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**中國礦業資源集團有限公司\***  
**China Mining Resources Group Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00340)**

**ANNOUNCEMENT OF FINAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

The Board of Directors (the “Board”) of China Mining Resources Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2010:

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31 December 2010*

|  | <i>Notes</i> | <b>2010</b><br><b>HK\$'000</b> | 2009<br>HK\$'000<br>(Restated) |
|--|--------------|--------------------------------|--------------------------------|
| <b>Continuing operations</b>   |              |                                |                                |
| Revenue  | 5            | <b>337,732</b>                 | 218,626                        |
| Cost of sales  |              | <b>(217,387)</b>               | (116,846)                      |
| Gross profit   |              | <b>120,345</b>                 | 101,780                        |
| Other income   | 7            | <b>14,573</b>                  | 25,375                         |
| Other gains and losses   | 8            | <b>(1,255,054)</b>             | 273,319                        |
| Selling and distribution expenses  |              | <b>(24,523)</b>                | (14,536)                       |
| Administrative expenses  |              | <b>(107,000)</b>               | (185,505)                      |
| Finance costs  |              | <b>(25,353)</b>                | (18,849)                       |
| Impairment losses on available-for-sale investments                                |              | <b>(46,729)</b>                | —                              |
| Impairment losses on goodwill  |              | <b>(423,086)</b>               | —                              |
| Impairment losses on property, plant and equipment and prepaid lease payments      |              | <b>(46,678)</b>                | (149,463)                      |
| Impairment losses on exploration and evaluation assets and other intangible assets |              | <b>(44,091)</b>                | (452,766)                      |
| Loss before tax  |              | <b>(1,837,596)</b>             | (420,645)                      |
| Income tax (expense) credit  | 9            | <b>(5,859)</b>                 | 10,195                         |

\* *For identification purpose only*

|   | <i>Notes</i> | <b>2010</b><br><b>HK\$'000</b> | 2009<br>HK\$'000<br>(Restated) |
|---|--------------|--------------------------------|--------------------------------|
| Loss for the year from continuing operations  |              | <b>(1,843,455)</b>             | (410,450)                      |
| <b>Discontinued operation</b>   | <i>10</i>    |                                |                                |
| Profit for the year from discontinued operation                                       |              | <u>90,916</u>                  | <u>9,095</u>                   |
| Loss for the year   | <i>11</i>    | <u><b>(1,752,539)</b></u>      | <u>(401,355)</u>               |
| <b>Other comprehensive (expense) income</b>   |              |                                |                                |
| Exchange difference arising on translation  |              | <b>(3,541)</b>                 | 1,139                          |
| Gain on change in fair value of available-for-sale investments                        |              | <b>133,289</b>                 | 93,965                         |
| Reclassification adjustment upon disposal of available-for-sale investments           |              | —                              | (71,500)                       |
| Actuarial gain on defined benefit pension plans                                       |              | <u>621</u>                     | <u>6,018</u>                   |
| Other comprehensive income for the year (net of tax)                                  |              | <u><b>130,369</b></u>          | <u>29,622</u>                  |
| Total comprehensive expense for the year  |              | <u><b>(1,622,170)</b></u>      | <u>(371,733)</u>               |
| Loss for the year attributable to:  |              |                                |                                |
| Owners of the Company   |              |                                |                                |
| Loss for the year from continuing operations  |              | <b>(1,840,592)</b>             | (330,971)                      |
| Profit for the year from discontinued operations                                      |              | <u>90,916</u>                  | <u>9,095</u>                   |
| Loss for the year attributable to owners of the Company                               |              | <u><b>(1,749,676)</b></u>      | <u>(321,876)</u>               |
| Non-controlling interests   |              |                                |                                |
| Loss for the year from continuing operation attributable to non-controlling interests |              | <u>(2,863)</u>                 | <u>(79,479)</u>                |
|   |              | <u><b>(1,752,539)</b></u>      | <u>(401,355)</u>               |
| Total comprehensive expense attributable to:  |              |                                |                                |
| Owners of the Company   |              | <b>(1,618,250)</b>             | (292,348)                      |
| Non-controlling interests   |              | <u>(3,920)</u>                 | <u>(79,385)</u>                |
|   |              | <u><b>(1,622,170)</b></u>      | <u>(371,733)</u>               |
| Loss per share  | <i>12</i>    |                                |                                |
| From continuing and discontinued operations   |              |                                |                                |
| Basic and diluted   |              | <u><b>(26.10) cents</b></u>    | <u>(5.27) cents</u>            |
| From continuing operations  |              |                                |                                |
| Basic and diluted   |              | <u><b>(27.46) cents</b></u>    | <u>(5.42) cents</u>            |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

|   | <i>Notes</i> | <b>31.12.2010</b><br><b>HK\$'000</b> | 31.12.2009<br><i>HK\$'000</i><br>(Restated) | 1.1.2009<br><i>HK\$'000</i><br>(Restated) |
|---|--------------|--------------------------------------|---|---|
| <b>Non-current assets</b>                   |              |                                      |   |   |
| Property, plant and equipment               |              | <b>111,685</b>                       | 121,192                                     | 218,441                                   |
| Prepaid lease payments                      |              | <b>33,800</b>                        | 37,447                                      | 71,951                                    |
| Exploration and evaluation assets           |              | —                                    | —   | 11,229                                    |
| Goodwill                                    |              | <b>88,295</b>                        | 511,381                                     | —   |
| Other intangible assets                     |              | <b>143,542</b>                       | 182,374                                     | 546,777                                   |
| Interests in jointly controlled entities    |              | —                                    | —   | —   |
| Available-for-sale investments              |              | <b>326,710</b>                       | 214,199                                     | 72,121                                    |
| Deposit for acquisition of subsidiaries     |              | —                                    | —   | 100,000                                   |
| Deposit for acquisition of tea mountain     |              | <b>20,705</b>                        | —   | —   |
| Other receivables                           |              | —                                    | —   | 968                                       |
|   |              | <b>724,737</b>                       | 1,066,593                                   | 1,021,487                                 |
| <b>Current assets</b>                       |              |                                      |   |   |
| Inventories                                 |              | <b>164,754</b>                       | 256,185                                     | 209,050                                   |
| Trade and other receivables                 | <i>13</i>    | <b>96,446</b>                        | 105,531                                     | 126,644                                   |
| Prepaid lease payments                      |              | <b>3,873</b>                         | 3,167                                       | 2,120                                     |
| Held-for-trading investments                |              | <b>34,353</b>                        | 6,746                                       | 590                                       |
| Bank balances and cash                      |              | <b>391,894</b>                       | 531,223                                     | 1,000,408                                 |
|   |              | <b>691,320</b>                       | 902,852                                     | 1,338,812                                 |
| <b>Current liabilities</b>                  |              |                                      |   |   |
| Trade and other payables                    | <i>14</i>    | <b>260,593</b>                       | 221,880                                     | 358,895                                   |
| Amounts due to jointly controlled entities  |              | —                                    | —   | 758                                       |
| Amounts due to non-controlling shareholders |              | <b>150,500</b>                       | 150,500                                     | 150,636                                   |
| Tax payable                                 |              | <b>62,454</b>                        | 62,277                                      | 100,536                                   |
| Bank borrowings                             |              | <b>82,645</b>                        | 51,192                                      | 136,428                                   |
| Other borrowings                            |              | <b>1,181</b>                         | 1,137                                       | 1,137                                     |
| Provisions                                  |              | <b>64,540</b>                        | 76,163                                      | 39,847                                    |
|   |              | <b>621,913</b>                       | 563,149                                     | 788,237                                   |
| Net current assets                          |              | <b>69,407</b>                        | 339,703                                     | 550,575                                   |
| Total assets less current liabilities       |              | <b>794,144</b>                       | 1,406,296                                   | 1,572,062                                 |

|  | <b>31.12.2010</b><br><i>HK\$'000</i> | 31.12.2009<br><i>HK\$'000</i><br>(Restated) | 1.1.2009<br><i>HK\$'000</i><br>(Restated) |
|--|--------------------------------------|---|---|
| <b>Non-current liabilities</b>               |                                      |   |   |
| Deferred income                              | <b>35,782</b>                        | 32,435                                      | 46,644                                    |
| Bank borrowings                              | —                                    | 68,256                                      | 34,107                                    |
| Other borrowings                             | <b>19,233</b>                        | 4,880                                       | 4,877                                     |
| Provisions                                   | <b>76,311</b>                        | 230,659                                     | 286,260                                   |
| Deferred tax liabilities                     | <b>18,747</b>                        | 25,070                                      | 42,077                                    |
| Other long term payables                     | <b>92,768</b>                        | 95,664                                      | 85,642                                    |
| Non-redeemable convertible preference shares | <b>52,036</b>                        | —   | —   |
|  | <u><b>294,877</b></u>                | <u>456,964</u>                              | <u>499,607</u>                            |
|  | <u><b>499,267</b></u>                | <u>949,332</u>                              | <u>1,072,455</u>                          |
| <b>Capital and reserves</b>                  |                                      |   |   |
| Share capital                                | <b>913,878</b>                       | 613,078                                     | 602,665                                   |
| Share premium and reserves                   | <b>(493,218)</b>                     | 251,426                                     | 344,475                                   |
| Equity attributable to owners of the Company | <b>420,660</b>                       | 864,504                                     | 947,140                                   |
| Non-controlling interests                    | <b>78,607</b>                        | 84,828                                      | 125,315                                   |
|  | <u><b>499,267</b></u>                | <u>949,332</u>                              | <u>1,072,455</u>                          |

Notes:

## 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are mining, processing and sales of molybdenum, sales of tea products, and internet protocol television broadcasting. The Group was also engaged in mining, processing and sales of copper and zinc which was discontinued in current year (see Note 10).

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

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

|                              |   |
|------------------------------|---|
| HKFRS 2 (Amendments)         | Group Cash-settled Share-based Payment Transactions   |
| HKFRS 3 (as revised in 2008) | Business Combinations   |
| HKAS 27 (as revised in 2008) | Consolidated and Separate Financial Statements  |
| HKAS 39 (Amendments)         | Eligible Hedged Items   |
| HKFRSs (Amendments)          | Improvements to HKFRSs issued in 2009   |
| HKFRSs (Amendments)          | Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008  |
| HK(IFRIC) — Int 17           | Distributions of Non-cash Assets to Owners  |
| HK — Int 5                   | Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |

The application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

|                                 |  |
|---------------------------------|--|
| HKFRSs (Amendments)             | Improvements to HKFRSs issued in 2010 <sup>1</sup>                       |
| HKFRS 7 (Amendments)            | Disclosures — Transfers of Financial Assets <sup>2</sup>                 |
| HKFRS 9                         | Financial Instruments <sup>3</sup>                                       |
| HKAS 12 (Amendments)            | Deferred Tax: Recovery of Underlying Assets <sup>4</sup>                 |
| HKAS 24 (as revised in 2009)    | Related Party Disclosures <sup>5</sup>                                   |
| HKAS 32 (Amendments)            | Classification of Rights Issues <sup>6</sup>                             |
| HK(IFRIC) — INT 14 (Amendments) | Prepayments of a Minimum Funding Requirement <sup>5</sup>                |
| HK(IFRIC) — INT 19              | Extinguishing Financial Liabilities with Equity Instruments <sup>7</sup> |

- <sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
- <sup>2</sup> Effective for annual periods beginning on or after 1 July 2011.
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2013.
- <sup>4</sup> Effective for annual periods beginning on or after 1 January 2012.
- <sup>5</sup> Effective for annual periods beginning on or after 1 January 2011.
- <sup>6</sup> Effective for annual periods beginning on or after 1 February 2010.
- <sup>7</sup> Effective for annual periods beginning on or after 1 July 2010.

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 “Financial Instruments” (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group’s consolidated financial statements for financial year ending 31 December 2013 and that the application of HKFRS 9 will have no material impact on the amount of the Group’s financial assets and financial liability.

### 3. PRIOR YEAR ADJUSTMENTS

Certain errors in the financial statements were identified by the directors of the Company subsequent to the issue of the financial statements for the year ended 31 December 2009. The adjustments represent understatement of post-employment benefits and costs of residence for employees and their families.

During the year, the Group entered into a negotiation for the disposal of the entire equity interest in its subsidiary, Harbin Songjiang Copper Enterprise Co. Ltd. (“HSC”). During the negotiation process leading to the disposal, certain potential liabilities of HSC were identified by the Group and the potential purchaser in relation to post-employment benefits and costs of residence. After investigation by the management, the Group identified that provisions should be made for the post-employment benefits and costs of residence for employees and their families for the year ended 31 December 2009 and prior years. The liability on post-employment benefits relates to the Group’s mining businesses as a whole, which include HSC’s operation and mining of molybdenum. The liability on residence cost relates only to HSC’s operation.

In the opinion of the directors, these errors represent deficiencies in internal review procedures in the financial reporting process which were, however, not detected by management through its system of controls in place. Following the discovery of these errors, the directors have taken actions to strengthen the internal controls in the financial reporting process to ensure such controls are implemented and operating effectively.

The effects of errors described above on the financial positions of the Group as at 1 January 2009 and 31 December 2009 are as follows:

|                           | <b>As at<br/>1.1.2009<br/>HK\$’000<br/>(As originally<br/>stated)</b> | <b>Adjustments<br/>HK\$’000</b> | <b>As at<br/>1.1.2009<br/>HK\$’000<br/>(As restated)</b> |
|---------------------------|---|---------------------------------|--|
| Provisions — current      | 20,363  | 19,484                          | 39,847   |
| Provisions — non-current  | 120,604   | 165,656                         | 286,260  |
| Total effect on liability | <u>140,967</u>  | <u>185,140</u>                  | <u>326,107</u>   |
| Accumulated losses        | 2,908,011   | 164,900<br><i>(Note)</i>        | 3,072,911  |
| Translation reserve       | (427,090)   | 7,556                           | (419,534)  |
| Actuarial reserve         | —   | 12,684                          | 12,684   |
| Total effect on equity    | <u><u>2,480,921</u></u>   | <u><u>185,140</u></u>           | <u><u>2,666,061</u></u>                                  |

|                           | As at<br>31.12.2009<br><i>HK\$'000</i><br>(As originally<br>stated) | Adjustments<br><i>HK\$'000</i> | As at<br>31.12.2009<br><i>HK\$'000</i><br>(As restated) |
|---------------------------|---|--------------------------------|---|
| Provisions — current      | 56,302  | 19,861                         | 76,163  |
| Provisions — non-current  | <u>67,747</u>   | <u>162,912</u>                 | <u>230,659</u>  |
| Total effect on liability | <u>124,049</u>  | <u>182,773</u>                 | <u>306,822</u>  |
| Accumulated losses        | 3,232,668   | 168,421<br><i>(Note)</i>       | 3,401,089   |
| Translation reserve       | (428,265)   | 7,686                          | (420,579)   |
| Actuarial reserve         | <u>—</u>  | <u>6,666</u>                   | <u>6,666</u>  |
| Total effect on equity    | <u><u>2,804,403</u></u>   | <u><u>182,773</u></u>          | <u><u>2,987,176</u></u>                                 |

*Note:* The amount was arising from the Group's mining business operated by Harbin Songjiang Copper (Group) Company Limited and its subsidiaries (which include HSC) which were acquired by the Group in 2007. Discount on acquisition resulted from the acquisition was recognised in profit or loss for the year ended 31 December 2007, and therefore, all the adjustments were made to accumulated losses.

The effects of errors described above on the loss for the year ended 31 December 2009 by line items presented in the statement of comprehensive income are as follows:

|  | Year ended<br>31.12.2009<br><i>HK\$'000</i><br>(As originally<br>stated) | Adjustments<br><i>HK\$'000</i> | Year ended<br>31.12.2009<br><i>HK\$'000</i><br>(As restated) |
|--|--|--------------------------------|--|
| Administrative expenses, total effect on loss<br>for the year from continuing operations     | <u>183,380</u>   | <u>2,125</u>                   | <u>185,505</u>   |
| Administrative expenses, total effect on profit<br>for the year from discontinued operations | <u>7,932</u>   | <u>1,396</u>                   | <u>9,328</u>   |



The effects of errors described above on the Group's basic and diluted loss per share for the year ended 31 December 2009 are as follows:

|   | Impact on basic and<br>diluted loss per share<br>Year ended<br>31 December 2009 |   |
|---|---|---|
|   | From<br>continuing and<br>discontinued<br>operations<br><i>HK cents</i>         | From<br>continuing<br>operations<br><i>HK cents</i> |
| Figures before adjustments                      | (5.21)  | (5.39)  |
| Adjustments arising from prior year adjustments | <u>(0.06)</u>   | <u>(0.03)</u>                                       |
| Figures after adjustments                       | <u><u>(5.27)</u></u>  | <u><u>(5.42)</u></u>                                |

#### 4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

#### 5. REVENUE

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

|                              | 2010<br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i><br>(Restated) |
|------------------------------|-------------------------|---------------------------------------|
| <b>Continuing operations</b> |                         |                                       |
| Sales of goods               |                         |                                       |
| — tea products               | 140,532                 | 145,813                               |
| — molybdenum                 | 187,243                 | 63,582                                |
| — rutile and others          | <u>9,957</u>            | <u>9,231</u>                          |
|                              | <u><u>337,732</u></u>   | <u><u>218,626</u></u>                 |

## 6. SEGMENT INFORMATION

Information reported to the Company's chief executive officer (the chief operating decision maker ("CODM")) for the purposes of resource allocation and assessment of performance focuses on types of goods delivered. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions.

Specifically, the Group's operating and reportable segments under HKFRS 8 are as follows:

|  |   |   |
|--|---|---|
| Internet protocol television<br>("IPTV") | — | internet protocol television broadcasting<br>(a new division in 2010 and not yet commence business) |
| Tea products                             | — | production and sales of tea   |
| Molybdenum                               | — | mining, processing and sales of molybdenum  |
| Copper and zinc                          | — | mining, processing and sales of copper and zinc   |
| Others                                   | — | mining, processing and sales of other minerals such as rutile,<br>silicon and iron                  |

The operating segment of mining, processing and sales of copper and zinc was discontinued in the current year. The segment information reported on the next pages does not include any amounts for these discontinued operations, which are described in more detail in Note 10.

## Segment revenue and results

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

*For the year ended 31 December 2010*

### *Continuing operations*

|  | Tea<br>products<br><i>HK\$'000</i> | Molybdenum<br><i>HK\$'000</i> | IPTV<br><i>HK\$'000</i> | Others<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i>  |
|--|------------------------------------|-------------------------------|-------------------------|---------------------------|---------------------------|
| <b>REVENUE</b>   |                                    |                               |                         |                           |                           |
| Segment revenue — external sales                                   | <u>140,532</u>                     | <u>187,243</u>                | <u>—</u>                | <u>9,957</u>              | <u>337,732</u>            |
| <b>RESULT</b>  |                                    |                               |                         |                           |                           |
| Segment result   | <u>(435,687)</u>                   | <u>(2,328)</u>                | <u>(1,300,238)</u>      | <u>1,386</u>              | <u>(1,736,867)</u>        |
| Unallocated income   |                                    |                               |                         |                           |                           |
| — Interest income on bank deposits                                 |                                    |                               |                         |                           | 1,895                     |
| — Gain on changes in fair value<br>of held-for-trading investments |                                    |                               |                         |                           | 27,470                    |
| — Others   |                                    |                               |                         |                           | <u>21,209</u>             |
| Total unallocated income   |                                    |                               |                         |                           | <u>50,574</u>             |
| Unallocated expenses   |                                    |                               |                         |                           |                           |
| — central administrative expenses                                  |                                    |                               |                         |                           | (125,950)                 |
| Finance costs  |                                    |                               |                         |                           | <u>(25,353)</u>           |
| Loss before tax (continuing operations)                            |                                    |                               |                         |                           | <u><u>(1,837,596)</u></u> |

*For the year ended 31 December 2009 (Restated)*

*Continuing operations*

|  | Tea<br>products<br><i>HK\$ '000</i> | Molybdenum<br><i>HK\$ '000</i> | Others<br><i>HK\$ '000</i> | Total<br><i>HK\$ '000</i> |
|--|-------------------------------------|--------------------------------|----------------------------|---------------------------|
| <b>REVENUE</b>   |                                     |                                |                            |                           |
| Segment revenue — external sales                                   | <u>145,813</u>                      | <u>63,582</u>                  | <u>9,231</u>               | <u>218,626</u>            |
| <b>RESULT</b>  |                                     |                                |                            |                           |
| Segment result   | <u>89,820</u>                       | <u>(592,020)</u>               | <u>(79,463)</u>            | <u>(581,663)</u>          |
| Unallocated income   |                                     |                                |                            |                           |
| — Interest income on bank deposits                                 |                                     |                                |                            | 4,346                     |
| — Gain on disposal of<br>available-for-sale investments            |                                     |                                |                            | 71,500                    |
| — Gain on disposal of business                                     |                                     |                                |                            | 57,524                    |
| — Gain on disposal of subsidiaries                                 |                                     |                                |                            | 85,850                    |
| — Gain on changes in fair value<br>of held-for-trading investments |                                     |                                |                            | 18,738                    |
| — Others   |                                     |                                |                            | <u>38,559</u>             |
| Total unallocated income   |                                     |                                |                            | <u>276,517</u>            |
| Unallocated expenses   |                                     |                                |                            |                           |
| — central administrative expenses                                  |                                     |                                |                            | (96,650)                  |
| Finance costs  |                                     |                                |                            | <u>(18,849)</u>           |
| Loss before tax (continuing operations)                            |                                     |                                |                            | <u><u>(420,645)</u></u>   |

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 4. Segment results represent the results from each segment without allocation of central administration costs, directors' salaries, other income (mainly includes interest income on bank deposits), gain on disposal of available-for-sale investments, gain on disposal of business, gain on disposal of subsidiaries, gain on disposal of property, plant and equipment, changes in fair value of held-for-trading investments, impairment losses on available-for-sale investments, foreign exchange gain (loss) and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

## Segment assets and liabilities

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

*As at 31 December 2010*

|   | Tea<br>products<br><i>HK\$'000</i> | Molybdenum<br><i>HK\$'000</i> | IPTV<br><i>HK\$'000</i> | Others<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|------------------------------------|-------------------------------|-------------------------|---------------------------|--------------------------|
| <b>ASSETS AND LIABILITIES</b>                     |                                    |                               |                         |                           |                          |
| Segment assets                                    | <u>417,955</u>                     | <u>291,395</u>                | <u>11,934</u>           | <u>17</u>                 | <u>721,301</u>           |
| Unallocated assets                                |                                    |                               |                         |                           |                          |
| — Available-for-sale investments                  |                                    |                               |                         |                           | 326,710                  |
| — Held-for-trading investments                    |                                    |                               |                         |                           | 34,353                   |
| — Bank balances and cash                          |                                    |                               |                         |                           | 294,290                  |
| — Others  |                                    |                               |                         |                           | <u>39,403</u>            |
| Total unallocated assets                          |                                    |                               |                         |                           | <u>694,756</u>           |
| Consolidated total assets                         |                                    |                               |                         |                           | <u><u>1,416,057</u></u>  |
| Segment liabilities                               | <u>41,512</u>                      | <u>449,694</u>                | <u>21,555</u>           | <u>3,602</u>              | <u>516,363</u>           |
| Unallocated liabilities                           |                                    |                               |                         |                           |                          |
| — Other payables                                  |                                    |                               |                         |                           | 116,420                  |
| — Amounts due to non-controlling<br>shareholders  |                                    |                               |                         |                           | 150,500                  |
| — Tax payable                                     |                                    |                               |                         |                           | 62,454                   |
| — Non-redeemable convertible<br>preference shares |                                    |                               |                         |                           | 52,306                   |
| — Deferred tax liabilities                        |                                    |                               |                         |                           | <u>18,747</u>            |
| Total unallocated liabilities                     |                                    |                               |                         |                           | <u>400,427</u>           |
| Consolidated total liabilities                    |                                    |                               |                         |                           | <u><u>916,790</u></u>    |

*As at 31 December 2009 (Restated)*

|  | Tea<br>products<br><i>HK\$'000</i> | Molybdenum<br><i>HK\$'000</i> | Others<br><i>HK\$'000</i> | Discontinued<br>operation<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|------------------------------------|-------------------------------|---------------------------|--|--------------------------|
| <b>ASSETS AND LIABILITIES</b>                    |                                    |                               |                           |  |                          |
| Segment assets                                   | <u>865,972</u>                     | <u>417,283</u>                | <u>20,488</u>             | <u>15,655</u>                                | <u>1,319,398</u>         |
| Unallocated assets                               |                                    |                               |                           |  |                          |
| — Available-for-sale investments                 |                                    |                               |                           |  | 214,199                  |
| — Held-for-trading investments                   |                                    |                               |                           |  | 6,746                    |
| — Bank balances and cash                         |                                    |                               |                           |  | 335,171                  |
| — Others   |                                    |                               |                           |  | <u>93,931</u>            |
| Total unallocated assets                         |                                    |                               |                           |  | <u>650,047</u>           |
| Consolidated total assets                        |                                    |                               |                           |  | <u><u>1,969,445</u></u>  |
| Segment liabilities                              | <u>59,583</u>                      | <u>413,620</u>                | <u>12,977</u>             | <u>195,261</u>                               | <u>681,441</u>           |
| Unallocated liabilities                          |                                    |                               |                           |  |                          |
| — Other payables                                 |                                    |                               |                           |  | 100,825                  |
| — Amounts due to non-controlling<br>shareholders |                                    |                               |                           |  | 150,500                  |
| — Tax payable                                    |                                    |                               |                           |  | 62,277                   |
| — Deferred tax liabilities                       |                                    |                               |                           |  | <u>25,070</u>            |
| Total unallocated liabilities                    |                                    |                               |                           |  | <u>338,672</u>           |
| Consolidated total liabilities                   |                                    |                               |                           |  | <u><u>1,020,113</u></u>  |

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

- all assets are allocated to reportable segments other than available-for-sale investments, held-for-trading investments, certain bank balances and cash and assets that are not attributable to segments; and
- all liabilities are allocated to reportable segments other than certain other payables, amounts due to non-controlling shareholders, tax payable, deferred tax liabilities and non-redeemable convertible preference shares.

## Other segment information

*For the year ended 31 December 2010*

### *Continuing operations*

|   | Tea<br>products<br><i>HK\$'000</i> | Molybdenum<br><i>HK\$'000</i> | Others<br><i>HK\$'000</i> | IPTV<br><i>HK\$'000</i> | Sub-total<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|------------------------------------|-------------------------------|---------------------------|-------------------------|------------------------------|--------------------------------|--------------------------|
| <b>Amounts included in the measure of segment profit or loss or segment assets:</b> |                                    |                               |                           |                         |                              |                                |                          |
| Additions to non-current assets excluding financial instruments                     | 25,955                             | 35,838                        | —                         | 4,802                   | 66,595                       | 87                             | 66,682                   |
| Impairment losses on exploration and evaluation assets and other intangible assets  | 44,091                             | —                             | —                         | —                       | 44,091                       | —                              | 44,091                   |
| Impairment losses on goodwill   | 423,086                            | —                             | —                         | —                       | 423,086                      | —                              | 423,086                  |
| Depreciation and amortisation   | 6,827                              | 1,825                         | —                         | 31                      | 8,683                        | 2,998                          | 11,681                   |
| Impairment losses on property, plant and equipment and prepaid lease payments       | —                                  | 46,678                        | —                         | —                       | 46,678                       | —                              | 46,678                   |
| (Reversal of) impairment loss on trade and other receivables                        | 6,624                              | (8,669)                       | —                         | —                       | (2,045)                      | —                              | (2,045)                  |
| Reversal of allowance for inventories   | 5                                  | 548                           | —                         | —                       | 553                          | —                              | 553                      |
|   | <u>          </u>                  | <u>          </u>             | <u>          </u>         | <u>          </u>       | <u>          </u>            | <u>          </u>              | <u>          </u>        |

*For the year ended 31 December 2009 (Restated)*

### *Continuing operations*

|   | Tea<br>products<br><i>HK\$'000</i> | Molybdenum<br><i>HK\$'000</i> | Others<br><i>HK\$'000</i> | Sub-total<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|------------------------------------|-------------------------------|---------------------------|------------------------------|--------------------------------|--------------------------|
| <b>Amounts included in the measure of segment profit or loss or segment assets:</b> |                                    |                               |                           |                              |                                |                          |
| Additions to non-current assets excluding financial instruments                     | 672,226                            | —                             | 6,097                     | 678,323                      | 6,118                          | 684,441                  |
| Impairment losses on exploration and evaluation assets and other intangible assets  | —                                  | 441,186                       | 11,580                    | 452,766                      | —                              | 452,766                  |
| Depreciation and amortisation   | 3,486                              | 13,307                        | 3,505                     | 20,298                       | 1,083                          | 21,381                   |
| Impairment losses on property, plant and equipment and prepaid lease payments       | —                                  | 97,222                        | 52,241                    | 149,463                      | —                              | 149,463                  |
| (Reversal of) impairment losses on trade and other receivables                      | 554                                | —                             | —                         | 554                          | (2,204)                        | (1,650)                  |
| Reversal of allowance for inventories   | —                                  | (28,877)                      | (3,536)                   | (32,413)                     | —                              | (32,413)                 |
|   | <u>          </u>                  | <u>          </u>             | <u>          </u>         | <u>          </u>            | <u>          </u>              | <u>          </u>        |

## Geographical information

The Group's operations are mainly located in The PRC (country of domicile), Hong Kong, Europe and Macau.

In presenting geographical information of revenue from continuing operations is based on the geographical location of customers. Assets are based on the geographical location of the assets.

### *For the year ended 31 December 2010*

|  | The PRC<br>(Country<br>of domicile)<br>HK\$'000 | Hong Kong<br>HK\$'000 | Europe<br>HK\$'000 | Macau<br>HK\$'000 | Others<br>HK\$'000 | Total<br>HK\$'000 |
|--|---|-----------------------|--------------------|-------------------|--------------------|-------------------|
| Revenue from external customers                    | 159,964   | 2,230                 | 147,649            | 24,565            | 3,324              | 337,732           |
| Non-current assets excluding financial instruments | <u>384,143</u>                                  | <u>13,884</u>         | <u>—</u>           | <u>—</u>          | <u>—</u>           | <u>398,027</u>    |

### *For the year ended 31 December 2009 (Restated)*

|                                 | The PRC<br>(Country<br>of domicile)<br>HK\$'000 | Hong Kong<br>HK\$'000 | Europe<br>HK\$'000 | Macau<br>HK\$'000 | Others<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------|---|-----------------------|--------------------|-------------------|--------------------|-------------------|
| Revenue from external customers | 127,856   | —                     | 34,845             | 55,742            | 183                | 218,626           |
| Non-current assets              | <u>837,898</u>                                  | <u>14,496</u>         | <u>—</u>           | <u>—</u>          | <u>—</u>           | <u>852,394</u>    |

*Note:* Non-current assets excluded those relating to discontinued operations and financial instruments.

### *Information about major customers*

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

|                         | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|-------------------------|------------------|------------------|
| Customer A <sup>2</sup> | 110,889          | N/A <sup>3</sup> |
| Customer B <sup>1</sup> | 38,815           | N/A <sup>3</sup> |
| Customer C <sup>2</sup> | 36,271           | 30,054           |
| Customer D <sup>1</sup> | N/A <sup>3</sup> | 40,488           |
| Customer E <sup>1</sup> | N/A <sup>3</sup> | 25,255           |

<sup>1</sup> Revenue from tea products

<sup>2</sup> Revenue from molybdenum products

<sup>3</sup> The corresponding revenue did not contribute over 10% of the total sales of the Group



## 7. OTHER INCOME

|   | 2010<br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i><br>(Restated) |
|---|-------------------------|---------------------------------------|
| <b>Continuing operations</b>            |                         |                                       |
| Interest income on bank deposits        | 1,895                   | 4,346                                 |
| Net income from sale of scrap materials | 23                      | 170                                   |
| Government grants ( <i>Note</i> )       | 12,257                  | 19,638                                |
| Others                                  | 398                     | 1,221                                 |
|   | <u>14,573</u>           | <u>25,375</u>                         |

*Note:* In 2010, government grants received of approximately HK\$12,022,000 (2009: Nil) were received by the Group from the government as a financial subsidy to the Group. The government grants are recognised directly in other income upon receipt.

## 8. OTHER GAINS AND LOSSES

|   | 2010<br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i><br>(Restated) |
|---|-------------------------|---------------------------------------|
| <b>Continuing operations</b>                                    |                         |                                       |
| Gain on disposal of property, plant and equipment               | 10,783                  | 2,092                                 |
| Foreign exchange gain   | 2,391                   | 8,160                                 |
| Gain from changes in fair value of held-for-trading investments | 27,470                  | 18,738                                |
| Gain on disposal of available-for-sale investments              | —                       | 71,500                                |
| Gain on disposal of business                                    | —                       | 57,524                                |
| Gain on disposal of prepaid lease payments                      | —                       | 28,378                                |
| Gain on disposal of subsidiaries                                | —                       | 85,850                                |
| Purchase costs recognised as expense                            | (1,299,511)             | —                                     |
| Others  | 3,813                   | 1,077                                 |
|   | <u>(1,255,054)</u>      | <u>273,319</u>                        |

## 9. INCOME TAX EXPENSE (CREDIT)

|                               | 2010<br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i><br>(Restated) |
|-------------------------------|-------------------------|---------------------------------------|
| <b>Continuing operations</b>  |                         |                                       |
| Current tax:                  |                         |                                       |
| Hong Kong                     | —                       | 1,918                                 |
| PRC Enterprise Income Tax     | <u>9,554</u>            | <u>24,623</u>                         |
|                               | <u>9,554</u>            | <u>26,541</u>                         |
| Overprovision in prior years: |                         |                                       |
| PRC Enterprise Income Tax     | <u>(653)</u>            | <u>—</u>                              |
| Deferred tax:                 |                         |                                       |
| Current year                  | <u>(3,042)</u>          | <u>(36,736)</u>                       |
|                               | <u><b>5,859</b></u>     | <u><b>(10,195)</b></u>                |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

Pursuant to the relevant laws and regulations in the PRC, Wuyi Star Tea Industrial Co., Ltd., a subsidiary of the Company acquired in 2009, is exempted from PRC income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years. This subsidiary of the Group was in its fourth profit-making year in 2010 and hence PRC income tax was calculated at 12.5% which is 50% of the standard tax rate, on the estimated assessable profit of the subsidiary for both years.

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

|   | <b>2010</b><br><b>HK\$'000</b> | 2009<br>HK\$'000<br>(Restated) |
|---|--------------------------------|--------------------------------|
| Loss before tax:<br>(from continuing operations)              | <u>(1,837,596)</u>             | <u>(420,645)</u>               |
| Tax at the domestic income tax rate of 25%                    | <b>(459,399)</b>               | (105,161)                      |
| Tax effect of expenses not deductible for tax purposes        | <b>467,487</b>                 | 133,107                        |
| Tax effect of income not taxable for tax purposes             | <b>(31,424)</b>                | (56,077)                       |
| Tax effect of tax loss not recognised                         | <b>21,636</b>                  | 810                            |
| Tax effect of deductible temporary differences not recognised | <b>12,627</b>                  | 25,202                         |
| Income tax on concessionary rate                              | <b>(5,032)</b>                 | (6,966)                        |
| Effect of different tax rate of subsidiaries                  | —                              | (988)                          |
| Others  | <u><b>(36)</b></u>             | <u>(122)</u>                   |
| Income tax expense (credit) for the year                      | <u><b>5,859</b></u>            | <u>(10,195)</u>                |

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

## 10. DISCONTINUED OPERATION

On 22 November 2010, the Group entered into a sale agreement to dispose of a subsidiary, HSC, which was engaged in the Group's mining, processing and sales of copper and zinc operation. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The disposal was completed on 29 November 2010, on which date control of HSC was passed to the acquirer.

The profit for the year from discontinued operation for HSC is analysed as follows:

|  | <b>2010</b><br><b>HK\$'000</b> | 2009<br>HK\$'000<br>(Restated) |
|--|--------------------------------|--------------------------------|
| (Loss) profit of mining, processing and sales of copper and zinc operations for the year | <b>(9,733)</b>                 | 9,095                          |
| Gain on disposal of mining, processing and sales of copper and zinc operations           | <u><b>100,649</b></u>          | <u>—</u>                       |
|  | <u><b>90,916</b></u>           | <u>9,095</u>                   |

The results of the mining, processing and sales of copper and zinc operations for the period from 1 January 2010 to 29 November 2010, which have been included in the consolidated statement of comprehensive income, were as follows:

|   | <b>1.1.2010 to<br/>29.11.2010<br/>HK\$'000</b> | 1.1.2009 to<br>31.12.2009<br>HK\$'000<br>(Restated) |
|---|--|---|
| Revenue   | <b>4,195</b>                                   | 31,477  |
| Cost of sales   | <b>(3,058)</b>                                 | (12,626)  |
| Gross profit  | <b>1,137</b>                                   | 18,851  |
| Other income  | <b>230</b>                                     | 448   |
| Other gains and losses  | <b>654</b>                                     | 689   |
| Selling and distribution expenses   | <b>(30)</b>                                    | (1,565)   |
| Administrative expenses   | <b>(11,724)</b>                                | (9,328)   |
| (Loss) profit for the period/year   | <b>(9,733)</b>                                 | 9,095   |
| (Loss) profit for the year from discontinued operating include the following: |  |   |
| Depreciation and amortisation   | —  | 3,321   |
| Gain on disposal of property, plant and equipment                             | —  | (116)   |
| Reversal of allowance for inventories   | —  | (2,351)   |

During the year, HSC contributed approximately HK\$7,365,000 to the Group's net operating cash outflows (2009: net operating cash inflows of HK\$2,719,000).

## 11. LOSS FOR THE YEAR

### Continuing operations

|   | 2010<br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i><br>(Restated) |
|---|-------------------------|---------------------------------------|
| Loss for the year has been arrived at after charging:             |                         |                                       |
| Directors' remuneration   | 31,150                  | 36,781                                |
| Other staff's salary, bonus and allowance                         | 42,689                  | 45,990                                |
| Other staff's contribution to retirement benefit scheme           | 4,709                   | 6,947                                 |
| Total staff costs   | <u>78,548</u>           | <u>89,718</u>                         |
| Reversal of allowance for inventories (included in cost of sales) | (553)                   | (32,413)                              |
| Reversal of impairment losses on trade and other receivables      | (2,045)                 | (1,650)                               |
| (Reversal) written off of tax recoverable                         | (8,655)                 | 20,875                                |
| Amortisation of other intangible assets                           | 1,143                   | 2,978                                 |
| Amortisation of prepaid lease payments                            | 3,263                   | 1,693                                 |
| Auditors' remuneration  | 2,600                   | 2,100                                 |
| Costs of inventories recognised as an expense                     | 217,387                 | 116,846                               |
| Depreciation of property, plant and equipment                     | <u>7,275</u>            | <u>16,710</u>                         |

## 12. LOSS PER SHARE

### For continuing and discontinued operations

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

|   | 2010<br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i><br>(Restated) |
|---|-------------------------|---------------------------------------|
| Loss for the year attributable to owners of the Company and loss for the purposes of basic and diluted loss per share | <u>(1,749,676)</u>      | <u>(321,876)</u>                      |
|   | <i>'000</i>             | <i>'000</i>                           |
| Weighted average number of shares for the purposes of basic and diluted loss per share                                | <u>6,703,295</u>        | <u>6,102,826</u>                      |

### For continuing operations

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

|   | <b>2010</b><br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i><br>(Restated) |
|---|--------------------------------|---------------------------------------|
| Loss for the year attributable to owners of the Company                             | <b>(1,749,676)</b>             | (321,876)                             |
| <i>Less:</i> Profit for the year from discontinued operation                        | <b>(90,916)</b>                | (9,095)                               |
| Loss for the purpose of basic and diluted loss per share from continuing operations | <b><u>(1,840,592)</u></b>      | <b><u>(330,971)</u></b>               |

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

The computation of diluted loss per share does not assume the conversion of the Company's outstanding share options and non-redeemable convertible preference shares as their exercise would result in a decrease in loss per share for both years.

### For discontinued operation

Basic and diluted earnings per share for the discontinued operation in 2010 is HK\$1.36 cents per share (2009: HK\$0.15 cents per share), based on the profit for the period from the discontinued operation of approximately HK\$90,916,000 (2009: HK\$9,095,000) and the denominators detailed above for both basic and diluted loss per share.

## 13. TRADE AND OTHER RECEIVABLES

|   | <b>31.12.2010</b><br><i>HK\$'000</i> | 31.12.2009<br><i>HK\$'000</i> | 1.1.2009<br><i>HK\$'000</i> |
|---|--------------------------------------|-------------------------------|-----------------------------|
| Trade receivables                         | <b>71,789</b>                        | 42,176                        | 68,686                      |
| <i>Less:</i> Allowance for doubtful debts | <b>(6,323)</b>                       | (4,612)                       | (4,055)                     |
|   | <b><u>65,466</u></b>                 | <u>37,564</u>                 | <u>64,631</u>               |
| Other receivables                         | <b>77,195</b>                        | 111,308                       | 98,641                      |
| <i>Less:</i> Allowance for doubtful debts | <b>(59,022)</b>                      | (61,801)                      | (63,682)                    |
|   | <b><u>18,173</u></b>                 | <u>49,507</u>                 | <u>34,959</u>               |
| Deposits and prepayments                  | <b>12,807</b>                        | 18,460                        | 27,054                      |
| Total trade and other receivables         | <b><u>96,446</u></b>                 | <b><u>105,531</u></b>         | <b><u>126,644</u></b>       |

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

|              | <b>31.12.2010</b><br><i>HK\$'000</i> | 31.12.2009<br><i>HK\$'000</i> | 1.1.2009<br><i>HK\$'000</i> |
|--------------|--------------------------------------|-------------------------------|-----------------------------|
| 0 — 30 days  | <b>24,194</b>                        | 17,228                        | 2,954                       |
| 31 — 60 days | <b>267</b>                           | 10,162                        | 14,893                      |
| 61 — 90 days | <b>36,586</b>                        | 160                           | 26,179                      |
| Over 90 days | <b>4,419</b>                         | 10,014                        | 20,605                      |
|              | <b>65,466</b>                        | 37,564                        | 64,631                      |

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed once a year. As at 31 December 2010, approximately 85% (2009: 92%) of the trade receivables that are neither past due nor impaired have the best credit quality assessed by the Group.

Included in the Group's trade receivable balance as at 31 December 2010 are debtors with aggregate carrying amount of approximately HK\$4,419,000 (2009: HK\$10,014,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered to be recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 90 days (2009: 60 days).

Trade receivables which are past due based on the invoice date but not impaired:

|               | <b>31.12.2010</b><br><i>HK\$'000</i> | 31.12.2009<br><i>HK\$'000</i> | 1.1.2009<br><i>HK\$'000</i> |
|---------------|--------------------------------------|-------------------------------|-----------------------------|
| 90-120 days   | —                                    | 6,949                         | 9,685                       |
| 121-180 days  | —                                    | 2,434                         | 9,725                       |
| Over 180 days | <b>4,419</b>                         | 631                           | 1,195                       |
|               | <b>4,419</b>                         | 10,014                        | 20,605                      |

Movement in the allowance for doubtful debts for trade receivables:

|                                     | <b>31.12.2010</b><br><i>HK\$'000</i> | 31.12.2009<br><i>HK\$'000</i> | 1.1.2009<br><i>HK\$'000</i> |
|-------------------------------------|--------------------------------------|-------------------------------|-----------------------------|
| Balance at beginning of the year    | 4,612                                | 4,055                         | 4,455                       |
| Exchange adjustments                | 225                                  | 3                             | 192                         |
| Disposal of subsidiaries            | —                                    | —                             | (6,308)                     |
| Impairment losses reversal          | (130)                                | —                             | (225)                       |
| Amount written off as uncollectable | —                                    | —                             | (1)                         |
| Impairment losses recognised        | <u>1,616</u>                         | <u>554</u>                    | <u>5,942</u>                |
| Balance at end of the year          | <u><u>6,323</u></u>                  | <u><u>4,612</u></u>           | <u><u>4,055</u></u>         |

Movement in the allowance for doubtful debts for other receivables:

|                                  | <b>31.12.2010</b><br><i>HK\$'000</i> | 31.12.2009<br><i>HK\$'000</i> | 1.1.2009<br><i>HK\$'000</i> |
|----------------------------------|--------------------------------------|-------------------------------|-----------------------------|
| Balance at beginning of the year | 61,801                               | 63,682                        | 11,375                      |
| Exchange adjustments             | 752                                  | 379                           | 925                         |
| Disposal of subsidiaries         | —                                    | (56)                          | —                           |
| Impairment losses reversal       | (3,531)                              | (2,204)                       | (3,807)                     |
| Impairment losses recognised     | <u>—</u>                             | <u>—</u>                      | <u>55,189</u>               |
| Balance at end of the year       | <u><u>59,022</u></u>                 | <u><u>61,801</u></u>          | <u><u>63,682</u></u>        |

Included in the Group's allowance for doubtful debts are individually impaired trade receivables and other receivables with an aggregate balance of HK\$6,323,000 (2009: HK\$4,612,000) and HK\$59,022,000 (2009: HK\$61,801,000) respectively in which the directors of the Company consider that the Group is unlikely to recover these debts as they are long outstanding over one year. The Group does not hold any collateral over these balances.

#### 14. TRADE AND OTHER PAYABLES

|   | <b>31.12.2010</b><br><i>HK\$'000</i> | 31.12.2009<br><i>HK\$'000</i> | 1.1.2009<br><i>HK\$'000</i> |
|---|--------------------------------------|-------------------------------|-----------------------------|
| Trade payables                              | 17,610                               | 12,935                        | 21,491                      |
| Other payables and accruals ( <i>Note</i> ) | <u>242,983</u>                       | <u>208,945</u>                | <u>337,404</u>              |
|   | <u><u>260,593</u></u>                | <u><u>221,880</u></u>         | <u><u>358,895</u></u>       |

*Note:* The amount includes approximately HK\$27,710,000 (2009: HK\$30,379,000) mining right payables to be settled in the next twelve months from the end of the reporting period.



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

|                | <b>31.12.2010</b><br><i>HK\$'000</i> | 31.12.2009<br><i>HK\$'000</i> | 1.1.2009<br><i>HK\$'000</i> |
|----------------|--------------------------------------|-------------------------------|-----------------------------|
| 0 — 90 days    | <b>13,261</b>                        | 6,814                         | 13,823                      |
| 91 — 180 days  | <b>44</b>                            | 972                           | 952                         |
| 181 — 365 days | <b>504</b>                           | 381                           | 1,145                       |
| Over 1 year    | <b>3,801</b>                         | 4,768                         | 5,571                       |
|                | <u><b>17,610</b></u>                 | <u>12,935</u>                 | <u>21,491</u>               |

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

## **FINAL DIVIDEND**

The Board does not recommend the payment of a dividend for the year ended 31 December 2010 (2009: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 18 May 2011 to Friday, 20 May 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the forthcoming annual general meeting of the Company, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 17 May 2011.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

For the financial year ended 31 December 2010, the Group recorded a consolidated revenue of HK\$337,732,000 (2009: HK\$218,626,000) and gross profit of HK\$120,345,000 (2009: HK\$101,780,000) from continuing operations, representing an increase of 54% and of 18% respectively as compared with last year. The increase in revenue was mainly due to significant increase of revenue generated from Harbin Songjiang Copper (Group) Company Limited (“Harbin Songjiang”) and its subsidiaries (“Harbin Songjiang Group”).

The Group’s loss attributable to owners of the Company amounted to HK\$1,749,676,000 (2009: loss HK\$321,876,000). In particular, the loss was mainly attributable to purchase costs recognised as expense of HK\$1,299,511,000, the impairment losses of HK\$423,086,000 on goodwill, impairment losses of HK\$44,091,000 on brand name (attributable to owners of the Company of which HK\$35,273,000), impairment losses of HK\$46,678,000 on property, plant and equipment and prepaid lease payments (attributable to owners of the Company of which HK\$35,046,000) and impairment losses of HK\$46,729,000 on available-for-sale investments.

The staff costs of HK\$12,699,000 (2009: HK\$25,498,000) arising from granting of share options to directors, employees and consulting firm of the Group was recognised as expenses during the year.

### Review of Operations

#### Harbin Songjiang Group

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

Harbin Songjiang Group contributed HK\$201,395,000 (2009: HK\$104,290,000) and HK\$49,773,000 (2009: loss of HK\$547,021,000) to the Group’s revenue and profit respectively for the year ended 31 December 2010.

## ***Revenue***

Mining business revenue for the year ended 31 December 2010 increased by HK\$97,105,000 or 93% to HK\$201,395,000 in 2010 from HK\$104,290,000 in 2009. The increase was mainly attributable to the moderate recovery of the ferro molybdenum market in PRC in 2010, the average selling price of ferro molybdenum for the year 2010 was HK\$156,820 per tonne, up by 30% compared with last year. In view of the recovery of the ferro molybdenum market, the directors of the Company determined to sell out the molybdenum inventories to realise profit in the year.

Revenue generated from ferro molybdenum and others were HK\$187,243,000 (2009: HK\$63,582,000), and HK\$9,957,000 (2009: HK\$9,231,000) respectively. The sales volume of ferro molybdenum increased from 527 tonnes in 2009 to 1,194 tonnes in 2010 due to the recovering of the ferro molybdenum market.

## ***Cost of Sales and Gross Profit***

The cost of sales of Harbin Songjiang Group increased from HK\$86,230,000 in 2009 to HK\$157,444,000 in 2010. The average gross profit margin was 22% in 2010 (2009: 17%). The increase in gross profit margin is primary due to the increase of selling price of ferro molybdenum during the year.

## ***Discontinued operation***

Harbin Songjiang Copper Enterprise Company Limited (“HSC”) was engaged in the Harbin Songjiang Group’s mining, processing and sales of Copper and Zinc operation. In view of the copper and zinc mine of HSC is an aged mine and its mineral resources are nearly exhausted, and the unsatisfactory performance of HSC for the last few years due to the high operating costs and the competitiveness in the mining market, the Group determined to enter into a sale agreement to dispose the equity interest of HSC. The transaction was completed on 29 November 2010.

Revenue generated from copper and zinc was HK\$4,195,000 (2009: HK\$31,477,000). The sales volume of zinc in 2010 was 475 tonnes (2009: Nil), while there are no copper sales during the year (2009: 670 tonnes).

## **King Gold Group**

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

King Gold Group contributed HK\$140,532,000 and HK\$432,363,000 to the Group's revenue and loss for the year ended 31 December 2010 respectively. The loss in the year 2010 was mainly due to impairment losses of approximately HK\$423,086,000 and HK\$44,091,000 were recognised in the consolidated statement of comprehensive income for the goodwill and brand name respectively during the year. On exclusive the above impairment losses, King Gold Group's profit for the year was HK\$23,791,000. In addition, due to the unexpected natural disasters of frozen ice and flood which took place in the first half year in the Group's Wuyishan (“武夷山”) production sites, there was a significant increase in the cost of raw materials (being the tea leaves) of the tea products, which had lead to significant decrease in gross profit margin and sales volume for the first half year 2010 when compared with the corresponding period in year 2009.

### ***Revenue***

For the financial year ended 31 December 2010, King Gold Group generated a revenue of HK\$140,532,000 (2009: HK\$145,813,000). This represented a decrease of HK\$5,282,000 or 4% in revenue when compared with last year. The decrease was mainly due to the unexpected natural disasters of frozen ice and flood which took place in the first half year 2010 in the Group's Wuyishan (“武夷山”) production sites mentioned above.

### ***Cost of Sales and Gross Profit***

The cost of sales of King Gold Group for the year was HK\$63,001,000 (2009: HK\$43,243,000). The average gross profit margin was 55%, representing a decrease of 15% as compared with 70% in the last year. The decrease in gross profit margin was mainly caused by the sharp increase in the purchase price of the raw materials being the tea leaves due to natural disasters as mentioned in above.

### ***Impairment losses on goodwill and brand name***

Goodwill and brand name are allocated to the Group's tea business cash-generating unit and they are arising from the acquisition of King Gold Group in 2009. In view of the deterioration of the Group's tea business for the first half year 2010 caused by the aforementioned unexpected natural disasters, the directors of the Company determine that there is impairment indication of the goodwill and brand name of King Gold Group as at the first half year period end. A valuation was performed on a cash flow projection basis. Accordingly, impairment losses in respect of the goodwill and brand name of HK\$423,086,000 and HK\$44,091,000, respectively, were recognised in the consolidated statement of comprehensive income during the first half year 2010.

## Online Video (“iTV”) Business

The Group was engaged in the iTV business since 10 December 2010 after the acquisition of 70% interest in Year Joy Investments Limited (“Year Joy”) and its subsidiaries (“Year Joy Group”). Year Joy indirectly holds the entire interest in Beijing Nian Yue Technology Co., Ltd. (“Beijing Nian Yue”), a wholly foreign-owned company established in the PRC with limited liability. Beijing Nian Yue owns 100% of the economic benefit from the operation of the iTV business of China iTV Network Co., Ltd. (“China iTV”), a company established in the PRC on 7 September 1998 with limited liability, through an exclusive business operation agreement.

China iTV is principally engaged in iTV business which involves an online video platform that offers various video contents, including but not limited to TV programs, music videos, blockbusters and Japanese animations, and also provides online games and instant messengers on its website, and establish an extensive video library. Although the iTV Business is yet to be launched during the year 2010, China iTV has already entered into 戰略性框架協議 (the “Strategic Framework Agreement”) in 2008 to secure the operational support from Unicom Broadband Online Ltd. (“Unicom Broadband”) relating to system infrastructure, advertising and sales and the access to Unicom Broadband’s customer base and to obtain a variety of video and TV contents from 匯視海南有限公司 (Combined Television Networks Ltd.\*) (“Huishi (Hainan)”). The Strategic Framework Agreement dated 27 October 2008 and supplemented by a supplement agreement dated 10 December 2009 entered into between China iTV, Unicom Broadband and Huishi (Hainan) pursuant to which (i) China iTV agree to be responsible for online video services, media dissemination platform, management, establishment of fee management system, operation and construction; (ii) Unicom Broadband agrees to provide machine room, broadband services, fee collection system, advertising and promotion, call centre services, SMS alert, repair and maintenance services, after sales services; and (iii) Huishi (Hainan), as established by the broadcasting stations of 36 provinces in the PRC including but limited to broadcasting stations in Guangdong, Beijing, Tianjin and Chongqing, agrees to provide various video contents such as TV dramas. The Strategic Framework Agreement has an initial term of six years and can be extended for another five years. On 13 January 2009, China iTV also entered into an Media Strategic Framework Agreement with Huishi (Hainan), pursuant to which Huishi (Hainan) agrees to provide different TV contents to China iTV for an initial term of 10 years, which can be extended for another 10 years. By way of the Strategic Framework Agreement, the Media Strategic Framework Agreement and the cooperation contracts with other content providers, China iTV is equipped to become an online video provider which provides streaming broadcasting of a wide range of video contents. It is expected that China iTV will commence the iTV business by the end of first half of 2011.

### ***Purchase cost recognised as expense***

In relation to the acquisition of 70% equity interests in Year Joy Group (the “Acquisition”, details of which are set out in circular of the Company dated 19 November 2010, (the “Circular”)), the excess of the purchase consideration over the attributable assets and liabilities of Year Joy Group amounts to approximately HK\$1,299,511,000 (the “Excess”). For the purpose of preparing the unaudited pro forma financial statements in connection with the Acquisition as set out in the Circular, such amount was regarded as intangible assets pursuant to Hong Kong Accounting Standard 38 – Intangible Assets (“HKAS 38”), as the Directors are of the view that future economic benefits can be derived from the contractual relationship with Unicom Broadband and several television program content providers (the “Contractual Relationships”) in connection with the Acquisition.

For the purpose of preparing the financial statements of the Group for the financial year ended 31 December 2010, the auditors of the Company are of the view that the Contractual Relationships are not exclusive to China iTV and do not meet the definition of intangible assets under HKAS 38. Accordingly, the Excess was recognised as an expense in the consolidated statement of comprehensive income during the year.

The directors of the Company are of the views that the Contractual Relationships are not exclusive does not affect the future economic benefits expected to be derived from the Acquisition and have appointed Roma Appraisals Limited, an independent valuer, to perform valuation on the Contractual Relationships and its value attributable to the Group amounted to HK\$1,321,962,000 at 31 December 2010.

### **Investments in Canada listed mining companies and other securities**

The Group invested in several Canada listed mining companies which were held for the purpose of long-term investments and capital gain and dividend income during the year ended 31 December 2010. The investment portfolio of the Group, including available-for-sale investments and held-for-trading investments, has achieved a significant appreciation during the year ended 31 December 2010. The net increase in fair value of the investment portfolio during the year was HK\$133,630,000 (2009: HK\$112,703,000) including increase in fair value and net gain on disposal.

### **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 December 2010, the Group had total assets and net assets amounted to HK\$1,416,057,000 (2009: HK\$1,969,445,000) and HK\$499,267,000 (2009: HK\$949,332,000), respectively. The current ratio was 1.11, as compared to 1.60 as of last year end.

As at 31 December 2010, the Group had bank balances and cash, of HK\$391,894,000 (2009: HK\$531,223,000), and most of which were denominated in Renminbi and Hong Kong dollars. At the end of the reporting period, the Group had: (i) borrowings from minority shareholders of HK\$150,500,000 (2009: HK\$150,500,000) which were all interest-free; (ii) bank borrowings of HK\$82,645,000 (2009: HK\$119,448,000) which were interest-bearing at floating rates with reference to the prevailing borrowing rate quoted by the People's Bank of China and (iii) other loans of HK\$20,414,000 (2009: HK\$6,017,000), of which HK\$1,181,000 was interest-free and HK\$14,169,000 and HK\$5,065,000 were interest-bearing at 5% and 2.55% per annum respectively. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 60.3% (2009: 31.9%).

## **FOREIGN EXCHANGE RISK MANAGEMENT**

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

## **SHARE CAPITAL**

On 19 April 2010, the Company issued 660,377,358 new ordinary shares as part of the consideration paid for the acquisition of 80% equity interest in King Gold as stated in the annual report of the Company for the financial year ended 31 December 2009.

On 14 December 2010, the Company issued 2,347,620,000 new ordinary shares and 3,776,190,000 new non-redeemable convertible preference shares as part of the consideration paid for the acquisition of 70% equity interest in Year Joy (as stated in heading "Material acquisitions and disposals of subsidiaries and associated companies" as below).

As at 31 December 2010, the Company had 9,318,782,211 ordinary shares and 3,776,190,000 convertible preference shares in issue with total shareholders' fund of the Group amounting to approximately HK\$1,291,497,000.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

On 10 December 2010, the Group acquired 70% of the issued share capital of Year Joy for a total consideration of HK\$1,294,143,000, of which HK\$100,000,000 was settled by cash and the remaining balance of HK\$1,194,143,000 was satisfied by the issue and allotment of ordinary shares and convertible preference shares of the Company.

On 29 November 2010, the Group disposed of the entire equity interest in HSC and certain obligations and assets to independent third parties for cash considerations of HK\$11,666,000.

Save as disclosed above, there were no other material acquisitions or disposals of subsidiaries during the year ended 31 December 2010.



## **CONTINGENT LIABILITIES**

As at 31 December 2010, the Group had no contingent liability (2009: Nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2010, the Group had approximately 11 and 1,054 employees in Hong Kong and Mainland China respectively.

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

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

## **PROSPECTS**

After facing grim conditions of the production suspension of the molybdenum mine in the first eight months of 2009, the mining business has recovered in 2010. The Group has maintained a stable mining production scale and steady sales for the past twelve months. The Group strategically has continued to increase its natural resources assets and production capabilities to enhance our position in mining industry.

However, the tea business has encountered unprecedented enormity natural disasters in the first half of 2010. The unexpected frozen ice and flood which took place in the Company's Wuyishan production site, has seriously affected the tea business performance in the first half of 2010. Nevertheless, the management still tried to catch up the loss in the second half of 2010 and the results of the tea business rebound in profitability in second half 2010. Moreover, we anticipate the competition in China's tea market will still be fierce. We believe the only way to inspire confidence in consumers is by providing them with high-quality tea products that are reliable and safe. Through brand-building and further developing retail market in China, we will be able to enlarge our market share and enhance our competitive strengths. We will continue to expand our selling network in cities where we have strong presence, as well as in others cities with high growth potential. We targets to open more shops in the major cities of PRC, including Beijing, Tianjing and Guangzhou in 2011.

During the year, the Group still actively looks for attractive merger and acquisition opportunities and strives to extend our business reach and enhance the profitability to maximize our shareholders' value. In December 2010, the Group penetrated into the online video business in PRC market through the acquisition of Year Joy Group. It is expected that Year Joy Group will launch its iTV business in coming months.



The previous two years were difficult for the Group, we have taken stringent measures to control costs and streamline operations to meet bad times but more importantly, we used the opportunity to reinvest. Looking forward, the Group will continue to capture any opportunities to develop and expand its business in the mining, tea and iTV business sectors, by way of strategic layout optimizations and explore opportunities to generate the greatest return to its shareholders and reward their long term support.

## **PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SHARES**

The Company has not redeemed any of its securities during the year ended 31 December 2010. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the year.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES**

Throughout the year ended 31 December 2010, the Company has applied the principles of the Code on Corporate Governance Practices (the "Code") as set out in the Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and complied with all the applicable code provisions of the Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31 December 2010, and they all confirmed that they had fully complied with the required standards set out in the Model Code.

## **AUDIT COMMITTEE**

As at the date of this announcement, the audit committee of the Company comprises Mr. Chan Sze Hon, Mr. Chu Kang Nam and Mr. Goh Choo Hwee, all of them are independent non-executive directors. The consolidated financial results of the Group for the year ended 31 December 2010 have been reviewed by the audit committee of the Company.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is published on the website of the Company ([www.chinaminingresources.com](http://www.chinaminingresources.com)) and the designated website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

The 2010 annual report of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

## APPRECIATION

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

By Order of the Board  
**China Mining Resources Group Limited**  
**Chen Shou Wu**  
*Deputy Chairman and Chief Executive Officer*

Hong Kong, 31 March 2011

*As at the date hereof, the board of directors of the Company comprises Dr. You Xian Sheng, Mr. Chen Shou Wu, Mr. Wang Hui and Mr. Yeung Kwok Kuen as executive directors, Mr. Lam Ming Yung as non-executive director and Mr. Chan Sze Hon, Mr. Chu Kang Nam, Mr. Goh Choo Hwee and Mr. Lin Xiang Min as independent non-executive directors.*