中國基礎資源控股有限公司

China Primary Resources Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8117)

ANNUAL REPORT 2011

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This annual report, for which the directors (the "Directors") of CHINA PRIMARY RESOURCES HOLDINGS LIMITED (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this annual report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this annual report misleading.

Contents

Expressed in Hong Kong dollars ("HK$")

Board of directors

Executive Directors

Ms. Ma Zheng *(Chairman)*
Mr. Wong Pui Yiu
Mr. Liu Weichang

Independent Non-Executive Directors

Mr. Wan Tze Fan Terence
Mr. Chung Chin Keung
Mr. Wang Xiao Bing

Registered office, head office and principal place of business

Registered office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business

Suite 1415
Ocean Centre
5 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

Company secretary

Mr. Wong Chun Sing

Compliance officer

Mr. Wong Pui Yiu

Audit committee

Mr. Wan Tze Fan Terence *(Chairman)*
Mr. Chung Chin Keung
Mr. Wang Xiao Bing

Nomination committee

Mr. Wan Tze Fan Terence *(Chairman)*
Mr. Chung Chin Keung
Mr. Wang Xiao Bing

Remuneration committee

Mr. Wan Tze Fan Terence *(Chairman)*
Mr. Chung Chin Keung
Mr. Wang Xiao Bing

Authorised representatives

Ms. Ma Zheng
Mr. Wong Pui Yiu

Principal bankers

Wing Hang Bank, Limited
The Hongkong and Shanghai Banking Corporation Limited

Share registrar and transfer office

Butterfield Fulcrum Group (Cayman) Ltd.
Butterfield House, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman
Cayman Islands

Stock code

8117

Cayman Islands assistant secretary

Codan Trust Company (Cayman) Limited

Auditors

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Hong Kong share registrar

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

Chairman's Statement

It is my pleasure to present the annual results of China Primary Resources Holdings Limited (the "Company") together with its subsidiaries (collectively referred to as the "Group"), for the year ended 31 December 2011.

Results and Corporate Actions

In the year 2011, the result of the Company and the Group was not performing well. As mentioned in our 2011 quarterly reports and 2011 interim report, under the unstable global economic environment and after serious of corporate restructure exercises in past years, the result and profitability of the Group were affected. In view of such, the main task of the management team in 2011 was to strengthen the Group's sale network, asset management, internal control and human resources. I am pleased to announce that these were done and the positive result from these improvements will be reflected in 2012.

During the year under review, manufacture and sale of polyethylene pipes ("PE Pipes") and sale of composite materials were still the core businesses of the Group. However, turnover was relatively lower when compare to the corresponding period in 2010. We believe the reasons behind included the slow down of the development of the property market in the People's Republic of China (the "PRC") after serious cooling actions taken by the government of the PRC. The change of substantial shareholders of the Company also had a psychological effect on our customers. However, the performance of the Group has been improving since the last quarter of 2011. Besides the decrease of turnover, certain assets of the Group were affected and specific provisions were made on these assets so as to prudently reflect the net worth of the Group.

In relation to the change of substantial shareholders mentioned above, as the Chairman of the Company, in May 2011, I purchased 1,205,746,949 shares of the Company, representing 49.94% of the issued share capital of the Company, from Mr. Yu Hongzhi and Future Advance Holdings Limited. As a result of the purchase and the completion of the mandatory unconditional general offer in cash, I am now holding 1,218,375,814 shares, representing 50.46% of the issued share capital of the Company. As the substantial shareholder and the Chairman of the Company, I have shown my confidence in the Company and I will continue to lead and support the Group to achieve better results.

Future Development

Being the Chairman of the Company, I strongly believe that with the continue efforts and support of the management team and business partners, the Group could develop into a leading manufacturer of PE Pipes soon. In the meantime, we have been investigating any possible investment opportunity to increase the Company's value. In this respect, I can assure you that return of shareholders of the Company (the "Shareholders") will increase in the near future.

Appreciation

On behalf of the Board of Directors, I would like to express my sincere gratitude to the Shareholders, fellow directors, staff, customers and business partners for their ongoing support and contributions. Year 2012 is obviously another challenging year but, with the strong commitment and contribution from all of you, I believe the Group can overcome any difficulty in the future.

MA Zheng
Chairman

Hong Kong, 22 March 2012

Management Discussion and Analysis

Operation review

Turnover of the Group during the year under review was not performing well when compared to the corresponding year in 2010. The Board believes the significant decrease in turnover was mainly due to (i) the rapid turnaround of the global economic environment in the third quarter of 2011; (ii) slow down of the development of the property market in the People's Republic of China (the "PRC") which directly affects the construction sector which in turn affects the demand of the Polyethylene Pipes ("PE Pipes"); and (iii) the psychological effect on customers after the completion of the mandatory cash offer exercise in July 2011.

The business segment of the PE Pipes was the main business of the Group during the year under review. Fibre Glass Reinforced Plastic Pipes have been replaced by the PE Pipes which became the main products of the Group. This business segment has been the core business of the Group for many years. The PE Pipes are products employed for constructions and city development in the PRC. Our major customers are mainly government entities of different provinces and cities in the PRC, or their suppliers. Given the continuous development of the PRC market in the long term, the Directors believe that the demands for our products are both sustainable and look set to increase.

Besides the decrease of turnover, certain assets of the Group were affected and specific provisions were made on these assets so as to prudently reflect the net worth of the Group.

Financial review

Turnover was approximately HK$89,699,000 for the year ended 31 December 2011, which represented a decrease of 43.1% when compared with last year's turnover of approximately HK$157,651,000. Turnover of the Group during the year under review was not as good as the corresponding year in 2010. The Board believes the significant decrease in turnover was mainly due to (i) the rapid turnaround of the global economic environment in the third quarter of 2011; (ii) slow down of the development of the property market in the PRC which directly affects the construction sector which in turn affects the demand of PE Pipes; and (iii) the psychological effect on customers after the completion of the mandatory cash offer exercise in July 2011.

During the year under review, the consolidated income statement comprised of continuing operations only. The audited loss before income tax of continuing operations was approximately HK$50,994,000 (2010: approximately HK$34,822,000). Loss from discontinued operations in 2010 was approximately HK$24,761,000. The loss attributable to owners of the Company was approximately HK$50,994,000 (2010: loss of approximately HK$57,170,000). In the current economic environment, the Board will continue to adopt stringent cost control and maintain a low and effective overheads structure and prudently utilise the Group's corporate resources to create wealth for the shareholders of the Company.

Deed of Settlement and the disposal of subsidiaries

On 17 September 2010, the Company, Lehman Brothers Commercial Corporation Asia Limited ("Lehman Brothers") (as Bondholder) and the joint and several liquidators of Lehman Brothers appointed by the order of the Court of First Instance of Hong Kong (the "Liquidators") signed the deed of settlement (the "Deed of Settlement") for the redemption of the 4.5% convertible bonds of the Company in the principal amount of HK$246,250,000 issued by the Company to Lehman Brothers pursuant to the subscription agreement dated 12 June 2007 (the "Convertible Bonds").

Pursuant to the Deed of Settlement, the Company paid to the Bondholder a sum of HK$85 million in November 2010 and transfer the Sale Interest (as defined below) to the Bondholder or any third party as directed by the Bondholder.

The Sale Interest represents 100% of the issued share capital of Zhong Ping Resources Holdings Limited ("Zhong Ping") (being the holder of the 70% equity interest in ARIA LLC ("ARIA"), a company incorporated in Mongolia with limited liability), or, at the sole and absolute discretion of the Bondholder, all of the assets held directly or indirectly by Zhong Ping. Zhong Ping, through ARIA, holds the majority interest of the mining rights in respect of the green field exploration project namely the Mungun-Undur Polymetallic Project (the "Project") located at Mungun-Undur, Khentii Province, Mongolia. The Project has prospects for silver, lead, zinc and tin mineralization.

Up to the date of this report, the completion of the Deed of Settlement and the disposal are still in progress. Pursuant to the Deed of Settlement, completion of the Deed of Settlement is conditional upon the fulfilment or waiver of certain conditions on or before 31 October 2011 or such later date as may be agreed between the Company and the Bondholder (the "Long Stop Date"). In order to allow more time for the transfer of the Sale Interest, the Company, the Bondholder and the Liquidators have entered into three extension letters on 28 October 2011, 28 December 2011 and 24 February 2012 respectively to extend the Long Stop Date from 31 October 2011 to 31 December 2011, 29 February 2012 and 30 March 2012 respectively or such other date as may be agreed by the parties thereto. Save for the change in the Long Stop Date, all other terms and conditions of the Deed of Settlement remain unchanged and shall continue in full force and effect.

Details are set out in the announcements dated 27 September 2010, 12 November 2010, 28 October 2011, 28 December 2011 and 24 February 2012 and the circular dated 11 October 2010 of the Company.

Change of shareholding of substantial shareholders

Pursuant to the share agreement dated 30 May 2011 (the "Share Agreement") entered into among Ms. Ma Zheng (as purchaser) (the "Offeror"), Mr. Yu Hongzhi ("Vendor A") and Future Advance Holdings Limited ("Vendor B"), Vendor A and Vendor B agreed to sell, and the Offeror agreed to acquire, an aggregate of 1,205,746,949 Shares (the "Sale Shares"), representing approximately 49.94% of the entire issued share capital of the Company. The aggregate consideration for the Sale Shares is HK$48,229,877.96 (equivalent to HK$0.04 per Sale Share), which was agreed among the parties to the Share Agreement after arm's length negotiations. Completion (the "Completion") of the Share Agreement took place on 30 May 2011 immediately after the signing of the Share Agreement and the aggregate consideration of HK$48,229,877.96 had been paid by the Offeror to Vendor A and Vendor B in cash at Completion.

Details are set out in the joint announcements dated 3 June 2011 (the "First Joint Announcement") and 15 July 2011 and the composite offer and response document dated 24 June 2011 (the "Composite Document") of the Company.

Mandatory unconditional cash offers and subsequent events

Immediately before the Completion, the Offeror was interested in 12,150,000 Shares, representing approximately 0.51% of the entire issued share capital of the Company; and the Offeror and parties acting in concert with her (the "Offeror Group") was interested in a total of 1,229,296,949 Shares, representing approximately 50.92% of the entire issued share capital of the Company.

Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, the Offeror was required to make a mandatory unconditional general offer in cash (the "Offer") for all the issued securities of the Company other than those already owned or agreed to be acquired by the Offeror Group.

As a result of the acquisition of the Sale Shares and immediately before the offer period (period commencing from 3 June 2011 (being the First Joint Announcement) and ending on the closing date on 15 July 2011), the Offeror was interested in a total of 1,217,896,949 Shares, representing approximately 50.44% of the entire issued share capital of the Company; and the Offeror Group was interested in a total of 1,229,296,949 Shares, representing approximately 50.92% of the entire issued share capital of the Company.

Taking into account the valid acceptance of 478,865 offer shares received under the offer, the Offeror Group holds, controls or directs an aggregate of 1,229,775,814 Shares, representing approximately 50.94% of the issued share capital of the Company immediately upon the close of the offer and as at the date of this report.

Details are set out in the First Joint Announcement, joint announcement dated 15 July 2011 and the Composite Document of the Company.

Business outlook and prospects

The business of production and sale of the PE Pipes were not performing well in the year 2011. However, the Board of directors believe that this business segment will start to grow and perform much better in the year 2012 onwards. The Group has been building an effective sales team to explore new markets and find more customers for its products.

With the anticipated completion of the Deed of Settlement in 2012 and the continued development of the pipes manufacturing business, the Group is targeting to become one of the largest PE Pipes manufacturers in the market.

Liquidity and financial resources

As at 31 December 2011, the net assets of the Group were approximately HK$356,177,000 (2010: approximately HK$390,012,000) while its total assets were approximately HK$656,670,000 (2010: approximately HK$761,976,000) including cash and bank balances of approximately HK$31,539,000 (2010: approximately HK$45,930,000).

Funding activities during the year

The Company did not carry out any fund raising activities during the year under review.

Gearing ratio

As at 31 December 2011, current assets of the Group amounted to approximately HK$461,752,000 which included cash of approximately HK$1,006,000 and RMB24,786,000 while current liabilities stood at approximately HK$300,474,000. Shareholders' funds amounted to approximately HK$322,272,000. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 66.6% (net loan to equity attributable to owners of the Company) as of 31 December 2011.

Exposure to fluctuations in exchange rates

Sales and payment of the Group are denominated in Hong Kong dollars and Renminbi ("RMB"). The Group's cash and bank deposit were mainly denominated in Hong Kong dollars and RMB, and the business is mainly operated in the PRC. The only foreign currency exposure comes mainly from the funds movement between Hong Kong and the PRC. With the anticipated appreciation of RMB, the Group's foreign currency exposure was minimal for the year under review, except for certain materials purchases. No hedging or other alternatives had been implemented for foreign currency exposure. However, the Group will continue to monitor closely the exchange rate and will enter into hedging arrangements in future if necessary.

Charge on group assets and contingent liabilities

As at 31 December 2011, the Group did not have any significant contingent liabilities and no other assets of the Group were pledged (2010: The Group had pledged its buildings of approximately HK$42,940,000 and land use rights of approximately HK$32,053,000 to a PRC bank to obtain a short term loan).

Segment information

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 7 to the financial statements.

Capital structure

The ordinary shares of the Company were initially listed on the GEM of the Stock Exchange on 13 December 2001. Immediately after the completion of the Offer, the issued share capital of the Company was made up of 2,414,404,920 ordinary shares of HK$0.0125 each.

Material acquisition and disposal of subsidiaries and affiliated companies/future plans for material investments

Save as disclosed above, there was no material acquisition or disposal of subsidiaries and affiliated companies during the year.

Significant investments

The Group had not made any significant investment for the year ended 31 December 2011.

Employee information

As at 31 December 2011, the Group had 5 full-time employees working in Hong Kong and 70 full-time employees working in the PRC. Total employees' remuneration for the year under review amounted to approximately HK$8,801,000. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Biographical Details of Directors and Senior Management

Directors

Ms. Ma Zheng, aged 45

Chairman and Executive Director

Ms. Ma joined the Group in February 2004. She is currently the chairman and the major shareholder of the Company. Ms. Ma has over 22 years of experience in international trade, electronic industry and corporation management. She graduated from Wuhan University majoring in construction structure engineering.

Mr. Wong Pui Yiu, aged 49

Executive Director

Mr. Wong joined the Group in February 2008. He has over 11 years of experience in business administration and corporate management. He is currently the general manager of Smart Honest Group Limited which has been a distributor of semiconductors since 2004.

Mr. Liu Weichang, aged 53

Executive Director

Mr. Liu joined the Group in May 2005 as an independent non-executive Director. On 1 March 2012, Mr. Liu was re-designated as an Executive Director of the Group. Mr. Liu held a degree from Shenzhen University. He has over 28 years experience in the field of corporate management. Mr. Liu was the director and standing deputy general manager of two subsidiaries of a listed company in Hong Kong.

Mr. Wan Tze Fan Terence, aged 47

Independent Non-executive Director

Mr. Wan joined the Group in March 2004. Mr. Wan holds a bachelor degree in commerce and a master degree in business administration. Mr. Wan has years of experience in accounting and financial management. He had worked for international accounting firms and listed companies in Hong Kong. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountants of CPA Australia. Currently, he is an executive director of Sino Oil and Gas Holdings Limited, which is listed on the main board of The Stock Exchange of Hong Kong Limited.

Mr. Chung Chin Keung, aged 44

Independent Non-executive Director

Mr. Chung joined the Group in February 2008. Mr. Chung holds a bachelor degree of Business Administration from the Hong Kong Baptist University and a master degree in Business Administration from Manchester Business School. Mr. Chung is a fellow member of The Association of Chartered Certified Accountants, a fellow member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Institute of Financial Consultants and an associate member of The Institute of Chartered Accountants in England and Wales. He has more than 19 years of experience in finance, accounting and management. Mr. Chung is currently the financial controller and company secretary of China Financial Services Holdings Limited (formerly known as "K.P.I. Company Limited"), a company listed on the main board of The Stock Exchange of Hong Kong Limited.

Mr. Wang Xiao Bing, aged 44

Independent Non-executive Director

Mr. Wang joined the Group in March 2012. Mr. Wang held a bachelor degree in law from China University of Political Science and Law. He used to work for several famous corporations and law office in China. He has over 10 years of experience in corporation law counselor. Mr. Wang has the lawyer's license of China and he is a member of Shenzhen lawyer association. Currently, Mr. Wang is a lawyer and one of the partners of Guangdong C&B Law Office, which is a new style and professional law office.

Senior management

Mr. Wong Chun Sing, Max, aged 41

Financial Controller and Company Secretary

Mr. Wong joined the Group in April 2008. Mr. Wong holds a master degree in business administration. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Wong has over 18 years of management experiences in the accounting and finance sector and he had worked for an international accounting firm, listed companies and securities and finance companies in Hong Kong.

(A) Corporate governance practices

The Company has applied the principles and requirements of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the GEM Listing Rules of the Stock Exchange, except for certain deviations as disclosed in this annual report. In the opinion of the Directors, the Company has met the code provisions set out in the CG Code.

The Company strives to attain and maintain high standards of corporate governance to enhance shareholder value and safeguard shareholder interests. The Company's corporate governance principles emphasise the need to have a quality Board, effective internal control and accountability to shareholders.

(B) Directors' securities transactions

The Company has adopted a code of conduct (the "Code") regarding securities transactions by Directors and relevant employees on terms no less exacting than the required standard of dealings set out in the Rules 5.48 to 5.67 of the GEM Listing Rules. All Directors confirmed they had complied with the Code throughout the year.

(C) Board of directors

The Company is governed by a Board of Directors, which has the responsibility for leading and controlling the Company. These directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. More specifically, the Board formulates strategy, monitors its financial performance and maintains effective oversight over management. The Board delegates daily operations and administration of the Company to management.

The Board includes (up to the approval date of this financial statements) the Chairman, two Executive Directors, and three independent non-executive Directors, and their biographical details have been set out in the "Biographical Details of Directors and Senior Management" section.

There were 15 board meetings held during the year. The attendance of individual directors at the board meetings is set out below.

Board Member	**Attendance**
Executive Directors	
Ms. Ma Zheng *(Chairman)*	15/15
Mr. Wong Pui Yiu	15/15
Independent Non-Executive Directors	
Mr. Wan Tze Fan Terence	9/15
Mr. Liu Weichang (re-designated to Executive Director on 1 March 2012)	9/15
Mr. Chung Chin Keung	7/15

For regular meeting, 14 days' notice (or shorter notice if there is no objection from the Directors) is given to all our Directors, and they are allowed freely to include other matters in the agenda of the regular board meeting. The Company Secretary is required to attend the board meetings and prepare the relevant minutes of meeting which will be finalised once the draft is circulated and approved by all Directors who have attended the meetings. All minutes are kept in the Company's principal place of business in Hong Kong. The minutes are open for inspection by Directors.

During the year, there was no conflict of interest in any matters with the substantial shareholders and Directors of the Company. In addition, if the Board considers a director to be having a conflict of interest, that director will be required to abstain from voting.

(D) Chairman and chief executive officer

For the year 2011, we still did not have an officer with the title of "Chief Executive Officer" ("CEO"). The Code envisages that the management of the Board should rest with the Chairman, whereas the day-to-day management of the Company's business should rest with the CEO. Ms. Ma Zheng, the Chairman, is also a director of the Company's production plant in Yichang City. This constitutes a deviation of Code Provision A.2.1. The Board holds the view that this arrangement is appropriate for the Company but we do not compromise accountability and independent decision making for this since we have an audit committee, all members of which are independent non-executive directors, to help to ensure the accountability and independence of Ms. Ma Zheng.

(E) *Appointment and re-election of directors*

According to the Articles of Association of the Company, which provided that (a) every director, including those appointed for a specific term, should be subjected to retirement by rotation at least once every three years; and (b) all directors appointed to fill casual vacancy should be subject to election by shareholders at the next following general meeting of the Company after their appointment.

(F) *Independent non-executive directors*

During the year under review, the Company had three independent non-executive Directors, they were Mr. Wan Tze Fan Terence ("Mr. Wan"), Mr. Liu Weichang ("Mr. Liu") and Mr. Chung Chin Keung ("Mr. Chung"). Except for Mr. Chung who is appointed for a specific term of two years, Mr. Wan and Mr. Liu are not appointed for any specific terms. This constitutes a deviation of Code Provision A.4.1 which requires that non-executive directors should be appointed for specific terms. However, they are all subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association. The Board has discussed and concluded that the current practice of appointing non-executive directors without specific terms but otherwise subject to retirement and re-election is fair and reasonable, and therefore will not change the terms of appointment of Mr. Wan.

On 1 March 2012, Mr. Liu was re-designated from independent non-executive Director to an executive Director and ceased to be a member of each of the audit committee and the remuneration committee. On the same date, Mr. Wang Xiao Bing ("Mr. Wang") was appointed as an independent non-executive Director and a member of audit committee and a member of remuneration committee.

(G) Remuneration of directors

The Board has established a remuneration committee with specific written terms of reference in compliance with the GEM Listing Rules. These terms of reference was put on the Company's website. These terms of reference were already reviewed by all Directors before they were adopted. During the year under review, the remuneration committee comprised only of the independent non-executive Directors, namely Mr. Wan, Mr. Liu and Mr. Chung. Mr. Wan is the chairman of the remuneration committee. The remuneration committee had held one meeting during 2011 and was attended by Mr. Wan and Mr. Liu. The role and function of the remuneration committee include determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of the remuneration.

On 1 March 2012, Mr. Liu was re-designated from independent non-executive Director to an executive Director and ceased to be a member of each of the audit committee and the remuneration committee. On the same date, Mr. Wang was appointed as an independent non-executive Director and a member of audit committee and a member of remuneration committee.

(H) Responsibilities of directors

The Board will make sure every newly appointed director will receive the necessary information for his proper understanding of the operations and business of the Group and that he will be fully aware of his responsibilities under statute and common law, the GEM Listing Rules and other regulatory requirements and governance policies of the Company. The Directors will continually update themselves with legal and regulatory development, business and market changes and the development of the Company so as to facilitate the discharge of their responsibilities.

(I) Nomination of directors

During the year under review, no new Board member was nominated. However, the determination of the candidate's appointment rested with the Board, and it was the practice of the Company to have at least 50 per cent attendance of the Board members, with at least one independent non-executive director, to review and consider the acceptance of a new Board member. This ensured the involvement of the majority of the members of the Board, with the view of the independent non-executive director, in considering the new member's application. The Board considered this practice as fair and reasonable. A nomination committee has been established on 22 March 2012. It comprises three members, Mr. Wan, Mr. Chung and Mr. Wang, all of them are independent non-executive Directors. Mr. Wan is the chairman of the nomination committee.

(J) Audit committee

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. These terms of reference was put on the Company's website. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. During the year under review, the audit committee comprised three members, Mr. Wan, Mr. Liu and Mr. Chung, all of them are independent non-executive Directors. Mr. Wan is the chairman of the audit committee.

On 1 March 2012, Mr. Liu was re-designated from independent non-executive Director to an executive Director and ceased to be a member of each of the audit committee and the remuneration committee. On the same date, Mr. Wang was appointed as an independent non-executive Director and a member of audit committee and a member of remuneration committee.

The audit committee held 4 meetings during the year under review. Details of attendance of the audit committee meetings are as follows:

Member	Attendance
Mr. Wan Tze Fan Terence	4/4
Mr. Liu Weichang (ceased to be a member of the audit committee on 1 March 2012)	4/4
Mr. Chung Chin Keung	2/4

The audit committee is satisfied with their review of the audit fee and audit process and has recommended the Board to re-appoint the existing auditors at the forthcoming AGM.

The Group's 2011 annual report, 2011 quarterly reports and 2011 half-yearly report had been reviewed by the audit committee.

Directors' and Auditors' Responsibilities in respect of the Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2011.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements.

The management provides such explanations and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Group put to the Board for approval.

The responsibilities of the external auditors of the Company for reporting responsibilities on the financial statements are set out in the Independent auditors' report on pages 32 and 33.

(K) Auditors' remuneration

The audit committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions can lead to any potential material adverse effect on the Company. During the year under review, an amount of approximately HK$720,000 (2010: approximately HK$680,000) was charged to the Group's income statement for the year ended 31 December 2011 for audit services provided by to the external auditors.

(L) Internal control

The Directors of the Company know that they have the overall responsibility for the Company's internal control, financial control and risk management and shall monitor its effectiveness from time to time. Therefore, the Company has already adopted a well-designed internal control system to safeguard the assets of the Company and the shareholders' investments and to ensure the reliability of financial reporting as well as compliance with the relevant requirement of GEM Listing Rules. In view of the immaterial change of the internal control system in 2011, the audit committee has assigned the finance department of the Company to review designated parts of the system and a report will be presented to the audit committee in due course. The Board considers that the existing internal control system of the Group basically covers the current operating conditions of the Group. However, with sustained development of the enterprise and a continued increase in the management standard of the Group, the internal control system shall need continuous revision and improvement.

(M) Investor relations

The Company disclosed all necessary information to the Shareholders in compliance with GEM Listing Rules. The Company will also reply to enquires from the Shareholders on request.

The directors herein present their report and the audited financial statements for the year ended 31 December 2011.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in Note 21 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segment is set out in Note 7 to the financial statements.

Results and appropriations

The results of the Group for the year ended 31 December 2011 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 34 to 118.

The Board do not recommend the payment of any dividend.

Share capital

Details of the movements in share capital of the Company during the year are set out in Note 32 to the financial statements.

Reserves

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and Note 34 to the financial statements, respectively.

Distributable reserves

As at 31 December 2011, the Company had reserves available for distribution amounted to approximately HK$270,648,000 as calculated according to the laws of the Cayman Islands (2010: approximately HK$245,821,000).

Property, plant and equipment

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

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands, which will oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 119.

Purchase, sale or redemption of securities

The Company had not redeemed any of its ordinary shares during the year ended 31 December 2011. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's ordinary shares during the year ended 31 December 2011.

Directors

The directors of the Company during the year and up to the date of this annual report were as follows:

Executive Directors

Ms. Ma Zheng
Mr. Wong Pui Yiu
Mr. Liu Weichang (re-designated from Independent Non-Executive Director on 1 March 2012)

Independent Non-Executive Directors

Mr. Wan Tze Fan Terence
Mr. Liu Weicheng (re-designated to Executive Director on 1 March 2012)
Mr. Chung Chin Keung
Mr. Wang Xiao Bing (appointed on 1 March 2012)

In accordance with article 86(3) of the Company's Articles of Association, Mr. Wang Xiao Bing will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with article 87(1) of the Company's Articles of Association, Mr. Wong Pui Yiu and Mr. Wan Tze Fan Terence, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. All other remaining directors will continue in office.

All directors are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the provisions of the Company's Articles of Association.

Mr. Wan Tze Fan Terence is an independent non-executive director and was appointed without a specific term.

Biographical details of directors and senior management

Brief biographical details of directors and senior management are set out on pages 11 and 12.

Directors' service contracts

Ms. Ma Zheng and Mr. Wong Pui Yiu, both executive directors, have renewed their service contracts with the Company for a term of two years commenced on 1 January 2012 and 1 February 2012 respectively. Mr. Liu Weichang, executive director, has entered into service contract with the Company for a term of two years commenced on 1 March 2012. They are subject to termination by either party giving not less than three months' written notice. These three service contracts are exempt from the Shareholders' approval requirement under Rule 17.90 of the GEM Listing Rules of the Stock Exchange.

Independence of independent non-executive directors

Each of the independent non-executive Directors has confirmed his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers the independent non-executive Directors to be independent.

Directors' interests

Save as disclosed in Note 38 to the financial statements, no contract of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

As at 31 December 2011, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

The approximate percentage of interest set out below is based on 2,414,404,920 ordinary shares in issue as at 31 December 2011.

(i) Long position in the ordinary shares of HK$0.0125 each in the Company as at 31 December 2011:

Name of Director	Type of interests	Number of ordinary shares (Number of ordinary shares held)	Approximate percentage of interests
Ms. Ma Zheng	Beneficial (Note)	1,218,375,814	50.46%

Note: Pursuant to the share agreement dated 30 May 2011 entered into among Ms. Ma Zheng (as purchaser) ("Offeror"), Mr. Yu Hongzhi ("Vendor A") and Future Advance Holdings Limited ("Vendor B"), Vendor A and Vendor B agreed to sell, and the Offeror agreed to acquire, an aggregate of 1,205,746,949 shares of the Company (as to 918,127,503 shares of the Company were held by Vendor A and as to 287,619,446 Shares were held by Vendor B). The transaction was completed on 30 May 2011. Details are set out in the joint announcements dated 3 June 2011 and 15 July 2011 and the composite offer and response document dated 24 June 2011 of the Company.

Save as disclosed above, as at 31 December 2011, none of the directors and chief executive of the Company had any other interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations, within the meaning of Part XV of the SFO required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Share option

On 17 March 2004, the Company forfeited all the outstanding share options granted from a Pre-IPO share option scheme (the "Pre-Scheme") adopted by the Company on 28 November 2001, and that all outstanding share options granted from the Pre-Scheme were cancelled and extinguished. Further details are set out in the announcement dated 17 March 2004. As at 31 December 2011, there were no share options outstanding under the Pre-Scheme.

On the same date as the adoption of the aforesaid Pre-Scheme, a further share option scheme (the "Post-Scheme") was approved by the Company. The Post-Scheme is valid and effective for a period of ten years commencing on the date on which it was adopted. The purpose of the Post-Scheme is to provide incentives and rewards to eligible participants who would contribute to the success of the Group's operations. Under the terms of the Post-Scheme, the Board may, at its discretion, grant options to any full-time employee and any director of the Company or its subsidiaries, including any executive, non-executive or independent non-executive directors. The total number of shares which may fall to be issued upon exercise of all of the outstanding options granted and yet to be exercised under the Post-Scheme and other schemes (including the Pre-Scheme) of the Company must not exceed 30% of the shares in issue from time to time. The Post-Scheme will remain in force for a period of ten years commencing the date on which the scheme becomes unconditional.

The Post-Scheme was amended and adopted by the shareholders at the annual general meeting of the Company held on 16 April 2003. The amendment involved the extension of the definition of eligible person in the Post-Scheme to include any suppliers, consultants, agents, advisors and distributors who, in the sole discretion of the Board, have contributed or may contribute to the Group.

Because of the mandatory unconditional general offer, in accordance with the terms of the Post-Scheme, the Company had on 3 June 2011 given notice to the option holders (other than Ms. Ma Zheng (the "Offeror") and the parties acting in concert with her), whereupon such holders shall be entitled to exercise the options in full or in part (to the extent not already exercised) at any time within 14 days after the date of such notice (i.e. any time during the period from 4 June 2011 to 17 June 2011), after which the options shall lapse according to the terms of the Post-Scheme. Up to 17 June 2011, none of the options has been exercised and therefore, all the 75,080,162 options (including the 2,898,848 options held by the Offeror) have lapsed according to the terms of the Post-Scheme.

The total number of shares in respect of which options may be granted under the Post-Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the Post-Scheme, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. Options granted to independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

The subscription price will be determined by the Board and will be the highest of (i) the quoted closing price of the Company's shares on the Commencement Date (as defined in the Post-Scheme), which must be a trading day, (ii) the average of the quoted closing price of the Company's shares for the five trading days immediately preceding the Commencement Date (as defined in the Post-Scheme), and (iii) the nominal value of the Company's share. Any options granted under the Post-Scheme shall end in any event not later than ten years from the Commencement Date (as defined in the Post-Scheme). A nominal value of HK$1.00 is payable on acceptance of each grant of options.

Details of the share options granted by the Company pursuant to the Post-Scheme and the options as at 31 December 2011 were as follows:

Grantees	Date granted	Balance as at 1 January 2011	Granted during the year	Exercised during the year	Adjusted during the year	Lapsed during the year	Balance as at 31 December 2011	Period during which the options are exercisable	Exercise price per share
Ms. Ma Zheng *(Director)*	8 January 2008	2,898,848	–	–	–	(2,898,848)	–	8 July 2008 to 27 November 2011	HK$1.5182
Mr. Wan Tze Fan Terence *(Director)*	8 January 2008	434,827	–	–	–	(434,827)	–	8 July 2008 to 27 November 2011	HK$1.5182
Mr. Liu Weichang *(Director)*	8 January 2008	434,827	–	–	–	(434,827)	–	8 July 2008 to 27 November 2011	HK$1.5182
Employees	8 January 2008	71,311,660	–	–	–	(71,311,660)	–	8 July 2008 to 27 November 2011	HK$1.5182
		75,080,162	–	–	–	(75,080,162)	–		

No share options were granted by the Company and no share options were exercised during the year. All the 75,080,162 options lapsed on 17 June 2011.

On 27 November 2011, the Post-Scheme was expired. A new share option scheme will be proposed to seek approval from the shareholders of the Company at the forthcoming annual general meeting.

Substantial shareholders' interests and short positions in the shares and underlying shares of the Company

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2011, the Company had been notified that the following substantial shareholders having the following interests and short positions, being 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, in the Company. These interests are shown in addition to those disclosed above in respect of the directors and chief executives:

The approximate percentage of interest set out below is based on 2,414,404,920 ordinary shares in issue as at 31 December 2011.

(i) Long position in the ordinary shares of HK$0.0125 each in the Company as at 31 December 2011:

Name of shareholders	**Type of interests**	**Number of the shares held**	**Approximate percentage of interests**
APAC Resources Limited	Corporate	128,906,878	5.34%
Super Grand Investments Limited ("Super Grand")	Beneficial (Note)	128,906,878	5.34%

Note: These shares are held by Super Grand and Super Grand is a wholly-owned subsidiary of APAC Resources Limited, the issued shares of which are listed on the main board of the Stock Exchange. The Company was notified by APAC Resources Limited that it was interested in 120,186,878 shares, representing approximately 4.98% of the issued share capital of the Company, as at 7 February 2012.

(ii) Long position in the underlying shares or debentures of the Company as at 31 December 2011:

Name	Type of interests	Description of derivatives	Number of underlying shares can be converted	Approximate percentage of interests
Lehman Brothers (in liquidation)	Beneficial	Convertible Bonds in the principal amount of HK$246,250,000	Nil (Note)	N/A

Note: The conversion rights attached to the Convertible Bonds have expired after the original maturity date (i.e. 31 October 2010).

Save as disclosed above, as at 31 December 2011, the directors are not aware of any other person (other than the directors or chief executive of the Company) who had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or who had an interest, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or any other substantial shareholders whose interests or short position were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' rights to acquire shares

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for approximately 97% of the total sales for the year, and sales to the largest customer included therein amounted to approximately 36%.

Purchases from the Group's largest supplier accounted for approximately 29% of the total purchases for the year and the five largest suppliers accounted for approximately 91% of the Group's total purchases for the year.

None of the Company's directors or their respective associates (as defined in the GEM Listing Rules) or the existing shareholders, which, to the knowledge of the directors of the Company, holding more than 5% of the Company's issued share capital, had any interests in the Group's five largest customers or suppliers at any time during 2011.

Code on corporate governance practices

Subject to the deviations as disclosed in the Corporate Governance Report, the Company had complied with all the code provisions set out in Appendix 15, the Code on Corporate Governance Practices to the GEM Listing Rules during the year under review.

Audit committee

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group. During the year under review, the Audit Committee comprised three members, Mr. Wan Tze Fan Terence, Mr. Liu Weichang and Mr. Chung Chin Keung who are the independent non-executive directors of the Company. During the year under review, the Audit Committee held four meetings and performed duties including reviewing the Group's annual report, half-yearly report, quarterly reports and announcements. After reviewing the Group's financial statements for the year ended 31 December 2011, the Audit Committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 December 2011 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

On 1 March 2012, Mr. Liu Weichang was re-designated from independent non-executive Director to an executive Director and ceased to be a member of each of the Audit Committee and the remuneration committee. On the same date, Mr. Wang Xiao Bing was appointed as an independent non-executive Director and a member of Audit Committee and a member of remuneration committee.

Remuneration committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 1 June 2005. The function of the Remuneration Committee is to consider and recommend to the Board on the Group's remuneration policy and structure for all remuneration of executive directors and senior management and to review and determine the remuneration packages of the executive directors and senior management. During the year under review, the Remuneration Committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Liu Weichang and Mr. Chung Chin Keung who are the independent non-executive directors of the Company.

On 1 March 2012, Mr. Liu Weichang was re-designated from independent non-executive Director to an executive Director and ceased to be a member of each of the Audit Committee and the Remuneration Committee. On the same date, Mr. Wang Xiao Bing was appointed as an independent non-executive Director and a member of Audit Committee and a member of Remuneration Committee.

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was established on 22 March 2012. The function of the Nomination Committee is to identify individual suitably qualified to become director and make recommendation to the Board on the appointment, re-appointment and re-designation of directors. The Nomination Committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are the independent non-executve director of the Company.

Connected and related party transactions

Details of the related party transactions during the year are included in note 38 to the financial statements. The directors of the Company are of the opinion that the related party transactions were conducted on normal commercial terms and in the ordinary course of business and did not require reporting pursuant to Chapter 20 of the GEM Listing Rules.

Competition and conflict of interests

Mr. Yu Hongzhi, the director of the Company's subsidiary Yichang Fulianjiang Joint Composite Limited, had been the director and legal representative of 宜昌弘訊管業有限公司 (Yichang HongXun Conduit and Calling Company Limited) ("Yichang HongXun"), which is a company incorporated in the PRC and principally engages in selling and producing PE Pipes in the PRC. Mr. Yu Hongzhi was not a substantial shareholder of Yichang HongXun during the year under review. Save as disclosed above, during the year under review, none of the Directors, significant shareholders, substantial shareholders and any of their respective associates had been engaged in any business that competed or might compete directly or indirectly, with the business of the Group, or had or might have any other conflicts of interest with the Group.

Sufficiency of public float

The Company had maintained sufficient public float throughout the year ended 31 December 2011.

Contingent liabilities

As at 31 December 2011, the directors of the Company were not aware of any material contingent liabilities.

Subsequent events

Apart from change of directors on 1 March 2012, the Group does not have any significant event subsequent to the reporting period.

Auditors

The financial statements have been audited by BDO Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as the auditors of the Company.

On behalf of the Board

Ma Zheng
Chairman

Hong Kong, 22 March 2012

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TO THE SHAREHOLDERS OF CHINA PRIMARY RESOURCES HOLDINGS LIMITED
(中國基礎資源控股有限公司)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Primary Resources Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 118, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of Company and of the Group as at 31 December 2011, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Shiu Hong NG
Practising Certificate Number: P03752

Hong Kong, 22 March 2012

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	**2011 HK$'000**	2010 HK$'000
Continuing operations			
Turnover	6	**89,699**	157,651
Other income and gain	8	**198**	159
Cost of inventories sold		**(90,405)**	(137,752)
Staff costs, including directors' remuneration	15	**(7,584)**	(8,000)
Depreciation		**(5,026)**	(3,242)
Amortisation of land use rights	18	**(757)**	(723)
Impairment loss on trade and bills receivables	25	**(3,293)**	–
Impairment loss on prepayments	23	**(18,294)**	–
Other operating expenses		**(14,632)**	(20,499)
Finance costs	9	**(900)**	(22,416)
Loss before income tax	10(a)	**(50,994)**	(34,822)
Income tax credit	11(a)	**–**	821
Loss for the year from continuing operations		**(50,994)**	(34,001)
Discontinued operations			
Loss for the year from discontinued operations	10(b)	**–**	(24,761)
Loss for the year		**(50,994)**	(58,762)
Loss attributable to:			
Owners of the Company		**(50,994)**	(57,170)
Non-controlling interests		**–**	(1,592)
		(50,994)	(58,762)
Basic and diluted loss per share from continuing and discontinued operations (HK$)	14	**(0.021)**	(0.042)
from continuing operations (HK$)	14	**(0.021)**	(0.025)

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 HK$'000	2010 HK$'000
Loss for the year	**(50,994)**	(58,762)
Other comprehensive income:		
Exchange differences on translation of foreign operations	**17,159**	19,675
Reclassification of translation differences upon disposal of available-for-sale investments	**–**	(152,326)
Other comprehensive income for the year	**17,159**	(132,651)
Total comprehensive income for the year	**(33,835)**	(191,413)
Total comprehensive income for the year attributable to:		
Owners of the Company	**(33,835)**	(192,061)
Non-controlling interests	**–**	648
	(33,835)	(191,413)

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	17	**158,994**	154,720
Land use rights	18	**32,028**	31,330
Available-for-sale investment	22	**3,896**	–
Deposits paid	23	**–**	8,233
Total non-current assets		**194,918**	194,283
Current assets			
Inventories	24	**23,281**	24,466
Trade and bills receivables	25	**74,433**	53,517
Other receivables, deposits and prepayments	23	**124,589**	236,168
Tax recoverable		**298**	–
Cash and cash equivalents	26	**31,539**	45,930
		254,140	360,081
Assets classified as held for sale	20	**207,612**	207,612
Total current assets		**461,752**	567,693
Total assets		**656,670**	761,976
Current liabilities			
Trade payables	27	**13,022**	5,024
Other payables and accruals		**11,692**	13,463
Convertible bonds	28	**246,250**	246,250
Bank borrowings	29	**–**	77,698
		270,964	342,435
Liabilities associated with assets classified as held for sale	20	**29,510**	29,510
Total current liabilities		**300,474**	371,945
Net current assets		**161,278**	195,748
Total assets less current liabilities		**356,196**	390,031

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current liabilities			
Deferred tax liabilities	30	**19**	19
Total non-current liabilities		**19**	19
Total liabilities		**300,493**	371,964
NET ASSETS		**356,177**	390,012
Equity			
Share capital	32	**30,180**	30,180
Reserves		**292,092**	325,927
Equity attributable to owners of the Company		**322,272**	356,107
Non-controlling interests		**33,905**	33,905
TOTAL EQUITY		**356,177**	390,012

These financial statements were approved and authorised for issue by the board of directors on 22 March 2012.

Ma Zheng
Director

Wong Pui Yiu
Director

Statement of Financial Position

AS AT 31 DECEMBER 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Interests in subsidiaries	21	**643,976**	646,755
Available-for-sale investment	22	**3,896**	–
Total non-current assets		**647,872**	646,755
Current assets			
Other receivables, deposits and prepayments	23	**85,221**	85,195
Cash and cash equivalents		**159**	10,228
Total current assets		**85,380**	95,423
Total assets		**733,252**	742,178
Current liabilities			
Other payables and accruals		**10,459**	10,552
Amounts due to subsidiaries	21	**157,793**	157,835
Convertible bonds	28	**246,250**	246,250
Total current liabilities		**414,502**	414,637
Net current liabilities		**(329,122)**	(319,214)
NET ASSETS		**318,750**	327,541
Equity			
Share capital	32	**30,180**	30,180
Reserves	34	**288,570**	297,361
TOTAL EQUITY		**318,750**	327,541

These financial statements were approved and authorised for issue by the board of directors on 22 March 2012.

Ma Zheng
Director

Wong Pui Yiu
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2011

	Equity attributable to owners of the Company									
	Share capital HK$'000	**Share premium account** HK$'000 (Note a)	**Convertible bonds reserve** HK$'000 (Note 28)	**Employee compen-sation reserve** HK$'000 (Note 33)	**Statutory surplus reserve** HK$'000 (Note b)	**Convertible preferred shares reserve** HK$'000 (Note 31)	**Exchange translation reserve** HK$'000 (Note c)	**Accumulated losses** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
Balance at 1 January 2010	15,370	365,726	17,922	38,031	5,110	753,639	188,018	(1,008,890)	33,257	408,183
Loss for the year	–	–	–	–	–	–	–	(57,170)	(1,592)	(58,762)
Other comprehensive income	–	–	–	–	–	–	(134,891)	–	2,240	(132,651)
Total comprehensive income	–	–	–	–	–	–	(134,891)	(57,170)	648	(191,413)
Open offer of shares (Note 32 (i))	7,685	41,499	–	–	–	–	–	–	–	49,184
Share issue expenses in relation to the open offer of shares (Note 32 (i))	–	(2,136)	–	–	–	–	–	–	–	(2,136)
Subscription of shares (Note 32 (ii))	7,125	38,475	–	–	–	–	–	–	–	45,600
Lapse of share options	–	–	–	(4,413)	–	–	–	4,413	–	–
Repurchase and cancellation of convertible preferred shares	–	–	–	–	–	(753,639)	–	834,233	–	80,594
Balance at 31 December 2010 and at 1 January 2011	30,180	443,564	17,922	33,618	5,110	–	53,127	(227,414)	33,905	390,012
Loss for the year	–	–	–	–	–	–	–	(50,994)	–	(50,994)
Other comprehensive income	–	–	–	–	–	–	17,159	–	–	17,159
Total comprehensive income	–	–	–	–	–	–	17,159	(50,994)	–	(33,835)
Lapse of share options	–	–	–	(33,618)	–	–	–	33,618	–	–
Balance at 31 December 2011	**30,180**	**443,564**	**17,922**	**-**	**5,110**	**-**	**70,286**	**(244,790)**	**33,905**	**356,177**

Notes:

(a) The share premium account of the Group includes: (i) the premium arising from the issue of shares of the Company at a premium less share issue expenses; and (ii) the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the reorganisation scheme (the "Group Reorganisation") in preparation for the public listing of the Company's shares on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") over the nominal value of the shares of the Company issued in exchange therefor.

(b) Subsidiaries of the Company established in the People's Republic of China (the "PRC") are required to transfer 10% of their profit after income tax calculated in accordance with the PRC accounting regulations to the statutory surplus reserve until the reserve reaches 50% of their respective registered capital, upon which any further appropriation will be at the recommendation of the directors of subsidiaries. Such reserve may be used to reduce any loss incurred by the subsidiaries or be capitalised as paid-up capital of the subsidiaries.

(c) Exchange translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. This reserve is dealt with in accordance with the accounting policy in Note 4(n).

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 HK$'000	2010 HK$'000
Operating activities			
Loss before income tax			
From continuing operations		**(50,994)**	(34,822)
From discontinued operations	10(b)	**–**	(27,229)
Adjustments for:			
Depreciation	17	**13,291**	8,192
Amortisation of land use rights	18	**757**	723
Amortisation of mining rights	19	**–**	6,987
Bank interest income	8	**(82)**	(72)
Interest on convertible bonds	9	**–**	19,693
Interest on convertible preferred shares	31	**–**	4,367
Interest on bank borrowings	9	**900**	2,723
Gain on repurchase and cancellation of convertible preferred shares	10(b)	**–**	(10,699)
(Gain)/loss on disposal of property, plant and equipment	8&10(a)	**(83)**	2,802
Loss on disposal of available-for-sale investments	10(b)	**–**	26,495
Impairment loss on trade and bills receivables	25	**3,293**	–
Impairment loss on prepayments	23	**18,294**	–
Operating loss before working capital changes		**(14,624)**	(840)
Decrease in inventories		**1,185**	26,253
Increase in trade and bills receivables		**(24,209)**	(42,729)
Decrease/(increase) in other receivables, deposits and prepayments		**93,039**	(181,640)
Increase in trade payables		**7,998**	2,512
(Decrease)/increase in other payables and accruals		**(1,771)**	2,027
Effect of foreign exchange differences		**10,222**	3,996
Cash generated from/(used in) operations		**71,840**	(190,421)
Income tax paid		**(18)**	–
Interest income received		**82**	72
Net cash generated from/(used in) operating activities		**71,904**	(190,349)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	**2011 HK$'000**	2010 HK$'000
Investing activities			
Deposits paid for the construction of factory buildings		**–**	(5,969)
Purchases of property, plant and equipment		**(1,952)**	(22,710)
Purchase of available-for-sale investment		**(3,896)**	–
Legal and professional fees paid for the repurchase and cancellation of convertible preferred shares		**–**	(1,313)
Proceeds from disposal of available-for-sale investments		**–**	25,340
Proceeds from disposal of property, plant and equipment		**271**	982
Net cash used in investing activities		**(5,577)**	(3,670)
Financing activities			
Proceeds from open offer of shares	32(i)	**–**	49,184
Share issue expenses in relation to the open offer of shares	32(i)	**–**	(2,136)
Proceeds from subscription of shares	32(ii)	**–**	45,600
Proceeds from bank borrowings	29	**–**	77,698
Repayment of bank borrowings		**(81,307)**	–
Interest on convertible bonds		**–**	(5,480)
Interest on bank borrowings		**(900)**	(2,723)
Net cash (used in)/generated from financing activities		**(82,207)**	162,143
Net decrease in cash and cash equivalents		**(15,880)**	(31,876)
Cash and cash equivalents at beginning of year		**45,931**	76,071
Effect of foreign exchange rate changes		**1,489**	1,736
Cash and cash equivalents at end of year		**31,540**	45,931
Analysis of the balances of cash and cash equivalents			
Cash at bank and in hand		**31,540**	45,931

1. ORGANISATION AND OPERATIONS

The Company is a limited liability company incorporated in the Cayman Islands, as an exempted company under the Companies Law (2001 Revision) of the Cayman Islands on 5 September 2001. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is in Hong Kong. The Company's shares are listed on the GEM of the Stock Exchange.

The principal activity of the Company is investment holding. The Group engages in the manufacture and sale of Polyethylene ("PE")/Fibre Glass Reinforced Plastic ("FRP") pipes and mining businesses that operates primarily in the markets of the PRC and the independent sovereign state of Mongolia ("Mongolia"). As set out in Notes 10(b) and 20, the Group is in the process of disposing of this mining business to the holder of the Company's Convertible Bonds. The activities of the subsidiaries are set out in Note 21 to the financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2011

The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2011 *(Continued)*

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous years.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[2]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 27 (2011)	Separate Financial Statements[3]

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

[1] Effective for annual periods beginning on or after 1 July 2011

[2] Effective for annual periods beginning on or after 1 July 2012

[3] Effective for annual periods beginning on or after 1 January 2013

[4] Effective for annual periods beginning on or after 1 January 2014

[5] Effective for annual periods beginning on or after 1 January 2015

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2. *ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implantation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs in the period of their initial application.

3. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

(b) Basis of measurement

These financial statements have been prepared under the historical cost convention.

4. PRINCIPAL ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates 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.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(a) Business combination and basis of consolidation *(Continued)*

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is 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 interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are included in the Company's statement of financial position at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy in Note 4(q). In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment *(Continued)*

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Buildings	Over the lease terms
Leasehold improvements	Over the remaining term of the lease but not exceeding 4 years
Computer equipment	20% – 33%
Plant and machinery	10%
Furniture, fixtures and office equipment	20% – 33%
Motor vehicles	20%

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Land use rights

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

(e) Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses and are amortised on the straight line method over the shorter of their useful life estimated based on the total proven and probable reserves of the mine or contractual period from the date the mining rights are available for use.

(f) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or impairment loss previously recognised no longer exists or may have decreased:

– Property, plant and equipment;
– Land use rights;
– Mining rights; and
– Interests in subsidiaries

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Impairment of assets *(Continued)*

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

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

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

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, including an appropriate portion of overhead expenses, is assigned to inventories by the method most appropriate to the particular class of inventory, is calculated using weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs that are directly attributable to the acquisition of the financial assets. The Group's financial assets are subsequently accounted for as follows, depending on their classification:

(i) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Available-for-sale investments

These assets are non-derivative financial assets that are designated as available for sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised directly in equity.

For available-for-sale equity investments that do not have 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.

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(h) Financial assets *(Continued)*

(iii) Impairment of financial assets

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

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

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

– significant financial difficulty of the issuer or counterparty;

– default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(h) Financial assets *(Continued)*

(iii) Impairment of financial assets (Continued)

If any such evidence exists, any impairment loss determined and recognised as follows:

– For trade and other current receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which has been determined had no impairment loss been recognised in prior years.

– For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Financial assets *(Continued)*

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

(v) Derecognition of financial assets

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

(i) Financial liabilities and equity instrument issued by the Group

(i) Classification as debt or equity

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

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(i) Financial liabilities and equity instrument issued by the Group *(Continued)*

(ii) Equity instruments

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

(iii) Compound instruments

Convertible bonds that contain liability and equity components

The component parts of compound instruments, comprising convertible bonds issued by the Group, are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Issue costs were apportioned between the liability and equity components of the compound instruments based on their relative carrying amounts at the date of issue. The portion relating to the equity component was charged directly to equity.

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(i) Financial liabilities and equity instrument issued by the Group *(Continued)*

(iii) Compound instruments (Continued)

In subsequent periods, the equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds – equity component until the embedded option is exercised in which case the balance stated in convertible bonds – equity component will be transferred to share premium. Where the option remains unexercised at the expiry dates, the balance stated in convertible bonds – equity component will be released to the retained profits. No gain or loss is recognised upon conversion or expiration of the option.

(iv) Other financial liabilities

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

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

(v) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(vi) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(k) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(l) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Provisions *(Continued)*

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

(m) Income tax

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

(i) Current tax

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

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such 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.

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(m) Income tax *(Continued)*

(ii) Deferred tax (Continued)

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Income tax is recognised in profit or loss except when it relates to items recognised in other comprehensive income in which case the income tax is recognised in other comprehensive income.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Foreign currencies

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchanges rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Exchange differences on non-monetary items carried at fair value in respect of which gains or losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, the statement of financial positions of the Group's entities denominated in foreign currencies are translated into HK$ at the applicable rates of exchange ruling at the end of reporting period while income and expenses items are translated at an average rate for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. The resulting translation differences are recognised in other comprehensive income and accumulated in the exchange translation reserve. Exchange differences recognised in profit or loss of group entities' individual financial statements on translation of long-term monetary items forming part of the Group's net investment in foreign operations are reclassified to the exchange reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Foreign currencies *(Continued)*

Transactions and balances (Continued)

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

(o) Employees' benefits

(i) Short term benefits

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

(ii) Pension obligations

Contributions to the Mandatory Provident Fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit or loss when incurred. The Group has no further payment obligations once the contribution has been made.

The employees of the Group's entities which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of its payroll costs to the central pension scheme. The contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

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, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the employee compensation reserve.

The policy described above is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of other equity-settled share-based payments.

Equity-settled share-based payments transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the service.

(q) 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.

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

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Non-current assets held for sale and disposal group

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(s) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group 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 the employees of the Group or an entity related to the Group.

(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 key management personnel of the entity (or of a parent of the entity).

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(s) Related parties *(Continued)*

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 and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances and excludes value added tax or other sales related taxes.

(i) Revenue from sale of products is recognised when the Group has delivered the products to the customer, the customer has accepted the products and collectability of the related receivable is reasonably assured.

(ii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

(u) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Carrying value of non-current assets and impairment of assets

Non-current assets, including property, plant and equipment and land use rights, are carried at cost less accumulated depreciation and amortisation, where appropriate, and impairment losses. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position. Details of the impairment in property, plant and equipment are set out in Note 17 to the financial statements. In addition, the Company also assessed the impairment on its investment costs in subsidiaries and amounts due from subsidiaries, details of which are set out in Note 21 to the financial statements.

(b) Impairment of trade and other receivables

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management reassesses these estimations at the end of each reporting period to ensure inventories are shown at the lower of cost and net realisable value.

(d) Income tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. In addition, the realisation of the future income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and income tax loss carry-forwards. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of future income tax assets and liabilities that could have a significant effect on earnings.

6. TURNOVER

Turnover, which is also revenue, represents the sales value of goods supplied to customers. An analysis of the Group's turnover from its continuing operations is as follows:

	2011	2010
	HK$'000	HK$'000
Sale of PE/FRP pipes	**62,005**	93,934
Sale of composite materials	**27,694**	63,717
	89,699	157,651

7. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has two reportable segments of continuing operations and one reportable segment of discontinued operation. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

– Manufacture and sale of PE/FRP pipes
– Sale of composite materials
– Mining operations

Segment assets exclude cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude convertible bonds and deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

There were no inter-segment sales or transfer during the year (2010: Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' loss that is used by the chief operating decision-maker for assessment of segment performance.

7. SEGMENT REPORTING (Continued)

(a) Business segments

For the year ended 31 December 2011

	Continuing operations			Discontinued operations	
	Manufacture and sale of PE/FRP pipes HK$'000	Sale of composite materials HK$'000	Total HK$'000	Mining operations HK$'000	Total HK$'000
Revenue from external customers	62,005	27,694	89,699	–	89,699
Reportable segment loss	(15,997)	(22,620)	(38,617)	–	(38,617)
Reportable segment assets	293,010	31,059	324,069	207,612	531,681
Reportable segment liabilities	(13,827)	–	(13,827)	(29,510)	(43,337)
Other segment information:					
Interest income					82
Finance costs					(900)
Depreciation	(11,265)	(1,348)	(12,613)	–	(12,613)
Unallocated depreciation					(678)
Total depreciation					(13,291)
Amortisation of land use rights	(757)	–	(757)	–	(757)
Impairment loss on trade and bills receivables	(3,293)	–	(3,293)	–	(3,293)
Impairment loss on prepayments	–	(18,294)	(18,294)	–	(18,294)
Gain on disposal of property, plant and equipment	57	26	83	–	83
Additions to non-current assets	10,492	–	10,492	–	10,492
Unallocated additions to non-current assets					76
Total additions to non-current assets					10,568

7. *SEGMENT REPORTING (Continued)*

(a) Business segments *(Continued)*

For the year ended 31 December 2010

	Continuing operations			Discontinued operations	
	Manufacture and sale of PE/FRP pipes HK$'000	Sale of composite materials HK$'000	Total HK$'000	Mining operations HK$'000	Total HK$'000
Revenue from external customers	93,934	63,717	157,651	–	157,651
Reportable segment profit/(loss)	7,052	(4,103)	2,949	(24,761)	(21,812)
Reportable segment assets	320,227	100,764	420,991	207,612	628,603
Reportable segment liabilities	(85,220)	–	(85,220)	(29,510)	(114,730)
Other segment information:					
Interest income					72
Finance costs	–	–	–	(4,367)	(4,367)
Unallocated finance costs					(22,416)
Total finance costs					(26,783)
Depreciation	(7,441)	–	(7,441)	–	(7,441)
Unallocated depreciation					(751)
Total depreciation					(8,192)
Amortisation of land use rights	(723)	–	(723)	–	(723)
Amortisation of mining rights	–	–	–	(6,987)	(6,987)
Loss on disposal of property, plant and equipment	(2,802)	–	(2,802)	–	(2,802)
Loss on disposal of available-for-sale investments	–	–	–	(26,495)	(26,495)
Gain on repurchase and cancellation of convertible preferred shares	–	–	–	10,699	10,699
Income tax credit	–	–	–	2,468	2,468
Unallocated income tax credit					821
Total income tax credit					3,289
Additions to non-current assets	79,662	–	79,662	–	79,662
Unallocated additions to non-current assets					18
Total additions to non-current assets					79,680

7. SEGMENT REPORTING (Continued)

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

	2011 HK$'000	2010 HK$'000
Loss before income tax and discontinued operations		
Reportable segment loss	**(38,617)**	(21,812)
Segment loss from discontinued operations	**–**	24,761
Other income and gain	**198**	159
Corporate and other unallocated expenses	**(11,675)**	(15,514)
Finance costs	**(900)**	(22,416)
Consolidated loss before income tax from continuing operations	**(50,994)**	(34,822)

	2011 HK$'000	2010 HK$'000
Assets		
Reportable segment assets	**324,069**	420,991
Segment assets of discontinued operations	**207,612**	207,612
Cash and cash equivalents	**31,539**	45,930
Unallocated corporate assets	**93,152**	87,443
Tax recoverable	**298**	–
Consolidated total assets	**656,670**	761,976

7. SEGMENT REPORTING *(Continued)*

(b) Reconciliation of reportable segment profit or loss, assets and liabilities *(Continued)*

	2011 **HK$'000**	2010 HK$'000
Liabilities		
Reportable segment liabilities	**(13,827)**	(85,220)
Segment liabilities of discontinued operations	**(29,510)**	(29,510)
Convertible bonds	**(246,250)**	(246,250)
Deferred tax liabilities	**(19)**	(19)
Unallocated corporate liabilities	**(10,887)**	(10,965)
Consolidated total liabilities	**(300,493)**	(371,964)

(c) Geographic information

During the reporting period, the Group's operations and non-current assets other than financial instruments (specified non-current assets) are located in the PRC and Mongolia (2010: located in the PRC and Mongolia). The specified non-current assets information below is based on the location of assets.

7. SEGMENT REPORTING *(Continued)*

(c) Geographic information *(Continued)*

Segment information of the Group by geographical locations by customer is presented as below:

	Continuing operations		Discontinued operations			
	The PRC		Mongolia		Total	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Revenue from external customers	**89,699**	157,651	**–**	–	**89,699**	157,651
Specified non-current assets	**191,022**	194,283	**–**	–	**191,022**	194,283

Note: As explained in Note 10(b), assets in Mongolia as at 31 December 2011 and 2010 are included in assets classified as held for sale.

(d) Information about major customers

For the year ended 31 December 2011, revenue from one customer in the sale of composite materials segment amounted to HK$25,992,000, and revenues from two customers in the manufacture and sale of PE/FRP pipes segment amounted to HK$29,965,000 and HK$13,387,000 respectively. Each of them had contributed to more than 10% of the Group's total revenue.

For the year ended 31 December 2010, revenues from two customers in the sale of composite materials segment amounted to HK$47,092,000 and HK$16,625,000 respectively, and revenue from one customer in the manufacture and sale of PE/FRP pipes segment amounted to HK$18,267,000. Each of them had contributed to more than 10% of the Group's total revenue.

8. OTHER INCOME AND GAIN

	2011 HK$'000	2010 HK$'000
Continuing operations		
Bank interest income	**82**	72
Gain on disposal of property, plant and equipment	**83**	–
Sundry income	**33**	87
	198	159

9. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Continuing operations		
Interest expenses on borrowing wholly repayable within five years	**900**	2,723
Interest expenses on convertible bonds maturing within five years	**–**	19,693
	900	22,416

10. LOSS BEFORE INCOME TAX

(a) Continuing operations

	2011	2010
	HK$'000	HK$'000
Loss before income tax is arrived after charging:		
Auditors' remuneration	**720**	680
Minimum lease payments under operating lease charges in respect of land and buildings	**1,339**	2,170
Depreciation *(Note)*	**13,291**	8,192
Loss on disposal of property, plant and equipment	**–**	2,802

Note: The above depreciation charge included an amount of HK$8,265,000 (2010: HK$4,950,000) charged to cost of inventories sold on the face of the consolidated income statement.

(b) Discontinued operations

On 2 December 2010, the Group completed the disposal of its 12.21% equity interest in Xin Shougang Zi Yuan Holdings Limited (新首鋼資源控股有限公司) ("Xin Shougang"), the consideration of which included a cash payment of approximately HK$25.3 million and the transfer to the Company the entire non-voting redeemable convertible preferred shares ("CPS") issued by the Company by Great Ocean Real Estate Limited, the sole shareholder of these shares, for repurchase and cancellation by the Company. The disposal of Xin Shougang resulted in a loss of approximately HK$26.5 million and the repurchase and cancellation of CPS resulted in a gain of approximately HK$10.7 million to the Group. Xin Shougang and its subsidiary are principally engaged in mining business. The principal assets of Xin Shougang as at the date of disposal were the exclusive rights to invest in, develop and to apply for the mining rights for the mining sites with mainly iron minerals located at Yichang City, the PRC. Details of these transactions were set out in the Company's circular and announcement dated 8 June 2010 and 2 December 2010 respectively.

10. LOSS BEFORE INCOME TAX *(Continued)*

(b) Discontinued operations *(Continued)*

On 12 November 2010, independent shareholders of the Company passed a resolution at an extraordinary general meeting to approve the deed of settlement dated 17 September 2010 executed by the Company, the joint and several liquidators (the "Liquidator") of Lehman Brothers Commercial Corporation Asia Limited ("Lehman Brothers") appointed by the order of the Court of First Instance of Hong Kong, and Lehman Brothers in relation to the redemption of the 4.5% convertible bonds of the Company in the principal amount of HK$246,250,000 issued by the Company to Lehman Brothers (the "Convertible Bonds") (the "Deed of Settlement").

Details of the terms of the Deed of Settlement are set out in the Company's circular and announcement dated 11 October 2010 and 2 November 2010 respectively. The Company paid HK$85 million to Lehman Brothers under the terms of the Deed of Settlement as partial consideration of the redemption of the Convertible Bonds, which amount was included in other receivables, deposits and prepayments as at 31 December 2011 and 2010 (Note 23(i)). The remaining consideration under the Deed of Settlement is represented by the transfer of the 100% of the issued share capital of Zhong Ping Resources Holdings Limited ("Zhong Ping") or all of the assets held directly or indirectly by Zhong Ping (the "Sale Interest") to Lehman Brothers or a party so directed by Lehman Brothers.

Pursuant to the Deed of Settlement, completion of the Deed of Settlement is conditional upon the fulfillment or waiver of certain conditions on or before 31 October 2011 or such later date as may be agreed between the Company and Lehman Brothers (the "Long Stop Date"). In order to allow more time for the transfer of equity interest in Zhong Ping, the Company, Lehman Brothers and the Liquidator have entered into extension letters (the "Extension Letter") on 28 October 2011, 28 December 2011 and 24 February 2012 respectively to extend the Long Stop Date. The latest extension is to extend the Long Stop Date to 30 March 2012 or such other date as may be agreed by the parties thereto. Save for the change in the Long Stop Date, all other terms and conditions of the Deed of Settlement remain unchanged and shall continue in full force and effect.

10. LOSS BEFORE INCOME TAX *(Continued)*

(b) Discontinued operations *(Continued)*

Zhong Ping holds a 70% interest in ARIA LLC, a company incorporated in Mongolia with limited liability. ARIA LLC in turn is the owner of the mining rights with an expiry date of 10 August 2035 in the green field mining exploration project, the Mungun-Undur Polymetallic Project (the "Project") located in Mungun-Undur, Khentii Province, Mongolia. The Project has prospects for silver, lead, zinc and tin mineralization.

Following the completion of the disposal of Xin Shougang and the approval of the Deed of Settlement in 2010 as described above, the Group had effectively discontinued its mining operations.

10. LOSS BEFORE INCOME TAX *(Continued)*

(b) Discontinued operations *(Continued)*

The results of the discontinued operations associated with the Group's investments in Xin Shougang up to the date of disposal and in Zhong Ping during the year included in the consolidated income statement are set out below:

	2011 **HK$'000**	2010 HK$'000
Loss for the year from discontinued operations:		
Gain on repurchase and cancellation of convertible preferred shares	–	10,699
Amortisation of mining rights (Note 19)	–	(6,987)
Other operating expenses	–	(79)
Loss on disposal of available-for-sale investments	–	(26,495)
Interest on convertible preferred shares (Note 31)	–	(4,367)
Loss before income tax	–	(27,229)
Income tax credit (Note 30)	–	2,468
Loss for the year from discontinued operations	–	(24,761)
Operating cash flows	–	(16)
Investing cash flows	–	23,841
Total cash flows	–	23,825

As of the date of approval of these financial statements, the entire transaction has not been completed as the Company has not yet transferred the Sale Interest to the Liquidator as directed by Lehman Brothers pending completion of the necessary paper work in Mongolia. Unless the Company, Lehman Brothers and the Liquidator agree to a further extension, the parties have up to 30 March 2012 to exercise their rights and fulfil their obligations under the Deed of Settlement.

10. LOSS BEFORE INCOME TAX *(Continued)*

(b) Discontinued operations *(Continued)*

The assets of Zhong Ping Group have been included and classified as assets held for sale and the liabilities of Zhong Ping Group have been classified as liabilities associated with assets classified as held for sale as at 31 December 2011 and 2010.

11. INCOME TAX

(a) Income tax in the consolidated income statement represents:

	2011	2010
	HK$'000	HK$'000
Continuing operations		
Deferred taxation (Note 30)		
– attributable to the origination and reversal of temporary differences, net	**–**	(821)

No provision has been made for Hong Kong profits tax as the Group has no assessable profit arising from Hong Kong during the current and prior years. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

In accordance with various approval documents issued by the State Tax Bureau and the Local Tax Bureau of the PRC, Yichang Fuliangjiang Joint Composite Limited (宜昌富連江複合材料有限公司), a wholly-owned subsidiary of the Company, established as a wholly foreign-owned enterprise in the PRC, is entitled to an exemption from the PRC state and local enterprise income tax ("EIT") for the first two profitable financial years of its operation and thereafter a 50% relief from the state EIT of the PRC for the following three financial years (the "Tax Holiday"). Upon expiry of the Tax Holiday in 2011, the unified EIT rate of 25% will apply in accordance with the PRC Enterprise Income Tax Law approved by the National People's Congress on 16 March 2007 and became effective from 1 January 2008. No provision for EIT has been made as the subsidiary sustained a loss during the current and prior years.

11. INCOME TAX (Continued)

(b) Income tax for the year can be reconciled to accounting loss, at applicable tax rates:

	2011 HK$'000	2010 HK$'000
Continuing operations		
Loss before income tax	**(50,994)**	(34,822)
Income tax credit calculated at the statutory PRC EIT tax rate of 25% (2010: 25%)	**(12,749)**	(8,706)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**720**	2,668
Tax effect of expenses not deductible for taxation purposes	**6,888**	3,640
Tax effect of non-taxable items	**(2)**	–
Tax effect of temporary differences not recognised	**(6)**	–
Utilisation of tax losses previously not recognised	**–**	(93)
Tax effect on unused tax losses not recognised	**5,149**	1,670
Income tax for the year	**–**	(821)

12. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2011 includes a loss of HK$4,644,000 (2010: HK$20,341,000) which has been dealt with in the financial statements of the Company.

13. DIVIDEND

The board of directors do not recommend the payment of any dividend for the year ended 31 December 2011 (2010: Nil).

14. LOSS PER SHARE

For continuing and discontinued operations

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

	2011 **HK$'000**	2010 HK$'000
Loss:		
Loss for the purposes of basic and diluted loss per share	**50,994**	57,170

	2011 **'000**	2010 '000
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**2,414,405**	1,375,675

The weighted average number of ordinary shares in issue during 2010 has been adjusted to reflect the open offer and subscription of shares during 2010 (Note 32).

14. LOSS PER SHARE (Continued)

From continuing operations

	2011 HK$'000	2010 HK$'000
Loss:		
Loss for the year attributable to owners of the Company	**50,994**	57,170
Less: Loss for the year from discontinued operations	–	(23,169)
Loss for the purposes of basic and diluted loss per share from continuing operations	**50,994**	34,001

The number of shares used is the same as those detailed above for both basic and diluted loss per share.

From discontinued operations

For the year ended 31 December 2010, basic and diluted loss of HK$0.017 per share for the discontinued operations was calculated based on the loss for the year from the discontinued operations of HK$23,169,000 and the number of shares as detailed above for both basic and diluted loss per share.

As the convertible bonds and share options, where applicable, outstanding during the reporting periods had an anti-dilutive effect on the basic loss per share, the conversion of the above potential dilutive shares was not assumed in the calculation of the diluted loss per share in both reporting periods. Accordingly, the basic and diluted loss per share for the years ended 31 December 2011 and 2010 are the same.

15. STAFF COSTS, INCLUDING DIRECTORS' REMUNERATION

	2011 HK$'000	2010 HK$'000
Continuing operations		
Salaries and allowances	**7,075**	7,527
Retirement benefit scheme contributions	**509**	473
	7,584	8,000

Staff salaries of HK$1,217,000 (2010: HK$1,236,000) were included in cost of inventories sold as presented in the consolidated income statement.

16. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Executive directors and non-executive directors

	Fees	Salaries, allowances and equity-settled share option benefits	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
2011				
Executive directors:				
Ms. Ma Zheng	–	1,183	16	1,199
Mr. Wong Pui Yiu	–	719	12	731
	–	1,902	28	1,930
Independent non-executive directors:				
Mr. Wan Tze Fan Terence	173	–	–	173
Mr. Chung Chin Keung	173	–	–	173
Mr. Liu Weichang	173	–	–	173
	519	–	–	519
2010				
Executive directors:				
Ms. Ma Zheng	–	1,246	12	1,258
Mr. Wong Pui Yiu	–	771	12	783
	–	2,017	24	2,041
Independent non-executive directors:				
Mr. Wan Tze Fan Terence	171	–	–	171
Mr. Chung Chin Keung	171	–	–	171
Mr. Liu Weichang	171	–	–	171
	513	–	–	513

16. *DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)*

(a) Executive directors and non-executive directors *(Continued)*

During the current and prior years, no emolument was paid by the Group to any directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any remuneration during the current and prior years.

(b) Five highest paid individuals

The five highest paid individuals during the year included two (2010: two) directors, details of whose remuneration are set out in Note 16(a) above. Details of the remuneration of the remaining three (2010: three) non-director, highest paid individuals for the year are as follows:

	2011	2010
	HK$'000	HK$'000
Basic salaries, share options and other benefits	**1,215**	1,126
Discretionary bonuses	**210**	291
Retirement benefit scheme contributions	**36**	36
	1,461	1,453

The emoluments fell within the following bands:

	Number of individuals	
	2011	2010
Nil – HK$1,000,000	**3**	3

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000	Leasehold improvements HK$'000	Computer equipment HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Construction in progress HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2010								
Cost	48,680	376	1,787	44,000	112	496	5,084	100,535
Accumulated depreciation and impairment losses	(6,933)	(376)	(1,073)	(5,236)	(109)	–	(2,640)	(16,367)
Exchange difference	(175)	–	(22)	(127)	–	157	(45)	(212)
Net carrying amount	41,572	–	692	38,637	3	653	2,399	83,956
Year ended 31 December 2010								
Opening carrying amount	41,572	–	692	38,637	3	653	2,399	83,956
Additions	39,782	–	144	39,537	–	18	199	79,680
Reclassification	–	–	–	514	–	(514)	–	–
Written off	–	–	(8)	(3,776)	–	–	–	(3,784)
Depreciation	(2,298)	–	(299)	(4,626)	(1)	–	(968)	(8,192)
Exchange difference	1,515	–	24	1,591	–	(157)	87	3,060
Closing carrying amount	80,571	–	553	71,877	2	–	1,717	154,720
At 31 December 2010								
Cost	88,462	376	1,856	78,236	112	–	5,283	174,325
Accumulated depreciation and impairment losses	(9,231)	(376)	(1,305)	(7,823)	(110)	–	(3,608)	(22,453)
Exchange difference	1,340	–	2	1,464	–	–	42	2,848
Net carrying amount	80,571	–	553	71,877	2	–	1,717	154,720

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group *(Continued)*

	Buildings	Leasehold improvements	Computer equipment	Plant and machinery	Furniture, fixtures and office equipment	Construction in progress	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2011								
Opening carrying amount	80,571	–	553	71,877	2	–	1,717	154,720
Additions	9,985	–	14	507	–	62	–	10,568
Disposals	–	–	–	(28)	–	–	(160)	(188)
Depreciation	(4,528)	–	(349)	(7,667)	(1)	–	(746)	(13,291)
Exchange difference	3,743	–	24	3,338	–	–	80	7,185
Closing carrying amount	89,771	–	242	68,027	1	62	891	158,994
At 31 December 2011								
Cost	98,447	376	1,870	78,708	112	62	4,670	184,245
Accumulated depreciation and impairment losses	(13,759)	(376)	(1,654)	(15,483)	(111)	–	(3,901)	(35,284)
Exchange difference	5,083	–	26	4,802	–	–	122	10,033
Net carrying amount	89,771	–	242	68,027	1	62	891	158,994

The buildings of the Group are located in the PRC and held under a medium term lease.

At 31 December 2010, the Group's buildings with carrying amount of HK$42,940,000 were pledged as the security for a bank loan (Note 29). The pledge was released upon the full settlement of the bank loan by the Group during the year.

18. LAND USE RIGHTS

The Group's interest in land use rights represents prepaid operating lease payments and movements in the carrying amount are analysed as follows:

	2011	2010
	HK$'000	HK$'000
Outside Hong Kong, held on medium-term lease	**32,785**	32,053
Opening carrying amount	**32,053**	31,624
Amortisation	**(757)**	(723)
Exchange difference	**1,489**	1,152
Closing carrying amount	**32,785**	32,053
Less: Current portion included in other receivables, deposits and prepayments	**(757)**	(723)
Non-current portion	**32,028**	31,330

The Group's leasehold land is located in the PRC and is held under a medium term lease with a term of 50 years commencing on 28 February 2005.

At 31 December 2010, the Group's land use rights with carrying amount of HK$32,053,000 were pledged as the security for a bank loan (Note 29). The pledge was released upon the full settlement of the bank loan by the Group during the year.

19. MINING RIGHTS

The movements in carrying amount of the Group's mining rights are analysed as follows:

	2011 **HK$'000**	2010 HK$'000
Opening carrying amount	–	206,963
Amortisation (Note 10(b))	–	(6,987)
Exchange difference	–	7,543
	–	207,519
Classified as assets held for sale (Note 20)	–	(207,519)
Closing carrying amount	–	–
As at 31 December		
Cost	–	451,806
Accumulated amortisation and impairment loss	–	(258,443)
Exchange difference	–	14,156
Classified as assets held for sale (Note 20)	–	(207,519)
Net carrying amount	–	–

20. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As set out in Note 10(b), following the approval of the Deed of Settlement, the mining rights held by Zhong Ping Group are being disposed of to the holder of the Company's Convertible Bonds. Accordingly, the following assets and liabilities of Zhong Ping Group relating to the mining operations have been classified as held for sale in the consolidated statement of financial position.

	2011 **HK$'000**	2010 HK$'000
Mining rights (Note 19)	**207,519**	207,519
Cash and cash equivalents	**1**	1
Other receivables	**92**	92
Assets related to the mining business classified as held for sale	**207,612**	207,612
Other payables	**255**	255
Deferred tax liabilities (Note 30)	**29,255**	29,255
Liabilities of the mining business associated with assets classified as held for sale	**29,510**	29,510
Net assets of the mining business classified as held for sale	**178,102**	178,102

21. INTERESTS IN SUBSIDIARIES

	The Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**470,749**	470,749
Amounts due from subsidiaries (a)	**1,078,831**	1,077,073
	1,549,580	1,547,822
Less: provision for impairment (b)	**(905,604)**	(901,067)
	643,976	646,755
Amounts due to subsidiaries (c)	**(157,793)**	(157,835)

(a) The balance includes an amount of HK$6,500,000 (2010: HK$6,500,000) which bears interest at the prime rate of The Hongkong and Shanghai Banking Corporation Limited plus 1% per annum, repayable within one year (2010: two years) and fully provided for as at 31 December 2011 and 2010. The rest of the amounts are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, these amounts in substance represent the Company's investments in the subsidiaries in the form of quasi equity loans.

(b) Accumulated impairment provision of HK$905,604,000 (2010: HK$901,067,000) was recognised as at 31 December 2011 because the related recoverable amounts of the investment costs and amounts due from subsidiaries with reference to the net assets or net deficit of the respective subsidiaries were estimated to be less than their respective carrying amounts. Accordingly, the carrying amounts of the related investment costs in subsidiaries and amounts due from them are reduced to their respective recoverable amounts.

(c) The amounts due to subsidiaries classified as current liabilities are unsecured, interest free and repayable on demand.

21. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31 December 2011 were as follows:

Name of company	Country of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activity
e-gameasia.com Ltd	BVI/Hong Kong	10,279,450 ordinary shares of HK$1 each	100%	100%	–	Investment holding
Billybala Software (BVI) Limited	BVI/Hong Kong	1 ordinary share of US$0.01 each	100%	100%	–	Investment holding
Yichang Fuliangjiang Joint Composite Limited (Note (i))	PRC	HK$122,238,000	100%	–	100%	Trading of composite materials and production of PE/FRP pipes
Shoukong Group Limited	BVI/Hong Kong	20,000,000 ordinary shares of US$1 each	100%	100%	–	Investment holding
Yichang Shoukong Industries Co., Ltd (Note (i))	PRC	HK$250,000,000	100%	–	100%	Investment holding
Billybala Software (Shenzhen) Limited (Note (i))	PRC	HK$1,000,000	100%	–	100%	Provision of administrative service to group companies
Billybala iGame Limited	Hong Kong	7 ordinary shares of HK$1 each	100%	–	100%	Provision of administrative service to group companies
Zhong Ping Resources Holdings Limited (Note (ii))	BVI/Hong Kong	75,000,000 ordinary shares of HK$1 each	100%	100%	–	Investment holding
ARIA LLC (Note (ii))	Mongolia	1,330,000 ordinary shares of US$1 each	70%	–	70%	Mining resources development

21. INTERESTS IN SUBSIDIARIES (Continued)

Notes:

(i) Each subsidiary is registered as a wholly-foreign-owned enterprise under the PRC law.

(ii) As detailed in Note 10(b) to the financial statements, the Group has discontinued its mining operations held within in these two subsidiaries during the years ended 31 December 2011 and 2010.

(iii) None of the subsidiaries had issued any debts securities at the end of the year.

In the opinion of the directors, the above subsidiaries principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

22. AVAILABLE-FOR-SALE INVESTMENT

	The Group and the Company	
	2011	2010
	HK$'000	HK$'000
Unlisted equity investment, at cost	**3,896**	–

The above investment offered the Group the opportunity for return through dividend income and capital gains. The Group acquired approximately 1% of equity interest in the investee through share subscription. The investee is in the process of seeking a listing of its shares in a stock market in the United States. The Group intends to hold this investment for long term purpose.

Since the investment does not has a quoted market price in an active market and therefore its fair value cannot be reliably measured, the investment is stated at cost less any impairment at the end of reporting period.

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other receivables and deposits	**95,481**	103,353	**85,000**	85,000
Prepayments	**47,402**	141,048	**221**	195
	142,883	244,401	**85,221**	85,195
Less: Provision for impairment loss on prepayments	**(18,294)**	–	**–**	–
	124,589	244,401	**85,221**	85,195
Less: Current portion (Note (i))	**(124,589)**	(236,168)	**(85,221)**	(85,195)
Non-current portion (Note (ii))	**–**	8,233	**–**	–

Notes:

(i) Current portion of the balance as at 31 December 2011 included payments of HK$28,885,000 (2010: HK$140,803,000) to suppliers, net of provision for impairment loss of HK$18,294,000 (2010: Nil), for future purchases of inventories in anticipation to increase in prices of composite materials and payments of HK$85,000,000 (2010: HK$85,000,000) to Lehman Brothers as partial consideration for the redemption of the Convertible Bonds (Note 10(b)).

(ii) Balance as at 31 December 2010 represented deposits paid for the construction of new factory buildings in Yichang City, the PRC. The construction work was completed during the year and the deposit was transferred to the relevant item of property, plant and equipment.

24. INVENTORIES

	The Group	
	2011	2010
	HK$'000	HK$'000
Raw materials	**6,197**	9,014
Work in progress	**141**	236
Finished goods	**16,943**	15,216
	23,281	24,466

25. TRADE AND BILLS RECEIVABLES

	The Group	
	2011	2010
	HK$'000	HK$'000
Trade and bills receivables	**77,726**	53,517
Less: Provision for impairment	**(3,293)**	–
	74,433	53,517

(a) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month and can be extended to three months or more for major customers. The Group has set a maximum credit limit for each customer. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

(b) At 31 December 2011, trade and bills receivables included an amount of HK$3,293,000 (2010: Nil) which was individually determined to be impaired. The individually impaired receivable relates to debts that management assessed to be irrecoverable. Consequently, a specific provision for impairment of HK$3,293,000 (2010: Nil) has been recognised for the year. The Group does not hold any collateral over this balance.

25. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	The Group	
	2011	2010
	HK$'000	HK$'000
Within 30 days	**26,603**	42,578
31 – 60 days	**613**	8,341
61 – 90 days	**889**	46
Over 90 days	**46,328**	2,552
	74,433	53,517

(d) An ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Not past due	**66,684**	53,517
Less than 31 days past due	**90**	–
31 – 60 days past due	**25**	–
Over 90 days but less than 365 days past due	**7,634**	–
	7,749	–
	74,433	53,517

25. TRADE AND BILLS RECEIVABLES (Continued)

(d) (Continued)

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to customers that had a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(e) At 31 December 2010, the Group's bills receivable of HK$18,836,000 was discounted to a bank with recourse. The Group continued to recognise the full carrying amount of the receivables and cash received as a secured bank borrowing (Note 29). No such transaction was entered into in 2011.

26. CASH AND CASH EQUIVALENTS

At the end of reporting period, cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$30,534,000 (2010: HK$32,057,000). The RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and cash equivalents approximate their fair values.

27. TRADE PAYABLES

An aging analysis of trade payables, based on the invoice date, is as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Within 30 days	**6,928**	3,626
31 – 60 days	**1,651**	52
61 – 90 days	**300**	27
Over 90 days	**4,143**	1,319
	13,022	5,024

28. CONVERTIBLE BONDS

The Group's and the Company's outstanding convertible bonds as at 31 December 2011 and 2010 are as follows:

(a) The 4.5% convertible bonds were issued to Lehman Brothers on 31 October 2007 with a nominal value of HK$246,250,000 and matured on 31 October 2010. No conversion had taken place since the Convertible Bonds were issued.

Coupon interest of 4.5% per annum was payable semi-annually in arrears up to 31 October 2010. The effective interest of the Convertible Bonds was determined at 9.11% per annum using the effective interest method. The carrying value of the Convertible Bonds as at 31 December 2011 was HK$246,250,000 (2010: HK$246,250,000).

In 2008, Lehman Brothers was put into liquidation the process of which is still in progress as of the date of approval of these financial statements. As set out in Note 10(b), the Company has entered into a Deed of Settlement with Lehman Brothers for the redemption of the Convertible Bonds.

28. CONVERTIBLE BONDS (Continued)

The fair values of the liability components of the above convertible bonds were calculated using the market interest rates for equivalent non-convertible bonds. The residual amounts, representing the values of the equity conversion components, were included in equity, net of deferred taxes.

The convertible bonds recognised in the statement of financial position are calculated as follows:

	The Group and the Company	
	2011	2010
	HK$'000	HK$'000
Nominal value of convertible bonds	**246,250**	246,250
Equity component	**(22,164)**	(22,164)
Direct transaction costs attributable to the liability component	**(7,087)**	(7,087)
Liability component on initial recognition	**216,999**	216,999
Accumulated interest expenses recognised	**62,525**	62,525
Accumulated interest paid	**(24,040)**	(24,040)
Accumulated accrued interest expenses	**(9,234)**	(9,234)
Liability component at 31 December	**246,250**	246,250
Less: current portion	**(246,250)**	(246,250)
Non-current portion	**–**	–

29. BANK BORROWINGS

	The Group	
	2011	2010
	HK$'000	HK$'000
Bank loan – secured (Note (ii))	**–**	58,862
Bills discounted with recourse – secured (Note (iii))	**–**	18,836
	–	77,698

Notes:

(i) All the Group's bank borrowings as at 31 December 2010 were repayable within one year.

(ii) Bank loan with a term of one year raised on 26 March 2010 bore interest at 5.81% (2010: 5.31%) per annum. The loan was secured by the buildings (Note 17) and land use rights (Note 18) with carrying amounts as at 31 December 2010 of HK$42,940,000 and HK$32,053,000 respectively. The bank loan was fully repaid during the year.

(iii) Bills discounted with recourse were interest-bearing at 4% per annum and fully repaid on 4 May 2011.

30. DEFERRED TAX LIABILITIES

The movements for the year in the deferred tax liabilities were as follows:

	The Group					The Company		
	Fair value adjustments arising from acquisition of subsidiaries	**Convertible bonds**	**Convertible preferred shares**	**Others**	**Total**	**Convertible bonds**	**Convertible preferred shares**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010	(31,002)	(821)	(148,792)	(19)	(180,634)	(821)	(148,792)	(149,613)
Release upon repurchase and cancellation of convertible preferred shares	–	–	148,071	–	148,071	–	148,071	148,071
Deferred tax credit to profit or loss during the year								
– Continuing operations (Note 11(a))	–	821	–	–	821	821	–	821
– Discontinued operations (Note 10(b))	1,747	–	721	–	2,468	–	721	721
	(29,255)	–	–	(19)	(29,274)	–	–	–
Classified as liabilities associated with assets classified as held for sale (Note 20)	29,255	–	–	–	29,255	–	–	–
At 31 December 2010 and 2011	–	–	–	(19)	(19)	–	–	–

30. DEFERRED TAX LIABILITIES (Continued)

The Group had tax losses arising in Hong Kong of HK$1,733,000 (2010: HK$1,733,000) and the PRC of HK$50,349,000 (2010: HK$24,691,000) that are available for offsetting against future taxable profits of the companies in which the losses arose indefinitely and for five years, respectively. Deferred tax assets have not been recognised in respect of these losses as they have arisen in group companies that have been loss-making for some years.

31. CONVERTIBLE PREFERRED SHARES

The Group and Company

As set out in Note 10(b), on 2 December 2010, the Company completed the repurchase and cancellation of the convertible preferred shares ("CPS"). The resulting profit on repurchase and cancellation of approximately HK$10.7 million was included in loss on discontinued operations in 2010.

The CPS recognised in the Company's and the Group's statements of financial position were as follows:

	Number of ordinary shares to be issued upon conversion of CPS	**Equity component**	**Liability component**	**Total**
		HK$'000	HK$'000	HK$'000
At 1 January 2010	359,396,454	753,639	50,992	804,631
Imputed interest (Note 10(b))	–	–	4,367	4,367
Repurchased and cancelled	(359,396,454)	(753,639)	(55,359)	(808,998)
At 31 December 2010 and 2011	–	–	–	–

The effective interest on the CPS was determined at 9.49% per annum using the effective interest method.

32. SHARE CAPITAL

	Number of shares '000	**Amount** HK$'000
Authorised:		
Ordinary share of HK$0.0125 each at 1 January 2010, 31 December 2010 and 31 December 2011	9,600,000	120,000
Issued and fully paid:		
Ordinary share of HK$0.0125 each at 1 January 2010	1,229,603	15,370
Open offer (Note (i))	614,802	7,685
Subscription of shares (Note (ii))	570,000	7,125
Ordinary share of HK$0.0125 each at 31 December 2010 and 2011	2,414,405	30,180

Notes:

(i) Open offer of shares

An open offer of one offer share for every two existing shares held by the shareholders whose names appeared on the register of members of the Company on 27 October 2010 was made at the issue price of HK$0.08 per offer share. 614,801,640 shares of HK$0.0125 each were issued at the issue price of HK$0.08 per offer share for a total cash consideration of HK$49,184,131 before issue expenses of HK$2,136,000 (Note 34).

(ii) Subscription of shares

On 16 November 2010, the Company allotted and issued 570,000,000 shares of HK$0.0125 each to Mr Yu Hongzhi, the major shareholder of the Company, at the issue price of HK$0.08 per share for a total cash consideration of HK$45,600,000 (Note 34).

33. SHARE OPTIONS SCHEME

The Group maintained a share options scheme for employee compensation. All share-based employee compensation was settled in equity. The Group had no legal or constructive obligations to repurchase or settle the options.

(a) On 17 March 2004, the Company forfeited all the outstanding share options granted from a Pre-IPO share option scheme (the "Pre-Scheme") adopted by the Company on 28 November 2001, and that all outstanding share options granted from the Pre-Scheme were cancelled and extinguished. As at 31 December 2011, there were no share options outstanding under the Pre-Scheme.

(b) On 28 November 2001, a further share options scheme (the "Post-Scheme") was approved pursuant to a written resolution of the Company. The purpose of the Post-Scheme is to enable the Group to grant options to selected persons as incentives or rewards for their contribution to the Group. The board of directors may, at their discretion, grant options to any full-time employee and any director of the Company or its subsidiaries, including executive, non-executive and independent non-executive directors, to subscribe for shares of the Company. The total number of shares which may be issued upon exercise of all outstanding options granted and yet-to-be exercised under the Post-Scheme and other schemes by the Company must not exceed 30% of the shares in issue from time to time. A non-refundable nominal consideration of HK$1 is payable by the grantee upon acceptance of an option. The subscription price for shares under the Post-Scheme may be determined by the board of directors at its absolute discretion but in any event will not be less than the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day and (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date for grant of the relevant options.

Any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

33. SHARE OPTIONS SCHEME (Continued)

In addition, any share options granted to any one person in excess of 1% of the shares of the Company in issue at any time within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The options granted may be exercised at any time or times during a period of not less than 3 years to be notified by the board of directors and in any event no later than 10 years from the date of the grant of the options.

Because of the Offer (as defined in the Company's announcement dated 3 June 2011) in relation to the change of shareholding of substantial shareholders of the Company and in accordance with the terms of the Post-Scheme, the Company had on 3 June 2011 given notice to the option holders (other than Ms. Ma Zheng (the "Offeror") and the parties acting in concert with her), whereupon such holders were entitled to exercise the options in full or in part (to the extent not already exercised) at any time within 14 days after the date of such notice (i.e. any time during the period from 4 June 2011 to 17 June 2011), after which the options would lapse according to the terms of the Post-Scheme. Up to 17 June 2011, none of the options had been exercised and therefore, all the 75,080,162 options (including the 2,898,848 options held by the Offeror) lapsed according to the terms of the Post-Scheme.

The Post-Scheme was in force for a period of 10 years with effect from 28 November 2001.

33. SHARE OPTIONS SCHEME (Continued)

Details of the share options conditionally granted by the Company pursuant to the Post-Scheme and the movements of options during the year were as follows:

Grantees	Date of granted	Balance as at 1 January 2010	Adjustment on open offer and subscription of shares during the year	Lapsed during the year	Balance as at 31 December 2010 and at 1 January 2011	Lapsed during the year	Balance as at 31 December 2011	Period during which the options are exercisable	Adjusted exercise price per share
		'000	'000	'000	'000	'000	'000		
Ms Ma Zheng (Director)	8 January 2008	2,512	387	–	2,899	(2,899)	–	8 July 2008 to 27 November 2011	HK$1.5182
Mr Wan Tze Fan Terence (Director)	8 January 2008	377	58	–	435	(435)	–	8 July 2008 to 27 November 2011	HK$1.5182
Mr Li Weichang (Director)	8 January 2008	377	58	–	435	(435)	–	8 July 2008 to 27 November 2011	HK$1.5182
Employees	8 January 2008	70,336	10,831	(9,856)	71,311	(71,311)	–	8 July 2008 to 27 November 2011	HK$1.5182
		73,602	11,334	(9,856)	75,080	(75,080)	–		

No share options were granted and exercised in both 2010 and 2011. All the 75,080,162 share options lapsed on 17 June 2011. At the end of reporting period and the date of approval of these financial statements, the Company had no share options outstanding under the Post-Scheme.

On 27 November 2011, the Post Scheme was expired.

34. RESERVES OF THE COMPANY

	Share premium account HK$'000 (Note)	Convertible bonds reserve HK$'000 (Note 28)	Employee compen-sation reserve HK$'000 (Note 33)	Convertible preferred shares reserve HK$'000 (Note 31)	Accumulated losses HK$'000	Total equity HK$'000
Balance at 1 January 2010	352,839	17,922	38,031	753,639	(814,217)	348,214
Open offer of shares (Note 32(i))	41,499	–	–	–	–	41,499
Share issue expenses in relation to the open offer of shares (Note 32(i))	(2,136)	–	–	–	–	(2,136)
Subscription of shares (Note 32(ii))	38,475	–	–	–	–	38,475
Lapse of share options	–	–	(4,413)	–	4,413	–
Repurchase and cancellation of convertible preferred shares (Note 31)	–	–	–	(753,639)	834,233	80,594
Loss and other comprehensive income for the year	–	–	–	–	(209,285)	(209,285)
Balance at 31 December 2010 and at 1 January 2011	430,677	17,922	33,618	–	(184,856)	297,361
Lapse of share options	–	–	(33,618)	–	33,618	–
Loss and other comprehensive income for the year	–	–	–	–	(8,791)	(8,791)
Balance at 31 December 2011	**430,677**	**17,922**	**-**	**-**	**(160,029)**	**288,570**

34. RESERVES OF THE COMPANY (Continued)

Note:

The share premium account of the Company includes: (i) the premium arising from issues of shares of the Company at a premium less share issue expenses; and (ii) the excess of the then combined net assets of the subsidiaries acquired pursuant to the Group reorganisation over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Law (Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

35. CAPITAL COMMITMENTS

The Group

Capital commitments outstanding at the end of reporting period not provided for in the financial statements were as follows:

	2011	2010
	HK$'000	HK$'000
Purchase of property, plant and equipment contracted but not provided for	**17,048**	14,491

The Company

The Company did not have any significant capital commitments at the end of both reporting periods.

36. OPERATING LEASE ARRANGEMENTS

The Group

The Group is the lessee in respect of certain of its office premises held under operating leases. The leases typically run for an initial period of one to three years at fixed rental. None of the leases includes contingent rentals.

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

	2011	2010
	HK$'000	HK$'000
Within one year	**729**	850
After one year but within five years	**277**	999
	1,006	1,849

The Company

The Company did not have any significant operating lease commitments at the end of both reporting periods.

37. CONTINGENT LIABILITIES

Environmental contingencies

To date, the Group has not incurred any significant expenditure for environmental remediation, is currently not involved in any environmental remediation, and has not accrued any amounts for environmental remediation relating to its operations. Under the existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. Also, the Group expects it will be able to complete the disposal of its mining rights very soon (Note 10(b)). Therefore, no provision was made as at 31 December 2011.

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 below. Expect for those disclosed elsewhere in the financial statements, details of transactions between the Group and other related party are as follows:

(a) During the year and in the ordinary course of business, the Group had the following material transactions with a related party:

	2011	2010
	HK$'000	HK$'000
Related company		
– Sale of products	**750**	27,517
– Purchase of materials	**–**	6,166

A major shareholder of the Company during the year was also a director of the related company which was not a member of the Group.

(b) Members of key management during the year comprised only of the directors whose remuneration is set out in Note 16(a) to the financial statements.

39. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is 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 cost of capital.

The capital structure of the Group consists of debts, which includes convertible bonds and bank borrowings disclosed in Notes 28 and 29 respectively, cash and cash equivalents disclosed in Note 26 and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in the consolidated statement of changes in equity.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 5% to 10% determined as the proportion of net debts to total equity. It is the management's target to control the gearing ratio at around 20%.

The gearing ratio at the end of reporting period was as follows:

	2011 **HK$'000**	2010 HK$'000
Debts	**246,250**	323,948
Cash and cash equivalents	**(31,539)**	(45,930)
Net debts	**214,711**	278,018
Total equity	**356,177**	390,012
Net debts to total equity ratio	**60.28%**	71.28%

40. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and bills receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade receivables. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group had a certain concentration of credit risk as 39% (2010: 35%) and 79% (2010: 94%) of the total trade and bills receivables was due from the Group's largest customer and the five largest customers.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from other receivables and trade and bills receivables are set out in Notes 23 and 25 respectively.

40. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

All the Group's and the Company's financial liabilities at the end of reporting period are due within one year or on demand.

(c) Interest rate risk

The Group's fair value interest-rate risk in prior year mainly arose from Convertible Bonds and CPSs as disclosed in Notes 28 and 31 respectively. The Convertible bonds and CPSs were issued at fixed rates which exposed the Group to fair value interest-rate risk. The Group had not used any financial instruments to hedge potential fluctuations in interest rates.

As stated in Note 10(b), the Group is the process of redeeming the Convertible Bonds under the terms of the Deed of Settlement and purchased and cancelled the CPSs during 2010. The Group is therefore currently not subject to any fair value interest-rate risk.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Interest rate risk *(Continued)*

The following table details the interest rate profile of the Group at the end of reporting period.

	2011		2010	
	Effective interest rate %	**HK'000**	Effective interest rate %	HK'000
Fixed rate				
Bank loan	**N/A**	**–**	5.31%	58,862
Bills discounted with recourse	**N/A**	**–**	4%	18,836
Variable rate				
Bank balances	**0.267%**	**30,656**	0.221%	32,217

It is estimated that as at 31 December 2011, a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss after income tax and accumulated losses by HK$307,000 (2010: increase/decrease the Group's loss after income tax and accumulated losses by HK$454,800).

(d) Currency risk

The Group primarily operated in the PRC and most of its transactions are denominated and settled in RMB. Whilst the Company was based in Hong Kong and transacts primarily in Hong Kong dollar, its activities were mostly separate and independent from those of the overseas operations. Accordingly, the Group did not have a significant exposure to currency risk.

40. FINANCIAL RISK MANAGEMENT (Continued)

(e) Price risk – Commodity price risk

The minerals markets are influenced by global as well as regional supply and demand conditions. Changes in prices of minerals products could significantly affect the Group's financial performance. The Group historically has not used any commodity derivative instruments to hedge the potential price fluctuations of products and does not have a fixed policy to do so in the foreseeable future.

(f) Fair values

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts as at 31 December 2011 and 2010.

(g) Fair values estimation

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subject in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

41. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2011 and 2010 may be categorised as follows:

	2011	2010
	HK$'000	HK$'000
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	**201,453**	202,800
Financial liabilities		
Financial liabilities measured at amortised cost	**270,964**	342,435

Financial Summary

(Expressed in Hong Kong dollars)

The following is a summary of the consolidated results and assets and liabilities of the Group, prepared for the last five years, as extracted from the audited consolidated financial statements of the Group. This summary does not form part of the audited financial statements.

Results

	Year ended 31 December				
	2011 **HK$'000**	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Continuing operations					
Turnover	**89,699**	157,651	38,712	72,770	31,826
Other income and gain	**198**	159	539	7,524	1,601
Operating expenses	**(139,991)**	(170,216)	(58,583)	(136,248)	(52,917)
Operating loss	**(50,094)**	(12,406)	(19,332)	(55,954)	(19,490)
Finance costs	**(900)**	(22,416)	(20,144)	(20,566)	(3,700)
Loss before income tax	**(50,994)**	(34,822)	(39,476)	(76,520)	(23,190)
Income tax credit	**–**	821	817	1,330	272
Loss for the year from continuing operations	**(50,994)**	(34,001)	(38,659)	(75,190)	(22,918)
Discontinued operations					
(Loss)/profit for the year from discontinued operations	**–**	(24,761)	(827,546)	(1,223,807)	1,138,576
(Loss)/profit for the year	**(50,994)**	(58,762)	(866,205)	(1,298,997)	1,115,658
(Loss)/profit attributable to:					
Owners of the Company	**(50,994)**	(57,170)	(864,145)	(1,243,920)	1,115,983
Non-controlling interests	**–**	(1,592)	(2,060)	(55,077)	(325)
	(50,994)	(58,762)	(866,205)	(1,298,997)	1,115,658

Assets and Liabilities

	31 December				
	2011 **HK$'000**	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Total assets	**656,670**	761,976	886,049	1,678,232	2,515,997
Total liabilities	**(300,493)**	(371,964)	(477,866)	(495,128)	(431,416)
	356,177	390,012	408,183	1,183,104	2,084,581