195,552 amounted to approximately HK\$279,560,000; and there were 16,485 CPS of HK\$1 each in issue at 30 June 2011.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period under review, the Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in the jurisdiction of Bermuda in which the Company is incorporated.

MANAGEMENT CONTRACTS

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

AUDIT COMMITTEE

The Company established an audit committee in accordance with the requirements of the Code, for the purpose of reviewing and providing supervising over the Group's financial reporting process and internal controls. The audit committee comprising of three independent non-executive Directors, Messrs. Wang Guoqi, Wang Qihong and Qiu Quan Zhou. The audit committee of the company has reviewed the interim results for the period ended 30 June 2011.

REMUNERATION COMMITTEE

The Company has established its Remuneration Committee with specific written terms of reference. The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all directors and senior management of the Company and is delegated by the Board with the responsibility to determine on behalf of the Board the specific remuneration packages for all executive directors and senior management of the Company.

The Remuneration Committee comprises three independent non-executive directors, namely Mr. Wang Guoqi, Mr. Wang Qihong and Mr. Qiu Quan Zhou. The Remuneration Committee held one meeting during the period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had complied with the code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code. Having made specific enquiry of all Directors, they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transaction by the Directors adopted by the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company executed high standard of business ethics and corporate governance practices. The Board considers such commitment essential in achieving high level of transparency and accountability and it is to the best interest of the shareholders.

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not throughout the period under review, in compliance with the Code on Corporate Governance Practices (“CG Code”), as set out in Appendix 14 to the Listing Rules (except code A4.1 – which specifies term that non-executive directors should be appointed for a specific term, subject to the re-election and code A4.2 – which specifies that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years). However, all directors (including executive and non-executive) of the Company are subject to retirement by rotation at the annual general meeting in accordance with Bye-laws of the Company, as such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practice are no less exacting than those in the Code.

By Order of the Board of
CHINA DAYE NON-FERROUS METALS MINING LIMITED
Wan Bi Qi
Chairman

Hong Kong, 26 August 2011

As at the date of this report, the Board of Directors of the Company comprises Mr. Wan Bi Qi as the chairman and executive director; Mr. Chen Xiang and Ms. Yuan Ping as executive directors; and Mr. Wang Guoqi, Mr. Wang Qihong and Mr. Qiu Quan Zhou as independent non-executive directors.