HONBRIDGE HOLDINGS LIMITED
洪 橋 集 團 有 限 公 司
(Stock Code: 8137)

ANNUAL 2013 REPORT

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Public hearing held in city Grão Mogol about SAM project

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. He Xuechu *(Chairman)*
Mr. Liu Wei, William *(Chief Executive Officer)*
Mr. Shi Lixin

Non-Executive Directors

Mr. Yan Weimin
Mr. Ang Siu Lun, Lawrence

Independent Non-Executive Directors

Mr. Chan Chun Wai, Tony
Mr. Fok Hon
Mr. Ma Gang

COMPLIANCE OFFICER

Mr. Liu Wei, William

COMPANY SECRETARY

Mr. Yeung Ho Ming, CPA (HK)

AUTHORISED REPRESENTATIVES

Mr. Liu Wei, William
Mr. Yeung Ho Ming

MINING TECHNICAL COMMITTEE

Dr. Dai Ta Gen
Dr. Liu Jian Xin
Dr. Wu Xi Qing

AUDIT COMMITTEE

Mr. Chan Chun Wai, Tony *(Committee Chairman)*
Mr. Fok Hon
Mr. Ma Gang

REMUNERATION COMMITTEE

Mr. Fok Hon *(Committee Chairman)*
Mr. Ma Gang
Mr. Chan Chun Wai, Tony
Mr. He Xuechu
Mr. Liu Wei, William

NOMINATION COMMITTEE

Mr. Chan Chun Wai, Tony *(Committee Chairman)*
Mr. Liu Wei, William
Mr. Ang Siu Lun, Lawrence
Mr. Fok Hon
Mr. Ma Gang

AUDITOR

BDO Limited

PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

4th Floor, Willow House
Cricket Square, P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 5402, 54th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
18th Floor, Fook Lee Commercial Centre
Town Plaza, 33 Lockhart Road
Wanchai
Hong Kong

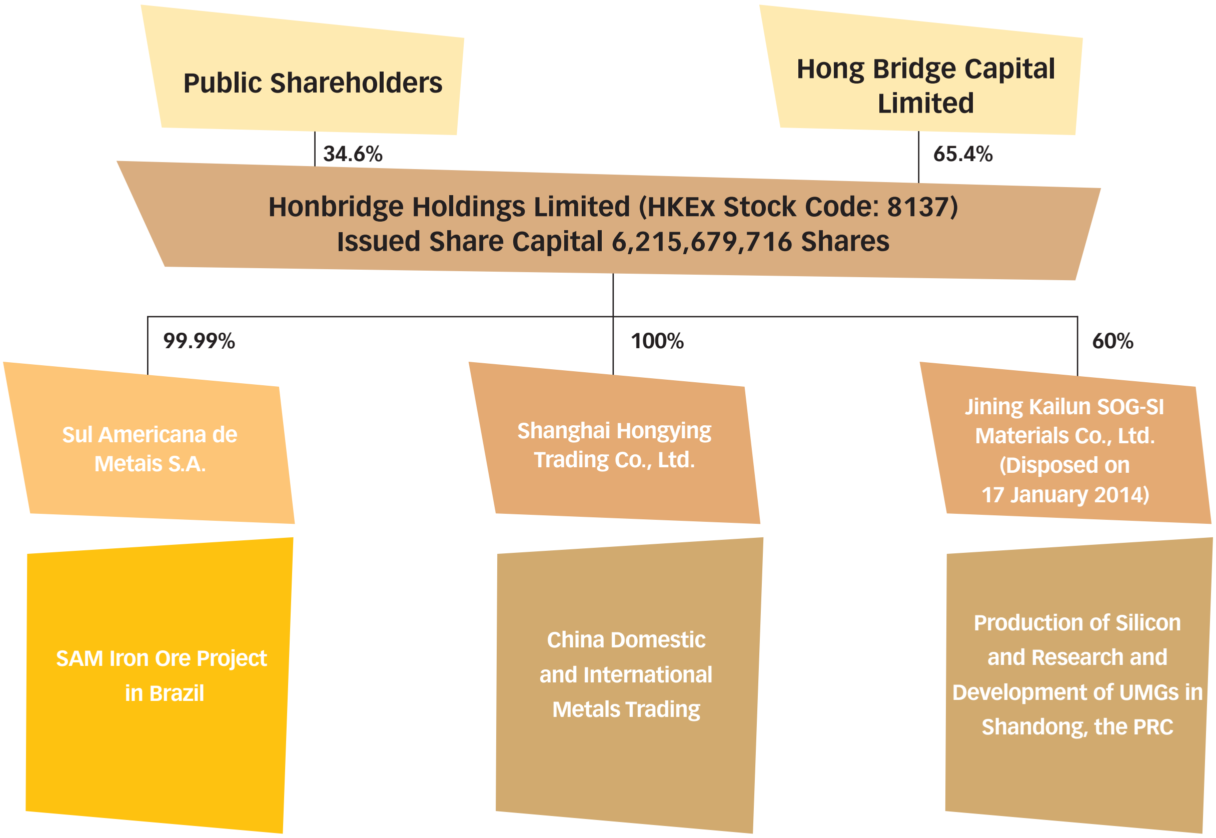
STOCK CODE

8137

COMPANY WEBSITE

www.8137.hk

Corporate Structure



CHAIRMAN'S STATEMENT

I report the activities of the Honbridge Holdings Limited (the "Company") and its subsidiaries (together "the Group") for the year ended 31 December 2013.

BUSINESS REVIEW

Sales of the Group's highly purified silicon decreased more than 70% year on year in 2013. Due to the low market price of the highly purified silicon products, this segment continue to incur loss and the Company has disposed the business in January 2014.

The mineral resources and steel metal trading arm contributed HK$8.2 million revenue to the Group. Compared to 2012, segment revenue decreased from HK$406.7 million to HK$8.2 million which is mainly due to the change of the Group's trading pattern and revenue from the sales transactions in 2013 was recognised in net basis in accordance with the accounting standards. Segment results improved from loss of HK$180 million in 2012 to a profit of HK$9,306 million in 2013, that was mainly due to the bargain purchase gain from acquisition of Sul Americana de Metais S.A. ("SAM"), gain on disposals of Hill Talent Group and decrease in impairment loss of exploration and evaluation assets.

In financing aspect, the Company issued convertible bonds with principal amount of HK$740 million to Geely International in June 2013.

PROSPECTS

Since the acquisition from Votorantim Novos Negócios Ltda. ("VNN"), the wholly owned subsidiary of an independent third party Grupo Votorantim's for 99.99% interest of SAM was completed on 28 March 2013, the Group continued to achieve substantial progress on the SAM iron ore project.

The directors believe that the acquisitions of SAM, disposal of Hill Talent Group (manganese exploration business) and disposal of Divine Mission Group (highly purified silicon business) will make the business strategy and scope of the Company more focused. The SAM iron ore project will become the Group's principal business in the near future.

The Company will also continue to look for investment and cooperation opportunities in the new energy and resources sector.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our shareholders, customers and cooperative partners for their continued support during 2013 and all staff for their hard work.

He Xuechu
Chairman

Hong Kong
26 March 2014

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 December 2013, the Group recorded turnover of HK$10.4 million which comprised HK$8.2 million from mineral resources and steel metal trading and HK$2.2 million from the sale of highly purified silicon. Group results changed from loss of HK$270 million in 2012 to profit of HK$9,180 million in current year. This is mainly due to the HK$9,277 million bargain purchase gain in acquisition of SAM and HK$73.2 million gain on disposal of Hill Talent Group. Besides, HK$171 million impairment loss on exploration and evaluation assets and HK$24 million share-based payment expenses was recorded in 2012 while no such loss and expenses in current year.

PROGRESS OF SAM

As of the date of this report, SAM held 23 Exploration Rights in 9 blocks (Block 5, 6, 7, 8, 9, 10, 11, 12 and 13) covering an area of approximately 31,000 hectares. SAM also submitted application for mining rights for 2 exploration rights in Block 8, covering an area of 2,600 hectares. Besides, SAM has submitted application for 41 additional Exploration Rights, subject to the approval of National Department of Mineral Production ("DNPM") in Brazil. Lastly, SAM have filed bid for 19 Exploration Rights and is pending tender results.

SAM plans to construct a beneficiation plant in Block 8 (phase I) with an annual capacity of 25 million tons of 65% or above Fe concentrate, which mainly includes infrastructure facilities such as mining and beneficiation facilities, utilities, slurry pipelines and port for iron ore. Block 8 contains approximately 2,614 million tons of measured and indicated run-of- mine ("ROM") based on the JORC standard, which translates into approximately 650 million tons of iron concentrate for a lifespan of over 28 years. The Initial Scope of Work underway in Block 8 includes the obtaining of the required licenses and approvals for starting the construction and preparation of a bankable feasibility study ("BFS") level of feasibility study. According to local topographic features, Block 8 was named as Vale do Rio Pardo.

Technical visit to SAM by the Federal University of Minas Gerais – UFMG

Management Discussion and Analysis

IBAMA technical team conducting a survey in SAM's project area

The detailed exploration drilling for three exploration rights of Block 7 was completed and the final exploration report was submitted to DNPM on 17 May, 28 May 2013 and 7 March 2014 respectively. It is estimated that potential resources level in Block 7 could be up to approximately 4,800 million tons of ROM in accordance with the Brazilian mining standards (non-JORC standard).

As at 31 December 2013, SAM has approximately 70 staff in Brazil, and has engaged over 20 professional consultancies and laboratories in Brazil, China, Chile and USA to assist in research and analysis.

SAM demonstrates the environmental impact assessment and environmental impact report (EIA – RIMA) to the public

1. Licenses and Approvals for Commencement of Construction

Construction of Block 8 (phase I) shall obtain 8 major approvals according to the Brazilian laws, including:

Vegetation Suppression License ("ASV"): SAM may apply to the government for the permit if land owners across the pipeline route agree the pipeline to pass through their properties. SAM is in preliminary negotiations with land owners and will start the agreement signing procedures after preliminary license (LP) for Block 8 is granted and the pipline route is confirmed.

Preliminary License (LP): Environmental impact assessment (EIA) has been submitted to Brazilian Institute of Environment and Renewable Natural Resources ("IBAMA") on 3 July 2012 and was accepted on 21 August 2012. The public hearings were completed in January 2013. IBAMA subsequently held two technical surveys in the Project area, between days 5 to 10 May, 2013 and 26 to 28 August 2013. On 12 December 2013, IBAMA issued technical opinions requesting further clarification/detailing on some points in the EIA. On 27 February 2014, SAM submitted IBAMA some supplementary documents and further elaborations. Pending final review and granting of license.

Installation License ("LI"): SAM is still in the process of preparing the basic environment plan (PBA), which is one of the documents required for LI application.

Mining License ("PL"): Economic exploitation plan report was submitted in 2013, pending review and granting of license.

Landowners Expropriation Authorization: The Minas Gerais state government in Brazil has issued a public utility decree ("DUP") on 22 January 2014, which declares the land including attachments and young crops above the cities, which SAM iron ore project pipeline under phase one construction will pass through, as land for public facilities and creating easements. The decree also authorises the relevant bodies to perform land acquisition and creating easements by claiming the urgency of project as stipulated in the decree when necessary. As part of the pipeline needs to pass through Bahia state, SAM is seeking Bahia state to issue similar public utility decree.

Federal Water License and State Water License: The Brazilian Federal Water Authority has granted SAM a water right in March 2012, which allows SAM to have an annual water consumption of 51 million cubic meters from the Irape Dam for 20 consecutive years. The Irape Dam is approximately 50 kilometers from the beneficiation plant. Agreement was reached with the State of Minas to construct a dam in Vacaria, which is 17 kilometers from the beneficiation plant, with an annual water consumption of 60 million cubic meters. The environmental impact studies (EIA) for Vacaria dam is currently in the process.

ANTAQ Port Operating License: The LP was granted to the Port by IBAMA in November 2012. Bahia state government is expected to start the port construction and operation public tender in the coming months. SAM is in the process of preparing the document for bidding together with two other local corporates. The tender result is expected to be announced in the third quarter of 2014.

SAM's team answering questions raised by the participants in a public hearing

SAM project map shown in a public hearing

2. **Construction Phase I**

For the construction of Block 8 (phase I), after detailed exploration drilling and beneficiation test, detailed engineering design for mining, beneficiation, water supply, electricity supply, pipelines and ports has commenced. Following completion of the BFS, tender for the construction project and large-scale construction work will commence. If all licenses and approvals for starting the construction are obtained in the first half of 2015, the mine is expected to commence operation by 2018.

As the relevant government authorities require more time in reviewing the relevant applications, the time to obtain the approvals is already lagging behind the estimates made by the management earlier. The Company is actively seeking to obtain all the license and commence construction as soon as possible.

The estimation by the management on the capital expenditure ("CAPEX") is approximately USD3.8 billion, of which approximately USD50 million would be required for the preliminary works from now until all approvals are obtained, F.O.B. and operational expenditure ("OPEX") (per ton of iron concentrate) is approximately USD32 in construction project phase I.

The Group has analyzed the CAPEX of a number of comparable mines and OPEX (per ton of iron concentrate) of over 300 operating iron ore mines. Relatively, construction phase I of Block 8 is highly competitive in terms of both estimated CAPEX and OPEX. Regardless of the trend in global iron ore demand, iron concentrate products of SAM will be highly competitive in terms of costs based on latest estimation.

3. **Feasibility Study Report**

The Group has engaged China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd. ("NFC") to prepare a feasibility study report on the phase I construction work based on the PRC industry standards and regulatory requirements. The report was prepared by China ENFI Engineering Corporation ("ENFI"), an affiliate of NFC. NFC and ENFI has reviewed the information and has conducted an on-site survey in Brazil. It is expected that the feasibility study report will be completed in mid-2014.

As of the date of this report, the Group has provided funding with principal amount of approximately USD55 million to SAM through shareholders' loans and increase of registered capital in SAM.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2013, the Group's operation was mainly financed by the proceeds received from issuance of convertible bonds and the substantial shareholder of the Group.

As at 31 December 2013, the Group had net current assets of HK$22.8 million (31 December 2012: net current assets of HK$818.7 million). Current assets comprised bank balances and cash of HK$86.1 million, trade and bill receivables of HK$250.8 million and prepayments and other receivables of HK$7.7 million.

Current liabilities comprised trade and bill payables of HK$237.0 million, other payables, accrued expenses and receipts in advance of HK$75.3 million, borrowings of HK$2.7 million and loan from non-controlling interest of a subsidiary of HK$6.8 million.

Excluding the assets of disposal group classified as held for sale, the decrease in current assets is mainly due to the decrease in prepayment and other receivables of HK$88.7 million, decrease in trade and bill receivables of HK$10.7 million and decrease in restricted bank balance of HK$40.3 million. Their impact was partly net off with the increase in bank balance of HK$83.8 million.

Current liabilities excluding the liabilities of disposal group classified as held for sale decreased by approximately HK$109.1 million when compared to 31 December 2012 mainly represents the decrease in HK$125.1 million of borrowings, decrease in HK$30.8 million of trade and bill payables and increase in other payables, accrued expenses and receipts in advance of HK$46.8 million. There is no movement in loans from non-controlling interest of a subsidiary in current year.

As at 31 December 2013, the gearing ratio of the Group which is measured by total loans, debts and borrowings to total equity was 0.09 (31 December 2012: 1.26).

ACQUISITION OF SAM

On 28 March 2013, the Company has settled the second instalment payment of the Consideration amount to USD65.0 million (equivalent to approximately HK$504.9 million) to acquire 99.99% equity interest of SAM. Upon SAM become a subsidiary of the Company, the financial results of SAM was consolidated into the financial statements of the Group using acquisition method in accordance with applicable accounting standards. As disclosed in the Company's first quarterly report 2013, based on a JORC compliant iron mineral resources report of SAM, the valuation of SAM's exploration rights estimated by an independent professional valuer was approximately USD3,629.0 million (equivalent to approximately HK$28,172.0 million) as at 28 March 2013. The acquisition-date fair value of the net assets acquired was approximately USD2,367.2 million (equivalent to approximately HK$18,377.2 million). The total Consideration is estimated to be USD249.9 million (equivalent to approximately HK$1,940.7 million) which is the sum of USD75.4 million (equivalent to approximately HK$586.2 million) consideration settled and the fair value of contingent consideration estimated to be USD174.5 million (equivalent to approximately HK$1,354.5 million). Approximately USD2,117.3 million (equivalent to approximately HK$16,436.5 million) gain on bargain purchase, represents the difference between the total consideration and the net fair value of assets and liabilities acquired was recognised. These valuations were based on the assumption that the SAM iron ore project is expected to commence operation by the end of 2015 or in the first half of 2016.

However, as new information about the facts and circumstances existing at the acquisition date has been obtained. Latest assumptions have been applied and adjustments on SAM's exploration rights and contingent consideration valuation are made retrospectively as if those adjustments had been made at the acquisition date. After reassessment, the new commencement date is expected to be 2018 as it requires more time for relevant government authorities in reviewing applications. As the time to commence operation and settle third to fifth instalment payments is delayed, there are adjustments on the fair value of exploration rights and contingent consideration.

After the adjustment, the exploration rights, revaluated by an independent valuer, Roma Appraisal Limited, and reviewed with another independent valuer, CBRE at approximately USD2,279.0 million (equivalent to approximately HK$17,688.5 million) and acquisition-date fair value of the net assets of SAM was approximately USD1,475.7 million (equivalent to approximately HK$11,453.6 million). For the valuation of contingent consideration, it was estimated to be USD205.1 million (equivalent to HK$1,590.2 million). The gain on bargain purchase was adjusted from USD2,117.3 million (equivalent to approximately HK$16,436.5 million) to USD1,195.2 million (equivalent to approximately HK$9,277.1 million) accordingly.

DISPOSAL OF HILL TALENT LIMITED AND DIVINE MISSION HOLDINGS LIMITED

On 4 January 2013, an agreement was entered into between the Company and a shareholder of the Company, Brilliant People Limited (the "Buyer"), to dispose the entire share capital of a wholly owned subsidiary of the Company, Hill Talent Limited, from the Company to the Buyer. Major assets of Hill Talent comprise three manganese exploration licences in Brazil and a subsidiary in Mexico engaging in minerals trading. The purpose of the disposal is to improve the Group's capital and liquidity position for its business development in the Brazilian SAM Iron Ore Project. The disposal was completed on 6 June 2013, on which date the Group passed the control of Hill Talent Limited to Brilliant People Limited.

Approximately HK$73.2 million gain on disposal of subsidiaries was recognised when the Group disposed its 100% equity interest in Hill Talent Limited to Brilliant People Limited for a total consideration of approximately HK$729.8 million, comprising of approximately HK$111.2 million cash, HK$342.3 million repurchased convertible bonds and HK$276.3 million promissory note.

On 17 January 2014, the Company disposed Divine Mission Holdings Limited, a wholly owned subsidiary, to an independent third party for a cash consideration of HK$3,600,000. Divine Mission Holdings Limited indirectly held 60% equity interest in Jining Kailun Sog-Si Materials Co., Ltd. which engaged in production and research of highly purified silicon.

SIGNIFICANT INVESTMENT PLANS

Save as disclosed above, as at 31 December 2013, the Group did not have any significant investment plans.

CAPITAL COMMITMENTS

As at 31 December 2013, the Group has contracted but not provided for capital commitments in relation to property, plant and equipment amounted to approximately HK$8.9 million.

CONTINGENT CONSIDERATION AND LIABILITIES

On 5 March 2010, Lit Mining (as the seller), VNN (also as the seller), Esperento, Mineral Ventures, Infinite Sky (as the buyer), New Trinity, and the Company entered into the Share Purchase Agreement in relation to the Acquisition of SAM. Pursuant to the Share Purchase Agreement, the Consideration of USD390 million for the Acquisition was to be satisfied in cash in five instalment payments.

As at 31 December 2013, the first and the second instalment payment amount to USD75 million (equivalent to approximately HK$505 million) have been settled. The third instalment payment amount to USD115 million (equivalent to approximately HK$893 million) are to be settled on the tenth Business Day following the Approval Date (or the date Infinite Sky waives the requirements that all Required Approvals be obtained). The fourth instalment payment of USD100 million (equivalent to approximately HK$776 million) was agreed to pay on the tenth Business Day following the Port Operation Commencement Date, being the later of (a) the Closing Date; and (b) the date by which an aggregate of 100,000 metric tons of pellet feed have been shipped through the Port on a commercial basis; and the fifth instalment payment of USD100 million (equivalent to approximately HK$776 million) is required to settle on the tenth Business Day following the Mining Production Commencement Date.

The valuation of the contingent consideration as mentioned above for the third to fifth instalments payment were carried out by an independent valuer and their fair value as at 31 December 2013 was approximately USD205 million (equivalent to approximately HK$1,590 million).

As at 31 December 2013, saved as disclosed above the Group did not have any significant contingent liabilities.

PROSPECT

The Company will continue to manage the progress of SAM iron ore project and will seek to obtain all licenses and approvals for commencement of construction in the first half of 2015. If all licenses and approvals for starting the construction are obtained in the first half of 2015, the mine is expected to commence operation by 2018. The FOB operating cost (per ton of iron concentrate) of Block 8 is estimated to be approximately USD32. Regardless of the trend in global iron ore demand, iron concentrate products of SAM is highly competitive in terms of costs. The Directors expect that SAM Iron Ore Project could enhance the growth potential of the Group.

EMPLOYEES

The number of employees increased significantly after acquisition of SAM. As at 31 December 2013, the total number of employees of the Group was 107 (2012: 30). Employees' cost (including directors' emoluments but excluding share-based payment expenses) amounted to HK$34.7 million for the year (2012: HK$6.7 million).

The Group considers its employees as its most valuable assets. In addition to salary, other fringe benefits such as medical subsidies, life insurance, provident fund and subsidised training programs are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on performance. Share options have also been granted to certain employees of the Group.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. He Xuechu, aged 51, is the Chairman of the Company. Mr. He has extensive experience in financial management and in the investment field, is principally responsible for the Group's strategic planning and positioning. Mr. He graduated from 安徽財貿學院 (Anhui Finance and Trade College), the PRC in 1983. Since then, he has worked in 中華人民共和國商業部 (the Domestic Trade Ministry of the PRC), and China Resources (Holdings) Co. Ltd. During the period from 2001 to 2005, Mr. He was a director and shareholder of a number of companies, the shares of which are listed on the Stock Exchange, including Shanghai Zendai Property Limited (stock code: 0755) and Geely Automobile Holdings Limited (stock code: 0175). Mr. He is also director of Infinite Sky Investments Limited and New Trinity Holdings Limited, all being subsidiaries of the Company.

Mr. Liu Wei, William, aged 49, is the Chief Executive Officer of the Company. Mr. Liu has over 10 years of experience in corporate banking and corporate finance, including his previous employment with The Hongkong Chinese Bank Ltd. and Lippo Group. During the period from 2004 to 2006, Mr. Liu was a director of Hans Energy Company Limited (stock code: 0554), the shares of which are listed on the Stock Exchange. Mr. Liu was also a director of China Metal and Technologies (H.K.) Limited, a private company engaged in the trading of non-ferrous metal. He was the managing director of a private company engaged in media business. Mr. Liu was experienced in the publication business and was involved in the publication of 世界經濟論壇 (World Economic Review), 今日健康生活 (Healthy Life Today) and 中國新聞周刊 (China News Weekly) during his tenure with the above private company. Mr. Liu holds a master degree in business administration from the University of San Francisco. Mr. Liu is also director of Infinite Sky Investments Limited, New Trinity Holdings Limited, Sul Americana de Metais S.A, Honbridge International Trading Company Limited and 上海洪鷹貿易有限公司 (Shanghai Hongying Trading Co. Ltd.), all being subsidiaries of the Company. Mr. Liu is also a director of New Potential Development Limited, a company principally engaged in the after sale services of automobiles.

Mr. Shi Lixin, aged 46, a postgraduate diploma holder in business administration from the University of Wales College, Newport, has experience in mergers and acquisitions and project finance. Mr. Shi is the chief executive officer of 萬博港工業品超市有限公司 (Wanbo Industrial Provision & Exposition Co., Ltd.) since 2003 and was once the special assistant to the chairman of 湖南投資集團股份有限公司 (Hunan Investment (Group) Corporation). Mr. Shi was also the chief executive officer of a company which was involved in the business procurement of 湘潭高新技術產業開發區 (Xiangtang Hi-Tech Industrial Development Zone), which in turn contains the 湘潭(德國)工業園 (Xiangtang (Germany) Industrial Park). Mr. Shi is also director of 上海洪鷹貿易有限公司 (Shanghai Hongying Trading Co. Ltd.), a subsidiary of the Company.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Ang Siu Lun, Lawrence, aged 53, holds a Bachelor of Science degree in physics and computer science and a Master Business Administration degree from the Chinese University of Hong Kong. Prior to joining the Group, Mr. Ang worked in a number of major international investment banks for seventeen years with extensive experience in equity research, investment banking and financial analysis, focusing on China asset market, automobile industry and investment banking business. Mr. Ang is an executive director of Geely Automobile Holdings Limited (HK Stock Code: 175) and an independent non-executive director of Genvon Group Limited (HK Stock Code: 2389). Mr. Ang assists the Group's capital market activities and investor relations.

Mr. Yan Weimin, aged 47, graduated from Central South University in 1989 majoring in automation. He also holds an EMBA degree of United Business Institutes (UBI) in Belgium. Mr. Yan has 20 years experience in the trading of mineral products. He has served in Shanghai Guohong Trading Co. Ltd. as the general manager and Shanghai Yingyue Industrial Co. Ltd as the chairman. Mr. Yan is responsible as the Group's contact person for Mainland China's steel conglomerates, mining corporations, and port and mining construction enterprises. He is also a director and the chairman of 上海洪鷹貿易有限公司 (Shanghai Hongying Trading Co. Ltd.), a subsidiary of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chun Wai, Tony, aged 42, joined the Company as Independent Non-Executive Director in October 2007. Mr. Chan is a Certified Public Accountant and owns a CPA practice. He has extensive experience in general assurance and business advisory services in both Hong Kong and the PRC. Moreover, Mr. Chan has extensive experience in public listings in Hong Kong and Singapore, mergers and acquisitions as well as corporate finance. He holds a Master degree in Business Administration from the Manchester Business School. Mr. Chan is now the independent non-executive director of Hans Energy Company Limited and Wai Chun Mining Industry Group Company Limited, the shares of which are listed on the Hong Kong Stock Exchange.

Mr. Fok Hon, aged 56, is a director for several companies in Hong Kong including All Leaders Publication Group Ltd., which is engaged in media and publishing business, including publication of financial monthly "All Asian Leaders", commercial forum and seminar relevant services, e-commerce platform "Chinese- No.1.com" which only serves global high-end Chinese business leaders, and etc..

Mr. Ma Gang, aged 57, graduated from Anhui Finance and Trade College, the PRC in 1983 with a Bachelor degree in Economics. Between 2004 and 2006, Mr. Ma was employed as the vice managing director of Shanghai HongYe Real Estate Development Co. Ltd. which is principally engaged in properties development business.

Biographical Details of Directors and Senior Management

MINING TECHNICAL COMMITTEE

Dr. Dai Ta Gen, aged 61, graduated from Central South University of Technology with his doctorate degree in 1989 and is the Dean of Geosciences and Environmental Engineering Faculty of Central South University as well as a professor and a tutor of doctoral students. Being the expert who takes the special allowance from the State Council, Dr. Dai participates in major posts in geological sector. He is also the vice president of Hunan Geology Society, the president of Hunan Society of Mineralogy, Petrology and Geochemistry and a member of Teaching Committee of Applied Geology in Education Department.

Dedicated in geological studies for more than 30 years, Professor Dai has made significant achievements in the area, especially in the prospecting for successive mineral resources.

Dr. Liu Jian Xin, aged 51, obtained the Globe Exploration and Information Technology doctoral degree from Central South University in 2006. Dr. Liu is the Dean of Information Physics Engineering Faculty of Central South University as well as a professor and a tutor of doctoral students. Dr. Liu is a leader of the Hunan Province Higher Education "Mineral Resources and Disasters Exploration" research innovation team.

Dr. Liu has many years of experience in mineral resources exploration, and engineering exploration theoretical and applied studies. He possesses stable research direction and has received well-recognized achievements in prediction and precise position of high depth mineral resources, production mines high depth globe physics three dimensional mapping, globe physics high precision processing and comprehensive explanation, engineering globe physics exploration, etc. Dr. Liu is also one of the selected experts for the New Century National Talents Programme.

Dr. Liu is also the ninth and tenth Hunan Province committee member of the Political Consultative Conference, the chairman of Hunan Province Globe Physics Society and a committee member of Chinese Geophysical Society.

Dr. Wu Xiqing, aged 51, awarded a bachelor degree in ore beneficiation by Central South College of Mining and Metallurgy in 1984, a master degree in Minerals Processing by Central South University of Technology in 1988, and a doctor of philosophy (PhD) in Minerals Engineering by the Imperial College of Science, Technology and Medicine, University of London in 2002. Dr. Wu is a senior engineer and the deputy dean of the Minerals Processing Department at the Central South University.

Dr. Wu has dedicated his career to developing theory and application in Minerals Processing and Resources Multiple-Exploration, participating in and taking charge of many research and engineering projects in China and abroad. He is well experienced in minerals processing including the beneficiation of low-grade iron, nonferrous metals and rare metallic ores.

Dr. Wu has been in charge of the beneficiation test of SAM in Brazil since 12 October 2010.

According to the progress of the SAM iron ore project, the Company may invite experts in different area to join the technical committee.

SENIOR MANAGEMENT

Mr. Yeung Ho Ming, aged 30, is a Certified Public Accountant in Hong Kong and is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Yeung has extensive listed companies assurance and advisory experience in an international accounting firm. Before joining the Company in March 2013 as chief financial officer and company secretary, he also worked in a managerial position in an initial public offering project.

Dr. Eder de Silvio, aged 51, graduated from The Polytechnic School of the University of Sao Paulo with an Engineering degree in 1984 and awarded a Doctorate degree on Mineral Engineering in 2001, based on a process research and engineering for a heavy mineral project (tin, tantalum, niobium, and rare earth).

Dr. Eder de Silvio is experienced in process research, mineral project engineering design, equipment selection and acquisition and infrastructure construction. He has worked several years in two mine sites at the Amazon region, responsible for the engineering, construction and operation. He also worked as an engineering leader in a major Brazilian engineering company, served some of the world largest companies in the mining industry such as Vale, BHP Billiton, RTZ Mining and Exploration Limited, Anglo American plc, Manabi and others, being involved in some of the large projects such as Brucutu, Mirabela, Anglo’s Minas Rio, Ferro Amapá, Itabiritos de Conceição and Samarco P4P which some had commenced production recently while some will start production soon.

Dr. Eder de Silvio also worked in Ferrous Resources Limited as an operations director focusing on engineering, construction and production increase.

Dr. Eder de Silvio has been SAM’s Director of Engineering since 2012, worked on process research and engineering concepts design.

Directors' Report

The Directors of the Company present their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 19 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 34 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

FINANCIAL SUMMARY

A summary of the results of the Group for the last five financial years is set out on page 110 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 37 to the consolidated financial statements.

DIRECTORS

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

Executive Director:

Mr. He Xuechu *(Chairman)*
Mr. Liu Wei, William *(Chief Executive Officer)*
Mr. Shi Lixin

Non-Executive Director:

Mr. Yan Weimin
Mr. Ang Siu Lun, Lawrence

Independent Non-Executive Director:

Mr. Chan Chun Wai, Tony
Mr. Fok Hon
Mr. Ma Gang

In accordance with Article 116 of the Articles of Association of the Company, Mr. Chan Chun Wai, Tony, Mr. Fok Hon, Mr. Ma Gang will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. All other remaining Directors continue in office.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors entered into a service contract with the Company which shall continue thereafter unless and until terminated by either party serving to the other not less than three months' notice in writing.

None of the Directors has entered into any service contract or has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, relating to the required standards of dealing by directors of listed issuers, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the ordinary shares of HK$0.001 each of the Company

	Number of shares in the Company					
Name of director	**Beneficial owner**	**Interest of spouse**	**Interest of controlled corporation**	**Number of Share option**[2]	**Total**	**Approximate percentage of shareholding** (%)
HE Xuechu	–	22,460,000	4,065,000,000[1]	–	4,087,460,000	65.76
LIU Wei, William	–	–	–	40,000,000	40,000,000	0.64
SHI Lixin	–	–	–	30,000,000	30,000,000	0.48
YAN Weimin	30,000,000	–	–	30,000,000	60,000,000	0.97
ANG Siu Lun, Lawrence	–	–	–	15,000,000	15,000,000	0.24
CHAN Chun Wai, Tony	–	–	–	3,000,000	3,000,000	0.05
FOK Hon	–	–	–	3,000,000	3,000,000	0.05
MA Gang	–	–	–	3,000,000	3,000,000	0.05

Notes:

1. The 4,065,000,000 shares were held by Hong Bridge Capital Limited ("Hong Bridge"). Mr. HE Xuechu is the controlling shareholder and director holding 68% equity interest of Hong Bridge.

2. This refers to the number of underlying shares of the Company covered by its share option scheme.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31 December 2013, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company received from each of the Independent Non-Executive Directors, Mr. Chan Chun Wai, Tony, Mr. Fok Hon and Mr. Ma Gang, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company still considers all of the Independent Non-Executive Directors to be independent.

SHARE OPTION SCHEME

The Company's existing share option scheme (the "Scheme") was adopted on 21 May 2012 and became effective on the same date. Particulars of the Scheme as required under the GEM Listing Rules are set out below:

(i) Summary of the Scheme

1. Purpose of the Scheme

The purpose of the Scheme is to recognise and motivate the contribution of the Employees (as defined in subsection headed "Participants of the Scheme" below) and other person(s) who may make a contribution to the Group and to provide incentives and help the Company in retaining its existing Employees and recruiting additional Employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

2. Participants of the Scheme

The Board of Directors of the Company or a duly authorised committee thereof (the "Board"), may, at its discretion, makes offers to any full time or part time employee (including any executive and non-executive director or proposed executive and non-executive director) of the Group (the "Employees"), adviser, consultant, contractor, client or supplier who have contributed to the Group (collectively the "Participants"), to take up options to subscribe for shares of HK$0.001 each in the share capital of the Company ("Shares") in accordance with the provisions of the Scheme.

3. Total number of Shares available for issue under the Scheme

Pursuant to the letter issued by the Stock Exchange on 21 May 2012, the total number of Shares available for issue under options which may be granted under the Scheme is 621,567,971 Shares, being 10% of the issued share capital immediately following adoption of the Scheme on 21 May 2012.

As at 31 December 2013, an aggregate of 130,000,000 Shares were issuable pursuant to share options granted under the Scheme. For the year ended 31 December 2013, no share option was granted and no options were exercised by the grantee and 8,000,000 options were lapsed pursuant to the Scheme. The 300,000,000 options granted under the Option Deed were also lapsed during the year.

As at 31 December 2013, the total number of Shares available for issue pursuant to the grant of further options under the Scheme was 600,567,971, representing approximately 9.7% of the issued share capital of the Company as at 31 December 2013.

4. ***Maximum entitlement of each participant***
No Participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12 month period up to the date of grant to such Participant would exceed 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the GEM Listing Rules) abstaining from voting.

5. ***Period within which the Shares must be taken up under an option***
An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

6. ***Minimum period, if any, for which an option must be held before it can be exercised***
At the time of granting an option, the Board may, at its discretion, specify the minimum period(s), if any, for which an option must be held before it can be exercised.

7. ***Amount payable upon acceptance of the option and the period within which the payment must be made***
HK$1.00 shall be paid within 5 business days from the date of offer of the option.

8. ***Basis of determining the exercise price of the option***
The exercise price for Shares under the Scheme shall be a price determined by the Board, but in any case will not be less than the higher of:

   (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading day;

   (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer; or

   (c) the nominal value of a Share.

9. ***Remaining life of the Scheme***
Subject to early termination of the Scheme pursuant to the terms thereof, the Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Scheme becomes effective, i.e. 21 May 2012 and ending on 20 May 2022.

Details of the principal terms of the Scheme are summarised under the sub-section headed "SUMMARY OF THE PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME" in Appendix III to the Circular of the Company dated 16 April 2012.

(ii) Details of options granted

Particulars and movements during the year of the outstanding share options granted under the Scheme and Option Deed were as follows:

Name or category of participant	Number of share options: Outstanding as at 01/01/2013	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 31/12/2013	Date of grant of share options (Note a)	Exercise period of share option	Exercise price per share option HK$	Price immediately preceding the grant date of share options (Note b) HK$	Price immediately preceding the exercise date of share options HK$
Director											
LIU Wei, William	30,000,000	–	–	–	–	30,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
	10,000,000	–	–	–	–	10,000,000	28/05/2012	28/05/2012 – 27/05/2020	0.95	0.91	N/A
SHI Lixin	20,000,000	–	–	–	–	20,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
	10,000,000	–	–	–	–	10,000,000	28/05/2012	28/05/2012 – 27/05/2020	0.95	0.91	N/A
YAN Weimin	30,000,000	–	–	–	–	30,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
ANG Siu Lun, Lawrence	15,000,000	–	–	–	–	15,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
CHAN Chun Wai, Tony	3,000,000	–	–	–	–	3,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
FOK Hon	3,000,000	–	–	–	–	3,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
MA Gang	3,000,000	–	–	–	–	3,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
Sub-total	124,000,000	–	–	–	–	124,000,000					
Employee	13,000,000	–	–	(8,000,000)	–	5,000,000	06/05/2010	06/05/2011 – 05/05/2018	2.60	2.13	N/A
	1,000,000	–	–	–	–	1,000,000	28/05/2012	28/05/2012 – 27/05/2020	0.95	0.91	N/A
Strategic cooperative partner (Xinwen)	300,000,000	–	–	(300,000,000)	–	–	25/11/2010	25/11/2010 – 24/11/2013	3.15	3.09	N/A
Total	438,000,000	–	–	(308,000,000)	–	130,000,000					

Notes:

(a) Share options granted on 6 May 2010 are subject to a vesting period and became exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage
In the first year	Nil
In the second year (31,925,000 share option "Lot A")	25%
After the second year (95,775,000 share option "Lot B")	75%

Share options granted on 25 November 2010 and 28 May 2012 under the Option Deed and Share Option Scheme respectively are exercisable in whole on the date of grant of the share options.

(b) The price of the Shares disclosed as immediately preceding the grant date of the share options is the Exchange closing price on the trading day immediately prior to the date of the grant of the share options.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31 December 2013, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company, its ultimate holding company or any of its subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or the chief executive, or any of their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2013, the following persons, other than the Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Long Positions of Substantial Shareholders in the Ordinary Shares of HK$0.001 Each of the Company

	Number of Shares in the Company				
Name of Shareholder	**Beneficial owner**	**Interest of spouse**	**Interests of controlled corporation**	**Total number of shares held**	**Approximate percentage of shareholding** (%)
Hong Bridge	4,065,000,000 (Note 1)	–	–	4,065,000,000	65.40
HE Xuechu (Note 2)	–	22,460,000	4,065,000,000 (Note 1)	4,087,460,000	65.76
FOO Yatyan (Note 2)	22,460,000	4,065,000,000	–	4,087,460,000	65.76
LI Xing Xing	–	–	4,065,000,000 (Note 3)	4,065,000,000	65.40
Geely International (Hong Kong) Limited	2,000,000,000 (Note 4)	–	–	2,000,000,000	32.18
Zhejiang Geely Holding Group Co., Ltd. (Note 5)	–	–	2,000,000,000	2,000,000,000	32.18
LI Shufu (Note 6)	103,064,000	–	2,000,000,000	2,103,064,000	33.83
Brilliant People Limited	330,758,000	–	–	330,758,000	5.32

Notes:

1. The 4,065,000,000 shares were held by Hong Bridge. Mr. HE Xuechu is the controlling shareholder and director holding 68% equity interest of Hong Bridge.

2. Ms. FOO Yatyan is the spouse of Mr. HE Xuechu.

3. Mr. LI Xing Xing holds 32% equity interest of Hong Bridge.

4. The 2,000,000,000 shares held by Geely International (Hong Kong) Limited represent HK$740,000,000 convertible notes with a conversion price of HK$0.37 per conversion share of the Company.

5. Zhejiang Geely Holding Group Co., Ltd. holds 100% equity interest of Geely International (Hong Kong) Limited.

6. Mr. LI Shufu is the controlling shareholder holding 90% equity interest of Zhejiang Geely Holding Group Co., Ltd.

Save as disclosed above, as at 31 December 2013, the Company had not been notified by any other persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

For the year ended 31 December 2013, the Company did not enter into have any continuing connected transactions in accordance with the requirements of the GEM Listing Rule.

In March 2013, there was a HK$500 million loan from a connected party. The loan is unsecured, interest-free and repayable upon the proceeds from convertible bonds issued on 5 March 2013 is received or within three months if the convertible bonds fail to complete. The whole amount was settled as part of the consideration of convertible bonds issued on 4 June 2013.

On 4 June 2013, convertible bonds with principal amount of HK$740 million was issued to a connected party. The bonds are convertible into 2,000,000,000 ordinary shares of the Company from the date of issue and before the maturity date on 3 June 2018. The imputed interest on convertible bonds was approximately HK$29.6 million during the year.

As at 31 December 2013, Hong Bridge, the ultimate holding company of the Company, provided loans aggregating HK$219.4 million to the Group. The loans are interest free in the first two years and bear interest at prime rate minus 1.25% per annum in the third year. For the year ended 31 December 2013, the Group has imputed interest on loans from Hong Bridge of HK$15.9 million.

INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete or had any conflicts of interest with the business of the Group for the year ended 31 December 2013.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to which the Company, its holding company or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme are set out in note 42 to the consolidated financial statements.

CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2013, the five largest customers of the Group accounted for 72.7% of the Group's total turnover and all purchases of the Group were from four suppliers. In addition, the largest supplier accounted for 51.9% of the Group's total purchases.

None of the Directors, their associates, or shareholders (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest suppliers and customers as at 31 December 2013.

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

During the year ended 31 December 2013, neither the Company, its ultimate holding company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board
He Xuechu
Chairman

Hong Kong
26 March 2014

The Company is committed to maintaining high standards of corporate governance practices and procedures. The corporate governance principles of the Company emphasizes accountability and transparency and are adopted in the best interests of the Company and its shareholders.

CORPORATE GOVERNANCE PRACTICES

The Company complied with the corporate governance code in Appendix 15 to the GEM Listing Rules throughout the year ended 31 December 2013 with the exception that the Articles of Association of the Company does not provide that (a) every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting of the Company after their appointment. In view of good corporate governance practices, all Directors have agreed to comply with the GEM Listing Rules and that their term of appointment will be limited accordingly. Furthermore, every director of the Company, including those appointed for a specific term, voluntarily retires from his office by rotation at least once every three years notwithstanding that he is not required to do so by the Articles of Association of the Company.

BOARD COMPOSITION

The Board of Directors (the "Board") of the Company composed of eight Directors, including the Chairman and the Chief Executive Officer who are Executive Directors, another Executive Director, two Non-Executive Directors and three Independent Non-Executive Directors. Over one third of the Board are Independent Non-Executive Directors who have appropriate professional qualifications in accounting or related financial management expertise. Their biographies are set out in the Biographical Details of Directors and Senior Management Section on pages 14 to 15 of this annual report.

DIRECTORS' RESPONSIBILITIES

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies of the Company, monitoring the financial performance and internal control of the Company and monitoring the performance of senior executives.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-Executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control. All Independent Non-Executive Directors possess appropriate academic, professional qualifications or related financial management experience.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-Executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer are exercised by separate individuals with a view to reinforce their independence and accountability.

DELEGATION BY THE BOARD

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the executive committee, comprising all of the Executive Directors along with other senior executives. They report periodically to the Board their work and business decisions.

BOARD MEETINGS

Four board meetings were held during the financial year ended 31 December 2013

	Attendance
Executive Director	
He Xuechu *(Chairman)*	4/4
Liu Wei, William *(Chief Executive Officer)*	4/4
Shi Lixin	4/4
Non-Executive Director	
Yan Weimin	4/4
Ang Siu Lun, Lawrence	4/4
Independent Non-Executive Director	
Chan Chun Wai, Tony	4/4
Fok Hon	4/4
Ma Gang	4/4

Notice of at least 14 days are given to the Directors for board meetings. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Articles of Association of the Company. The Company Secretary ensures that the procedure and all applicable rules and regulations are strictly and fully complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any reasonable time on reasonable notice by any Directors.

Director shall have full access to information of the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

A formal written procedure and policy has been adopted by the Board for the appointment of new directors. According to the Articles of Association of the Company, one-third, and not exceeding one-third of Directors are subject to re-election. The corporate governance code states that all Directors must rotate at least once every three years. Despite the non-provision of the clause in the Articles of Association of the Company, every director of the Company, including those appointed for a specific term, voluntarily retires from his office by rotation at least once every three years notwithstanding that he is not required to do so by the Articles of Association of the Company.

The Company may by ordinary resolution at any time remove a Director before the expiration of his period of office notwithstanding anything in the Articles or in any agreement between the Company and such Director and may by ordinary resolution elect another person in his stead.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of the Board, the Company has adopted a board diversity policy (the "Policy") which sets out the approach to achieve diversity on the Board. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, professional experience, skills and knowledge.

The Board will review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will review the Policy from time to time to ensure its continued effectiveness.

TRAINING

During the year ended 31 December 2013, the Company provides briefings and other training to develop and refresh the Directors' knowledge and skills, and updates all Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance practices.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules for Directors.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transaction throughout the year ended 31 December 2013.

INTERNAL CONTROL

Recognising that a well-designed and effective system of internal control is crucial to safeguard the assets of the Company and the shareholders' investment and maintaining proper accounts to ensure the reliability of financial reporting as well as compliance with the relevant requirement of GEM Listing Rules, the Directors also acknowledge that they have overall responsibility for the Company's internal control, financial control and risk management and shall monitor its effectiveness from time to time. Therefore, regular review of financial statements of subsidiaries are carried out by the qualified accountant of the Company.

COMPANY SECRETARY

The company secretary of the Company assists the Board by ensuring the Board policy and procedures are followed. The company secretary is also responsible for advising the Board on corporate governance matters. As an employee of the Company, the company secretary has confirmed that for the year under review, he has taken no less than 15 hours of relevant professional training.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company about its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 32 to 33 of this annual report.

AUDITORS' REMUNERATION

For the year ended 31 December 2013, the Auditors of the Company received approximately HK$1,700,000 for audit services and HK$200,000 for non-audit services.

AUDIT COMMITTEE

The Company had established an audit committee with written terms of reference in compliance with Rule 5.28 and corporate governance code C.3.3 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting and internal control procedures of the Group. Other duties of the audit committee are set out in its specific terms of reference, which are posted on the website of the Company and the Stock Exchange respectively. The audit committee comprises Mr. Chan Chun Wai, Tony (Committee Chairman), Mr. Fok Hon and Mr. Ma Gang, who are Independent Non-Executive Directors of the Company.

During the year, the audit committee held four meetings to review and comment on the Company's 2012 annual report, 2013 half-yearly report and quarterly reports as well as the Company's internal control procedures. Full attendance was recorded for the four meetings.

The Group's annual report for the year ended 31 December 2013 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

REMUNERATION COMMITTEE

The Remuneration Committee was set up in 2005. The Committee members are Mr. Fok Hon (Chairman of the Committee), Mr. Ma Gang, Mr. Chan Chun Wai, Tony, Mr. He Xuechu and Mr. Liu Wei, William. The Committee met once in 2013 and was attended by all Committee members. The policy for the remuneration of Executive Directors and the Senior Management was reviewed by the Committee. Remuneration, including basic salary, performance bonus, grant of share options, if any, of the Executive Directors and Senior Management is based on skills, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability, as well as industry practice. Granting share options is considered as one of the means for giving long term benefits to and retaining staff.

Remuneration, comprising directors' fees, of Independent Non-Executive Directors is subject to annual assessment for shareholders' approval at the annual general meeting. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings. Remuneration paid to two of senior management by band is from HK$500,001 to HK$1,000,000 and from HK$1,500,001 to HK$2,000,000 respectively.

NOMINATION COMMITTEE

Nomination Committee was set up in 2012. Current Committee members are Mr. CHAN Chun Wai, Tony (Chairman of the Committee), Mr. LIU Wei, William, Mr. ANG Siu Lun, Lawrence, Mr. FOK Hon and Mr. MA Gang. The Committee meets at least once every year and additional meetings shall be held as the work of the Committee demands. The Committee met once in 2013 and was attended by all Committee members.

The primary duties of nomination committee is to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes; (ii) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of, individuals nominated or directorships; (iii) assess the independence of independent non-executive directors; and (iv) make recommendations to the board on relevant matters relating to the appointment or reappointment of directors and succession planning for directors in particular the chairman and the chief executive officer.

INVESTOR RELATIONS

The Group continues to promote and strengthen its relationship with investors and potential investors. The Group meets regularly with analysts and participates in investor conferences. As a channel to further enhance communications, the Company will disseminate announcements, corporate notice, and other financial and non-financial information through the Company's website in a timely manner.

SHAREHOLDERS' RIGHTS

Pursuant to Articles 72 of the Company's Articles of Association, an extraordinary general meetings shall be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the shareholders, provided that such shareholders held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within twenty one days from the date of deposit of the requisition proceed duly to convene the meeting, the shareholders themselves may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the shareholders as a result of the failure of the Board shall be reimbursed to them by the Company.

Shareholders may send their enquiries to the Board by sending the same to the Company at the principal office of the Company in Hong Kong and for the attention of the Company Secretary.

Independent Auditor's Report

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To the shareholders of Honbridge Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Honbridge Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 34 to 109, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Au Yiu Kwan
Practising Certificate Number P05018

Hong Kong, 26 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	5	**10,365**	415,306
Direct operating expenses		**(2,778)**	(412,442)
Other operating income	7	**6,971**	8,190
Selling and distribution costs		**(432)**	(1,180)
Administrative expenses		**(60,143)**	(27,284)
Other operating expenses	9	**(54,924)**	(55,069)
Share-based payment expenses	38	**–**	(23,980)
Impairment of exploration and evaluation assets	17	**–**	(171,398)
Gain on disposals of subsidiaries	44	**73,188**	–
Gain on bargain purchase	45	**9,277,141**	–
Finance costs	8	**(69,539)**	(61,200)
Profit/(Loss) before income tax	9	**9,179,849**	(329,057)
Income tax credit	10	**–**	58,767
Profit/(Loss) for the year		**9,179,849**	(270,290)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations	39	**(1,754,454)**	(94,403)
Release of translation reserve upon disposals of subsidiaries	44	**123,560**	–
Other comprehensive income for the year, net of tax		**(1,630,894)**	(94,403)
Total comprehensive income for the year		**7,548,955**	(364,693)
Profit/(Loss) for the year attributable to:			
Owners of the Company	12	**9,182,596**	(221,699)
Non-controlling interests		**(2,747)**	(48,591)
		9,179,849	(270,290)
Total comprehensive income attributable to:			
Owners of the Company		**7,562,432**	(283,462)
Non-controlling interests		**(13,477)**	(81,231)
		7,548,955	(364,693)
Earnings/(Losses) per share	13		
— Basic		**HK150.88 cents**	HK(3.57) cents
— Diluted		**HK124.71 cents**	N/A

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**6,793**	1,219
Exploration and evaluation assets	17	**15,140,419**	–
Prepaid land lease payments	18	**22,184**	21,403
Goodwill	20	**–**	–
Deposits for acquisition of business	21	**–**	81,265
Loans to an acquiring business	22	**–**	262,434
		15,169,396	366,321
Current assets			
Inventories	23	**–**	2,777
Trade and bill receivables	24	**250,779**	261,437
Prepayments and other receivables	25	**7,662**	96,366
Derivative financial assets	26	**–**	6,569
Restricted bank deposits	28	**–**	40,341
Cash and cash equivalents	28	**86,142**	2,360
		344,583	409,850
Assets of disposal group classified as held for sale	11	**–**	1,271,161
Total current assets		**344,583**	1,681,011
Current liabilities			
Trade and bill payables	29	**237,032**	267,855
Other payables, accrued expenses and receipts in advance	30	**75,295**	28,451
Borrowings	31	**2,691**	127,797
Loans from non-controlling interest of a subsidiary	32	**6,800**	6,800
		321,818	430,903
Liabilities of disposal group classified as held for sale	11	**–**	431,440
Total current liabilities		**321,818**	862,343
Net current assets		**22,765**	818,668
Total assets less current liabilities		**15,192,161**	1,184,989

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Derivative financial liabilities	33	**92,511**	–
Loans from ultimate holding company	34	**228,794**	330,194
Convertible bonds	35	**433,660**	270,175
Deferred tax liabilities	36	**5,044,761**	693
Contingent consideration payables	45	**1,590,274**	–
		7,390,000	601,062
Net assets		**7,802,161**	583,927
EQUITY			
Equity attributable to the owners of the Company			
Share capital	37	**6,216**	6,216
Reserves	39	**7,805,250**	298,523
		7,811,466	304,739
Non-controlling interests		**(9,305)**	279,188
Total equity		**7,802,161**	583,927

He Xuechu
Chairman

Liu Wei, William
Director

Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**1,035**	–
Investments in subsidiaries	19	**1,136**	1,136
Deposits for acquisition of business	21	**–**	3,265
Loans to an acquiring business	22	**–**	262,434
		2,171	266,835
Current assets			
Prepayments and other receivables	25	**5,319**	913
Derivative financial assets	26	**–**	6,569
Amounts due from subsidiaries	27	**1,002,279**	86,180
Cash and cash equivalents	28	**70,094**	130
		1,077,692	93,792
Non-current asset as held for sale	11	**–**	563,661
		1,077,692	657,453
Current liabilities			
Accrued expenses		**1,141**	1,340
Amounts due to subsidiaries	27	**89**	1,078
		1,230	2,418
Net current assets		**1,076,462**	655,035
Total assets less current liabilities		**1,078,633**	921,870
Non-current liabilities			
Derivative financial liabilities	33	**92,511**	–
Loans from ultimate holding company	34	**228,794**	330,194
Convertible bonds	35	**433,660**	270,175
		754,965	600,369
Net assets		**323,668**	321,501
EQUITY			
Share capital	37	**6,216**	6,216
Reserves	39	**317,452**	315,285
Total equity		**323,668**	321,501

He Xuechu
Chairman

Liu Wei, William
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Profit/(Loss) before income tax		**9,179,849**	(329,057)
Adjustments for:			
Depreciation of property, plant and equipment	16	**1,363**	2,573
Amortisation of prepaid land lease payments	18	**500**	484
Impairment of property, plant and equipment	9	**–**	23,083
Impairment of exploration and evaluation assets	17	**–**	171,398
Impairment of trade receivables	9	**12,820**	–
Write-off of other receivables	9	**3,215**	5,361
Write-down of inventories	9	**369**	11,995
Interest expense on other loans	8	**2,657**	113
Interest expense on convertible bonds	8	**50,994**	43,690
Interest expense on loans from ultimate holding company	8	**15,888**	17,138
Interest expense on loans from non-controlling interest of a subsidiary	8	**–**	259
Fair value loss on initial recognition of loans to an acquiring business	9	**5,049**	9,781
Fair value loss on derivative financial assets	9	**2,626**	4,726
Fair value loss on derivative financial liabilities	9	**15,454**	–
Loss on de-recognition of liability component of convertible bonds	9	**12,684**	–
Share-based payment expenses	9	**–**	23,980
Bank interest income	7	**(1,130)**	(670)
Interest income on loans to an acquiring business	7	**(3,625)**	(6,326)
Loss on disposals of property, plant and equipment		**–**	33
Gain on bargain purchase	45	**(9,277,141)**	–
Gain on disposals of subsidiaries	44	**(73,188)**	–
Operating loss before working capital changes		**(51,616)**	(21,439)
Decrease in inventories		**2,408**	3,146
(Increase)/Decrease in trade and bill receivables		**(2,162)**	701
Decrease in prepayments and other receivables		**86,655**	615,180
(Decrease)/Increase in trade and bill payables		**(30,823)**	65,648
Increase/(Decrease) in other payables, accrued expenses and receipts in advance		**28,346**	(673,905)
Cash generated from/(used in) operations		**32,808**	(10,669)
Net cash generated from/(used in) operating activities		**32,808**	(10,669)

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from investing activities			
Interest received	7	**1,130**	670
Purchases of property, plant and equipment	16	**(5,243)**	(474)
Additions of prepaid land lease payments	18	**(647)**	–
Additions of exploration and evaluation assets	17	**(37,904)**	–
Proceeds from disposals of property, plant and equipment		**–**	112
Decrease/(Increase) in restricted bank deposits	28	**40,341**	(2,843)
Disposals of subsidiaries, net of cash disposed	44	**110,588**	–
Loans to an acquiring business		**(54,309)**	(46,081)
Acquisition of a subsidiary, net of cash acquired	45	**(501,046)**	–
Net cash used in investing activities		**(447,090)**	(48,616)
Cash flows from financing activities			
Interest paid on other loans		**(2,657)**	(113)
Drawdown of borrowings		**–**	123,987
Drawdown of loans from ultimate holding company		**36,500**	67,690
Repayments of borrowings		**(125,828)**	(154,962)
Repayments of loans from ultimate holding company		**(150,000)**	(10,000)
Proceeds from issue of convertible bonds		**740,000**	–
Net cash generated from financing activities		**498,015**	26,602
Net increase/(decrease) in cash and cash equivalents		**83,733**	(32,683)
Cash and cash equivalents at 1 January		**2,360**	35,838
Effect of foreign exchange rate changes		**49**	219
Reclassified to assets classified as held for sale	11	**–**	(1,014)
Cash and cash equivalents at 31 December		**86,142**	2,360
Analysis of cash and cash equivalents			
Cash at banks and in hand		**86,142**	2,360

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to the owners of the Company									Non-controlling interests	Total equity
	Share capital HK$'000	Share premium* HK$'000	Treasury shares reserve* HK$'000	Other reserve* HK$'000	Share-based payment reserve* HK$'000	Translation reserve* HK$'000	Convertible bond equity reserve* HK$'000	(Accumulated losses)/ Retained earnings* HK$'000	Total HK$'000	HK$'000	HK$'000
At 1 January 2012	6,206	651,041	–	38,451	365,042	(37,977)	363,304	(828,870)	557,197	360,419	917,616
Issue of shares	10	28,290	–	–	(28,300)	–	–	–	–	–	–
Arising from loans from ultimate holding company (note 34)	–	–	–	7,024	–	–	–	–	7,024	–	7,024
Equity-settled share-based transactions (note 38)	–	–	–	–	23,980	–	–	–	23,980	–	23,980
Lapse of share options (note 38)	–	–	–	–	(3,341)	–	–	3,341	–	–	–
Transactions with owners	10	28,290	–	7,024	(7,661)	–	–	3,341	31,004	–	31,004
Loss for the year	–	–	–	–	–	–	–	(221,699)	(221,699)	(48,591)	(270,290)
Other comprehensive income											
Currency translation	–	–	–	–	–	(61,763)	–	–	(61,763)	(32,640)	(94,403)
Total comprehensive income	–	–	–	–	–	(61,763)	–	(221,699)	(283,462)	(81,231)	(364,693)
At 31 December 2012 and 1 January 2013	6,216	679,331	–	45,475	357,381	(99,740)	363,304	(1,047,228)	304,739	279,188	583,927
Arising from loans from ultimate holding company (note 34)	–	–	–	3,788	–	–	–	–	3,788	–	3,788
Issue of convertible bonds (note 35(b))	–	–	–	–	–	–	258,836	–	258,836	–	258,836
Disposals of subsidiaries (note 44)	–	–	(276,332)	–	–	–	(41,997)	–	(318,329)	(275,016)	(593,345)
Lapse of share options (note 38)	–	–	–	–	(220,508)	–	–	220,508	–	–	–
Transactions with owners	–	–	(276,332)	3,788	(220,508)	–	216,839	220,508	(55,705)	(275,016)	(330,721)
Profit for the year	–	–	–	–	–	–	–	9,182,596	9,182,596	(2,747)	9,179,849
Other comprehensive income											
Currency translation	–	–	–	–	–	(1,743,724)	–	–	(1,743,724)	(10,730)	(1,754,454)
Release of translation reserve upon disposals of subsidiaries	–	–	–	–	–	123,560	–	–	123,560	–	123,560
Total comprehensive income	–	–	–	–	–	(1,620,164)	–	9,182,596	7,562,432	(13,477)	7,548,955
Transfer of reserves	–	–	–	–	–	–	(321,307)	321,307	–	–	–
At 31 December 2013	6,216	679,331	(276,332)	49,263	136,873	(1,719,904)	258,836	8,677,183	7,811,466	(9,305)	7,802,161

* The aggregate amount of these balances of HK$7,805,250,000 (2012: HK$298,523,000) is included as reserves in the consolidated statement of financial position.

1. GENERAL INFORMATION

Honbridge Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Revision) of the Cayman Islands. The address of the Company's registered office is 4th Floor, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands and the Company's principal place of business is Suite 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 19. The Company and its subsidiaries are collectively referred to as the "Group" hereinafter. The directors of the Company (the "Directors") consider the ultimate holding company as Hong Bridge Capital Limited ("Hong Bridge"), a company incorporated in the British Virgin Islands (the "BVI") with limited liability.

As detailed in the Company's announcement dated 19 December 2012, in December 2012, management intended to dispose of its equity interests in Hill Talent Limited ("Hill Talent") as the Group would like to focus all its resource in another project and started looking for potential buyers. Hill Talent beneficially owned as to 66% of the issued shares of Xianglan Do Brasil Mineracao Ltda ("Xianglan Brazil"), which directly held 95% of the issued share capital of Minerales de Mexico, S.A. de C.V. ("Minerales Mexico") and the entire issued share capital of Sinwon S.A. Hill Talent and its subsidiaries were collectively referred to as the "Hill Talent Group". On 4 January 2013, the Company entered into the Conditional Disposal Agreement with Brilliant People Limited ("Brilliant People") to sell the entire issued share capital of Hill Talent (the "Disposal"), for a consideration of HK$715,000,000 (the "Disposal Consideration"). Details of the Disposal are set out in the Company's announcement dated 4 January 2013. The Disposal constituted a major transaction and was approved by the shareholders in the extraordinary general meeting on 18 April 2013. As management considered that the Disposal was highly probable as at 31 December 2012, in accordance with HKFRS 5, assets and liabilities of the Hill Talent Group as at 31 December 2012 were classified as assets/liabilities of disposal group classified as held for sale in the Group's consolidated statement of financial position (note 11). The Disposal was completed on 6 June 2013. Details of the Disposal was set out in the note 44 to the financial statements.

On 5 March 2010, Infinite Sky Investments Limited ("Infinite Sky"), a wholly-owned subsidiary of the Company, entered into the share purchase agreement (the "SAM Agreement") to acquire the entire issued share capital of Sul Americana de Metais S.A. ("SAM") in Brazil (the "SAM Acquisition") for a total consideration of US$390 million (equivalent to approximately HK$3,023 million). SAM was incorporated in Brazil with principal activity of research and exploration of iron ore. Details of this acquisition were set out on the Company's announcement dated 16 April 2010. During the year, the SAM Acquisition was completed on 28 March 2013 and the financial statements of SAM was consolidated into the Group's consolidated financial statements from this date. Details of the effect of this business combination transaction were set out in note 45 to the financial statements. Operations of the SAM are referred to as the "SAM Operations".

1. GENERAL INFORMATION – CONTINUED

Other than the Disposal and the SAM Acquisition, there were no significant changes in the Group's operation during the year.

The financial statements on pages 34 to 109 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as described in note 3. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange (the "GEM Listing Rules").

The financial statements are presented in Hong Kong Dollars ("HK$") which is also the functional currency of the Company. All values are rounded to the nearest thousand ("HK$'000"), except when otherwise indicated.

2. ADOPTION OF NEW OR AMENDED HKFRSs

During the year, the Group has adopted all the amended HKFRSs which are first effective for the reporting year and relevant to the Group. Except as explained below, the adoption of these amended HKFRSs did not result in material changes to the Group's accounting policies.

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

The amendments change the disclosure of items presented in other comprehensive income in the statement of comprehensive income and require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The title used by HKAS 1 for the statement of comprehensive income has been changed to "Statement of profit or loss and other comprehensive income". The Group has chosen to use this new title.

2. ADOPTION OF NEW OR AMENDED HKFRSs – CONTINUED

HKFRS 10 — Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor.

An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 13 — Fair Value Measurement

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

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance.

At the date of this report, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Directors are currently assessing the impact of the new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the consolidated financial statements. Information on new and amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

2. ADOPTION OF NEW OR AMENDED HKFRSs – CONTINUED

HKFRS 9 — Financial instruments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

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

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The consolidated financial statements have been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Group suffered a loss of HK$97,292,000 (before recognition of one-off gain on bargain purchase of HK$9,277,141,000 arising from SAM Acquisition (note 45)) for the year ended 31 December 2013 (2012: HK$270,290,000). The going concern basis has been adopted on the basis that (1) the Company's ultimate holding company, Hong Bridge, and its two shareholders have undertaken to provide financial support to the Group to meet its liabilities as they fall due and to maintain the Group as a going concern for a period at least up to 31 March 2015 and (2) the Company has signed certain Memorandum of Understanding ("MOU") and framework agreement with its strategic partners to obtain funding for the future construction cost and operations of the SAM Operations which will be commenced with mining licenses are granted by the Brazilian authorities.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. These adjustments have not yet been reflected in the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Business combination and basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

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

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

When the Group loses control of a subsidiary, profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.3 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3.4 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into the HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

When a foreign operation is disposed of, such exchange differences are reclassified from equity to profit or loss as part of the disposal gain or loss.

3.5 Revenue recognition

Revenue comprises the fair value for the sale of goods, net of value added tax ("VAT"), and rendering of services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

— Sale of goods is recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

— Revenue from trading commodity contracts is recognised on settlement.

— Interest income is recognised on time-proportion basis using effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.6 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGU") that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, impairment loss is allocated to reduce the carrying amount of goodwill allocated to the unit first, and then to other assets of the unit on the pro-rata basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

3.7 Property, plant and equipment

Property, plant and equipment, other than construction in progress ("CIP"), are stated at acquisition cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use.

Land is not subject to depreciation. Depreciation on other property, plant and equipment, other than CIP, is provided to write off the cost less their estimated residual values over their estimated useful lives, using straight-line method, at the following rates per annum:

Leasehold buildings	5% or over the lease term, whichever is shorter
Leasehold improvements	20% or over the lease term, whichever is shorter
Plant and machinery	10% to 20%
Furniture and office equipment	20%
Computer software	20%
Motor vehicles	20%

The assets' estimated residual values, depreciation methods and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

CIP represents leasehold buildings, plant and machinery under construction and is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. CIP is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.7 Property, plant and equipment – continued

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

3.8 Prepaid land lease payments

Prepaid land lease payments represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on straight-line method as an expense.

3.9 Exploration and evaluation assets

Exploration and evaluation assets acquired in business combination are initially recognised at fair value and subsequently stated at cost less any impairment losses.

Exploration and evaluation assets include topographical and geological surveys, exploratory drillings, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ores and to expand the capacity of a mine. Expenditure incurred prior to obtaining the legal rights to explore an area is written off as incurred.

When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to tangible and intangible assets according to the nature of the exploration and evaluation assets. If any project is abandoned during the exploration and evaluation stage, the related exploration and evaluation assets thereon will be written off to profit or loss.

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKFRS 6 "Exploration for and Evaluation of Mineral Resources" and HKAS 36 "Impairment of Assets" whenever one of the following events or changes in facts and circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

(i) the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

(ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

(iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; and

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.9 Exploration and evaluation assets – continued

(iv) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The recoverable amount is the higher of the exploration and evaluation asset's fair value less costs to sell and their value in use. For the purpose of assessing impairment, the exploration and evaluation assets subject to testing are grouped into each area of interest for which exploration activities are undertaken.

3.10 Impairment of non-financial assets (other than goodwill)

Property, plant and equipment, prepaid land lease payments and investments in subsidiaries are subject to impairment testing. These are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.11 Financial assets – continued

Financial assets at fair value through profit or loss – continued

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using effective interest method, less any identified impairment losses.

Impairment of financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— Significant financial difficulty of the debtor;

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

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

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

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.11 Financial assets – continued

Impairment of financial assets – continued

If, in subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

De-recognition

The Group de-recognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

3.12 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average basis, and in case of work-in-progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

3.13 Cash and cash equivalents

For the purpose of the statement of financial position and the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and at banks, which are not restricted as to use.

3.14 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent these are incremental costs directly attributable to the equity transaction.

Where the Company purchases its own equity share capital, the consideration paid, including any directly attributable incremental costs (net of taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued any consideration received net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

3.15 Leasing

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

The Group as lessee

Total rentals payable under the operating leases are recognised in profit or loss on straight-line method over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.16 Financial liabilities

The Group's financial liabilities include trade and bill payables, other payables, borrowings, convertible bonds, loans from ultimate holding company, loans from non-controlling interest of a subsidiary, convertible bonds, derivative financial liabilities, contingent consideration payables and amounts due to subsidiaries.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in profit or loss.

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Financial liabilities at fair value through profit or loss

These include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Borrowings, loans from non-controlling interest of a subsidiary, loans from ultimate holding company and amounts due to subsidiaries are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss/other reserve over the respective period of borrowings/loans from non-controlling interest of a subsidiary and loans from ultimate holding company using effective interest method.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.16 Financial liabilities – continued

Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible bond issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as convertible bond equity reserve.

Liability component is subsequently carried at amortised cost using effective interest method. Equity component will remain in equity until conversion or redemption of the bond.

When the bond is converted, the convertible bond equity reserve and the carrying value of the liability component at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, repurchased or cancelled, the convertible bond equity reserve is released directly to accumulated losses.

Trade and other payables

These are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method.

3.17 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.17 Accounting for income taxes – continued

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if, the Group has the legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if, the entity has a legally enforceable right to set off current tax assets against current tax liabilities and deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.18 Retirement benefit costs and short-term employee benefits

Retirement benefits to employees are provided through several defined contribution plans. Details of the retirement benefits schemes are set out in note 42.

Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contribution recognised in respect to defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

The Group contributes to a defined contribution retirement benefit scheme ("MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance which is available to its employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are calculated as percentages of employees' basic salaries. Retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the MPF Scheme. Assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.18 Retirement benefit costs and short-term employee benefits – continued

Defined contribution plan – continued

Pursuant to the relevant regulations of the People's Republic of China (the "PRC") and Brazil government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the Group is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred. There were no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.19 Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in share-based payment reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

All employee services received in exchange for the grant of any share-based compensation are measured at fair values. These are indirectly determined by reference to the equity instruments awarded. The value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in profit or loss with a corresponding credit to share-based payment reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

Where the terms and conditions of options are modified before they vest, the increase in fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.19 Share-based payments – continued

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

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

3.20 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

3.21 Provisions and contingent liabilities

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in business combination. These are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.22 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to executive directors are determined following the Group's major product and service lines. Each of operating segments is managed separately as each of the product and service lines requires different resources.

The Group has identified the following reportable segments:

(i) "Mineral resources exploration and trading" segment involves research and exploration of mineral resources and trading of copper and steel.

(ii) "Silicon products" segment involves production and sale of silicon products; and

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that corporate income and expenses which are not included in arriving at the operating results of the operating segment, which primarily applies to the Group's headquarter.

Segment assets and liabilities exclude corporate assets and liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to deferred tax liabilities and the Group's headquarter.

3.23 Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.23 Related parties – continued

(b) – CONTINUED

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

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

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

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

3.24 Assets held for sale

Non-current assets held for sale and assets of disposal groups are classified as held for sale if their carrying amount is recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. These assets (and disposal groups), other than financial assets, classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Impairment of exploration and evaluation assets

The carrying value of exploration and evaluation assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The Directors consider all facts and circumstances occurred to judge whether these facts and circumstances would suggest that the carrying amount of the exploration and evaluation assets may exceed its recoverable amount (i.e. impaired). Management reassesses the impairment of exploration and evaluation assets at the reporting dates (note 17).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

(ii) Impairment of receivables

Management determines impairment of receivables on a regular basis. This estimate is based on the credit history of the customers/debtors and current market conditions. When management determines that there are indicators of significant financial difficulties of the trade customers/debtors such as default or delinquency in payments, impairment is estimated. When management determines the receivables are uncollectible, they are written off against impairment provision of receivables. Management reassesses the impairment of receivables at the reporting dates.

(iii) Impairment of non-financial assets (other than exploration and evaluation assets)

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of non-financial assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the Directors take into consideration assumptions that are mainly based on market conditions existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(iv) Depreciation

The Group depreciates its property, plant and equipment in accordance with the accounting policies stated in notes 3.7. The estimated useful lives reflect the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the assets.

(v) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees/consultants by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 38.

(vi) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments (including contingent consideration payables (note 45)).

Notes to the Financial Statements

For the year ended 31 December 2013

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

(vii) Contractual obligation of a financial liability

The Group determined the issued convertible bonds contained a liability component on the basis that on settlement, the Group will deliver either cash or another financial asset, or its own shares whose value is determined to exceed substantially the value of the cash or other financial assets. Although the Group does not have an explicit obligation to deliver cash or another financial asset, the holder of the asset has in substance been guaranteed a minimum amount equal to at least the cash/other financial asset settlement amount.

5. TURNOVER

Turnover represents total invoiced value of goods supplied and income from provision of services. The amounts of each significant category of revenue recognised in turnover during the year are as follows:

	2013 **HK$'000**	2012 HK$'000
Sale of silicon products	**2,157**	8,558
Sale of copper and steel products	**–**	400,623
Sale of iron ore and manganese products	**–**	1,173
Revenue from trading commodity contracts (note)	**8,208**	4,952
	10,365	415,306

Note: Revenue from trading commodity contracts represented income on contracts to buy or sell copper and steel products by the Group, which were not entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements. Gross sale amount of these transactions was HK$2,923 million (2012: HK$2,458 million) during the year.

6. SEGMENT INFORMATION

The Group has identified its operating segment and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation and review of performance.

The Group's operating businesses are organised and managed separately according to the nature of product and service, with each segment representing a strategic business segment that offers different products and services in the PRC and Latin America.

The Company is an investment holding company. Principal places of the Group's operations are Hong Kong, the PRC and Latin America. For the purpose of segment information disclosures under HKFRS 8, the Group regarded Hong Kong as its country of domicile.

6. SEGMENT INFORMATION – CONTINUED

Information regarding the Group's reportable segments provided to the Group's most senior management (i.e. the executive directors) is set out below:

	Mineral resources exploration and trading HK$'000	Silicon products HK$'000	Total HK$'000
Year ended 31 December 2013			
Reportable segment turnover (external customers)	**8,208**	**2,157**	**10,365**
Reportable segment profit/(loss)	**9,306,080**	**(6,741)**	**9,299,339**
Reportable segment assets	**15,415,311**	**22,219**	**15,437,530**
Reportable segment liabilities	**1,867,230**	**43,721**	**1,910,951**
Capital expenditure	**3,961**	**–**	**3,961**
Impairment of trade receivables	**12,782**	**38**	**12,820**
Write-off of other receivables	**–**	**3,215**	**3,215**
Write-down of inventories	**–**	**369**	**369**
Gain on bargain purchase	**(9,277,141)**	**–**	**(9,277,141)**
Gain on disposals of subsidiaries	**(73,188)**	**–**	**(73,188)**
Interest income	**(1,121)**	**–**	**(1,121)**
Interest expense	**2,657**	**–**	**2,657**
Depreciation	**1,115**	**–**	**1,115**
Amortisation charge	**–**	**500**	**500**
Year ended 31 December 2012			
Reportable segment turnover (external customers)	406,748	8,558	415,306
Reportable segment loss	(180,183)	(40,991)	(221,174)
Reportable segment assets	1,667,286	28,631	1,695,917
Reportable segment liabilities	386,992	42,720	429,712
Capital expenditure	4	470	474
Impairment loss on exploration and evaluation assets	171,398	–	171,398
Impairment loss on property, plant and equipment	–	23,083	23,083
Write-off of other receivables	3,779	1,582	5,361
Write-down of inventories	–	11,995	11,995
Interest income	(667)	(3)	(670)
Interest expense	–	372	372
Depreciation	619	1,745	2,364
Amortisation charge	–	484	484

Notes to the Financial Statements

For the year ended 31 December 2013

6. SEGMENT INFORMATION – CONTINUED

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2013 HK$'000	2012 HK$'000
Reportable segment turnover	**10,365**	415,306
Reportable segment profit/(loss)	**9,299,339**	(221,174)
Other operating income	**3,858**	6,324
Administrative expenses	**(18,325)**	(14,892)
Other operating expenses	**(38,141)**	(14,507)
Share-based payment expenses	**–**	(23,980)
Finance costs	**(66,882)**	(60,828)
Profit/(Loss) before income tax	**9,179,849**	(329,057)
Reportable segment assets	**15,437,530**	1,695,917
Property, plant and equipment	**1,035**	–
Deposit for acquisition of a business	**–**	81,265
Loans to an acquiring business	**–**	262,434
Prepayments and other receivables	**5,320**	913
Derivative financial assets	**–**	6,569
Cash and cash equivalents	**70,094**	234
	15,513,979	2,047,332
Reportable segment liabilities	**1,910,951**	429,712
Other payables and accrued expenses	**1,141**	1,340
Derivative financial liabilities	**92,511**	–
Loans from ultimate holding company	**228,794**	330,194
Convertible bonds	**433,660**	270,175
Deferred tax liabilities	**5,044,761**	431,984
	7,711,818	1,463,405

6. SEGMENT INFORMATION – CONTINUED

The Group's turnover from external customers and its non-current assets (assets of disposal group classified as held for sale and other financial assets are not included) are divided into the following geographical areas:

	2013 HK$'000	2012 HK$'000
Turnover from external customers		
PRC	10,365	414,133
Latin America	–	1,173
Reportable segment turnover	10,365	415,306
Non-current assets		
Hong Kong	1,035	81,265
PRC	22,939	22,622
Latin America	15,145,422	–
Reportable segment non-current assets	15,169,396	103,887

Geographical location of customers is based on the location at which the goods are delivered whilst geographical location of non-current assets (other than assets of disposal group classified as held for sale) is determined based on the physical location of the asset.

During the year, over 57% (2012: 79%) of the Group's turnover derived from 2 (2012: 3) major customers in the mineral resources exploration and trading segment and 1 (2012: Nil) major customer in the silicon products segment. Turnover generated from these 2 (2012: 3) major customers in the mineral resources exploration and trading segment are HK$2,586,000 and HK$1,862,000 (2012: HK$180,789,000, HK$81,184,000 and HK$68,737,000) and turnover generated from the major customer in the silicon products segment is HK$1,449,000 (2012: Nil).

7. OTHER OPERATING INCOME

	2013 HK$'000	2012 HK$'000
Bank Interest income	1,130	670
Imputed interest on loans to an acquiring business	3,625	6,326
Sundry income	2,216	1,194
	6,971	8,190

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For the year ended 31 December 2013

8. FINANCE COSTS

	2013 **HK$'000**	2012 HK$'000
Interest charges on other borrowings wholly repayable within five years	**2,657**	113
Imputed interest on convertible bonds (note 35)	**50,994**	43,690
Imputed interest on loans from ultimate holding company	**15,888**	17,138
Imputed interest on loans from non-controlling interest of a subsidiary	**–**	259
	69,539	61,200

9. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(Loss) before income tax are arrived at after charging:

	2013 **HK$'000**	2012 HK$'000
Auditor's remuneration	**1,700**	1,200
Cost of inventories recognised as direct costs	**2,778**	412,442
Depreciation	**1,363**	2,573
Amortisation of prepaid land lease payments	**500**	484
Losses on disposals of property, plant and equipment	**–**	33
Minimum lease payments paid under operating leases in respect of rental premises	**7,625**	4,145
Net foreign exchange losses	**–**	376
Other operating expenses:		
— Fair value losses on initial recognition of loans to an acquiring business	**5,049**	9,781
— Fair value losses on derivative financial assets (note 26)	**2,626**	4,726
— Impairment of property plant and equipment	**–**	23,083
— Impairment of trade receivables	**12,820**	–
— Write-off of other receivables	**3,215**	5,361
— Write-down of inventories	**369**	11,995
— Loss on de-recognition of liability component of convertible bonds (note 35(a))	**12,684**	–
— Related costs for business combination during the year	**2,328**	–
— Fair value loss on derivative financial liabilities (note 35(b))	**15,454**	–
— Others	**379**	123
	54,924	55,069

10. INCOME TAX CREDIT

	2013 HK$'000	2012 HK$'000
Deferred tax (note 36)	–	58,767

During the years ended 31 December 2013 and 31 December 2012, no provision for Hong Kong profits tax has been provided by the Group and the Company as the Group and the Company had no estimated assessable profit arising in or derived from Hong Kong.

During the years ended 31 December 2013 and 31 December 2012, no provision for overseas income tax has been provided by the Group as the Group had no estimated assessable profit arising in or derived in the jurisdictions in which the Group operates.

During the year, the PRC corporate income tax rate of 25% (2012: 25%) is applicable to 濟寧凱倫光伏材料有限公司 ("Kailun PV (Jining)") and Shanghai Hongying Trading Co. Limited ("Shanghai Hongying"), being the Group's wholly foreign-owned subsidiaries established in the PRC. The subsidiary has been disposed of in January 2014 (note 49).

During the year, corporate income tax rates in Brazil, Mexico and Uruguay of 34% (2012: 34%), 30% (2012: 30%) and 25% (2012: 25%) respectively are applicable to Xianglan Brazil, SAM, Minerales Mexico and Sinwon S.A. respectively. Other than SAM which was acquired during the year (notes 1 and 45), these companies were accounted for disposal group as at 31 December 2012 and were disposed of during the year (notes 11 and 44).

Reconciliation between income tax credit and accounting profit/(loss) at applicable tax rates:

	2013 HK$'000	2012 HK$'000
Profit/(Loss) before income tax	9,179,849	(329,057)
Tax on profit/(loss) before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	1,514,675	(54,294)
Tax effect of different tax rates of subsidiaries	(7,377)	(34,297)
Tax effect of non-deductible expenses	24,739	31,063
Tax effect of non-taxable revenue	(1,543,404)	(1,265)
Tax effect of tax losses not recognised	11,473	–
Tax effect of prior year's unrecognised tax losses utilised during the year	–	(2)
Tax effect on temporary difference not recognised	(106)	28
Income tax credit	–	(58,767)

11. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As described in the note 1 to the financial statements, in December 2012, management intended to dispose of its equity interests in Hill Talent and its subsidiaries as the Group would like to focus all its resource in another project and started looking for potential buyers. Hill Talent beneficially owned as to 66% of the issued shares of Xianglan Brazil, which directly held 95% of the issued share capital of Minerales Mexico, and the entire issued share capital of Sinwon S.A.

On 4 January 2013, the Company entered into the Conditional Disposal Agreement with Brilliant People to sell the entire issued share capital of Hill Talent (the "Disposal"), for a consideration of HK$715 million (the "Disposal Consideration"). Details of the Disposal are set out in the Company's announcement dated 4 January 2013.

There were subsequent changes in the terms of the Conditional Disposal Agreement and a supplementary agreement was entered into by the Group on 1 February 2013 to amend the payment terms of the consideration. Details of the supplementary agreement are set out in the Company's announcements dated 1 February 2013. The Disposal constituted a major transaction and was subject to the approval of shareholders in the extraordinary general meeting. As management considered that the Disposal was highly probable as at 31 December 2012, in accordance with HKFRS 5, assets and liabilities of the Hill Talent Group as at 31 December 2012 were classified as assets/liabilities of disposal group classified as held for sale in the Group's consolidated statement of financial position as at 31 December 2012. The Disposal was completed on 6 June 2013, details of which are set out in note 44 to the financial statements.

An analysis of assets and liabilities of the Hill Talent Group classified as held for sale as at 31 December 2012 was as follows:

	HK$'000
Assets of the Hill Talent Group:	
Property, plant and equipment	209
Exploration and evaluation assets	1,268,503
Prepayments and other receivables	1,435
Cash and cash equivalents	1,014
	1,271,161
Liabilities of the Hill Talent Group:	
Other payables, accrued expenses and receipts in advance	149
Deferred tax liabilities	431,291
	431,440

11. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE – CONTINUED

As the operations of the Hill Talent Group did not represent the major line of business segment of mineral resources exploration and trading of the Group, its operations were not presented as discontinued operations for the years ended 31 December 2013 and 2012.

Interest in Hill Talent amounted to HK$563,661,000 (note 19) as at 31 December 2012 and is accounted for as non-current asset held for sale in the Company's statement of financial position as at 31 December 2012.

12. PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit attributable to owners of the Company of HK$9,182,596,000 (2012: loss of HK$221,699,000), profit of HK$57,872,000 (2012: loss of HK$280,480,000) (note 39) has been dealt with in the financial statements of the Company.

13. EARNINGS/(LOSSES) PER SHARE

The calculation of basic earnings/(losses) per share is based on the profit/(loss) attributable to owners of the Company of HK$9,182,596,000 (2012: loss of HK$221,699,000) and weighted average of 6,085,985,000 (2012: 6,212,557,000) ordinary shares in issue during the year.

For the year ended 31 December 2013, the calculation of the diluted earnings per share attributable to the owners of the Company is based on the following data:

	HK$'000
Earnings for the purposes of basic earnings per share	9,182,596
Effect of dilutive potential ordinary shares:	
Interest on convertible bonds	50,994
Fair value losses on derivative financial assets	2,626
Loss on de-recognition of liability component of convertible bond	12,684
Fair value loss on derivative financial liabilities	15,454
Earnings for the purposes of diluted earnings per share	9,264,354

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13. EARNINGS/(LOSSES) PER SHARE – CONTINUED

Number of shares	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	6,085,985
Effect of dilutive potential ordinary shares:	
— options	21,000
— convertible loan notes	1,321,644
Weighted average number of ordinary shares for the purposes of diluted earnings per share	7,428,629

For the year ended 31 December 2012, diluted losses per share attributable to owners of the Company were not presented because the impact of the exercise of share options and convertible bonds was anti-dilutive.

14. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2013 HK$'000	2012 HK$'000
Wages and salaries	**28,330**	6,307
Share-based payment expenses	**–**	23,980
Contribution to defined contribution plans	**6,346**	398
	34,676	30,685

Included in staff costs are key management personnel compensation and comprises the following categories:

	2013 HK$'000	2012 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**6,223**	3,319
Contribution to defined contribution plans	**638**	28
Share-based payment expenses	**–**	21,906
	6,861	25,253

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

	Fees HK$'000	Salaries and allowances HK$'000	Contribution to defined contribution plans HK$'000	Share-based payment expenses HK$'000	Total HK$'000
Year ended 31 December 2013					
Executive directors					
HE Xuechu	**1,385**	**–**	**15**	**–**	**1,400**
LIU Wei, William	**1,253**	**–**	**15**	**–**	**1,268**
SHI Lixin	**–**	**951**	**–**	**–**	**951**
Non-executive directors					
YAN Weimin	**–**	**–**	**–**	**–**	**–**
ANG Siu Lun, Lawrence	**–**	**–**	**–**	**–**	**–**
Independent non-executive directors					
CHAN Chun Wai, Tony	**171**	**–**	**–**	**–**	**171**
FOK Hon	**171**	**–**	**–**	**–**	**171**
MA Gang	**171**	**–**	**–**	**–**	**171**
	3,151	**951**	**30**	**–**	**4,132**
Year ended 31 December 2012					
Executive directors					
HE Xuechu	1,147	–	14	–	1,161
LIU Wei, William	993	–	14	8,191	9,198
SHI Lixin	–	753	–	6,935	7,688
Non-executive directors					
YAN Weimin	–	–	–	3,767	3,767
ANG Siu Lun, Lawrence	–	–	–	1,882	1,882
Independent non-executive directors					
CHAN Chun Wai, Tony	142	–	–	377	519
FOK Hon	142	–	–	377	519
MA Gang	142	–	–	377	519
	2,566	753	28	21,906	25,253

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2012: Nil).

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS – CONTINUED

(b) Five highest paid individuals

The five individuals whose total emoluments including share-based payment expenses were the highest in the Group for the year included two (2012: four) directors whose emoluments are reflected in the analysis presented above. Emoluments payable to the remaining three (2012: one) individual during the year are as follows:

	2013	2012
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**5,825**	778
Contribution to defined contribution plans	**2,168**	14
Share-based payment expenses	**–**	1,005
	7,993	1,797

The emoluments fell within the following bands:

	Number of individual	
	2013	2012
Emolument bands		
HK$3,500,001 – HK$4,000,000	**1**	–
HK$2,500,001 – HK$3,000,000	**1**	–
HK$1,500,001 – HK$2,000,000	**1**	–
HK$1,000,001–HK$1,500,000	**–**	1
	3	1

During the year, no emoluments were paid by the Group to the directors or the three (2012: two) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

16. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land HK$'000	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Computer software HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2012									
Cost	–	16,937	924	14,901	2,106	2,695	–	15,767	53,330
Accumulated depreciation and impairment	–	(2,257)	(772)	(9,703)	(625)	(880)	–	(12,336)	(26,573)
Net book amount	–	14,680	152	5,198	1,481	1,815	–	3,431	26,757
Year ended 31 December 2012									
Opening net book amount	–	14,680	152	5,198	1,481	1,815	–	3,431	26,757
Additions	–	–	–	–	4	–	–	470	474
Disposals	–	–	–	–	(145)	–	–	–	(145)
Depreciation	–	(745)	(152)	(814)	(384)	(478)	–	–	(2,573)
Impairment loss	–	(13,923)	–	(4,380)	(629)	(253)	–	(3,898)	(23,083)
Exchange realignment	–	(12)	–	(4)	20	(3)	–	(3)	(2)
Reclassified to assets of disposal group classified as held for sale (note 11)	–	–	–	–	(126)	(83)	–	–	(209)
Closing net book amount	–	–	–	–	221	998	–	–	1,219
At 31 December 2012									
Cost	–	17,087	924	15,032	1,758	2,523	–	16,238	53,562
Accumulated depreciation and impairment	–	(17,087)	(924)	(15,032)	(1,537)	(1,525)	–	(16,238)	(52,343)
Net book amount	–	–	–	–	221	998	–	–	1,219
Year ended 31 December 2013									
Opening net book amount	**–**	**–**	**–**	**–**	**221**	**998**	**–**	**–**	**1,219**
Additions	**–**	**–**	**3,312**	**–**	**504**	**904**	**523**	**–**	**5,243**
Acquired through business combination (note 45)	**207**	**–**	**135**	**–**	**1,469**	**–**	**357**	**–**	**2,168**
Depreciation	**–**	**–**	**(453)**	**–**	**(273)**	**(503)**	**(134)**	**–**	**(1,363)**
Exchange realignment	**(29)**	**–**	**(130)**	**–**	**(218)**	**(24)**	**(73)**	**–**	**(474)**
Closing net book amount	**178**	**–**	**2,864**	**–**	**1,703**	**1,375**	**673**	**–**	**6,793**
At 31 December 2013									
Cost	**178**	**17,593**	**3,305**	**15,477**	**3,544**	**3,447**	**799**	**16,866**	**61,209**
Accumulated depreciation and impairment	**–**	**(17,593)**	**(441)**	**(15,477)**	**(1,841)**	**(2,072)**	**(126)**	**(16,866)**	**(54,416)**
Net book amount	**178**	**–**	**2,864**	**–**	**1,703**	**1,375**	**673**	**–**	**6,793**

16. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

GROUP – continued

Note:

As at 31 December 2013, the Group's land was a freehold land situated in the Brazil.

As at 31 December 2012, the Directors reviewed the carrying amount of property, plant and equipment with reference to the business operated by the Group. The Directors considered that the carrying amounts of certain property, plant and equipment exceeded its recoverable amounts in view of the outstanding technical issues and poor prospect of its silicon business segment. The recoverable amount was determined based on value-in-use calculation using discounted cash flow technique, covering a detailed five-year budget plan and a discount rate of 11%. As a result, impairment loss of HK$23,083,000 was recognised in profit or loss for the year ended 31 December 2012.

As at 31 December 2013 and 2012, building ownership certificates of the Group's leasehold buildings (which have been fully depreciated in prior year) have not yet been obtained. The land use rights certificates where these buildings are situated have already been obtained and have been included in the prepaid land lease payments (note 18). In the opinion of the independent PRC legal advisors of Kailun PV (Jining), Kailun PV (Jining) is entitled to obtain the building ownerships certificates without legal impediment and is entitled to lawfully and validly use the buildings during the year.

COMPANY

	Leasehold improvements HK$'000	Furniture and office equipment HK$'000	Total HK$'000
At 1 January 2012			
Cost	924	193	1,117
Accumulated depreciation	(772)	(136)	(908)
Net book amount	152	57	209
Year ended 31 December 2012			
Opening net book amount	152	57	209
Depreciation	(152)	(57)	(209)
Closing net book amount	–	–	–
At 31 December 2012			
Cost	924	193	1,117
Accumulated depreciation	(924)	(193)	(1,117)
Net book amount	–	–	–
Year ended 31 December 2013			
Opening net book amount	**–**	**–**	**–**
Additions	**1,270**	**13**	**1,283**
Depreciation	**(247)**	**(1)**	**(248)**
Closing net book amount	**1,023**	**12**	**1,035**
At 31 December 2013			
Cost	**1,270**	**206**	**1,476**
Accumulated depreciation	**(247)**	**(194)**	**(441)**
Net book amount	**1,023**	**12**	**1,035**

17. EXPLORATION AND EVALUATION ASSETS

GROUP

	2013 HK$'000	2012 HK$'000
At 1 January		
Cost	–	1,879,247
Accumulated impairment	–	(298,247)
Net book amount	–	1,581,000
For the year ended 31 December		
Opening net book amount	–	1,581,000
Acquired through business combination (note 45)	17,688,504	–
Additions	37,904	–
Exchange realignments	(2,585,989)	(141,099)
Impairment losses	–	(171,398)
Reclassified to assets of disposal group classified as held for sale (note 11)	–	(1,268,503)
Net book amount	15,140,419	–
At 31 December		
Cost	15,140,419	–
Accumulated impairment	–	–
Net book amount	15,140,419	–

As at 31 December 2012, the Directors reviewed the carrying amount of exploration and evaluation assets with reference to the consideration for the disposal of the Hill Talent Group, impairment loss of HK$171,398,000 was identified and recognised in profit or loss for the year ended 31 December 2012.

Exploration and evaluation assets as at 31 December 2013 was acquired through acquisition of SAM as detailed in the Company's announcement on 28 March 2013 and represented the rights to explore and identify prospective deposits of mineral resources in the states of Minas Gerais and Bahia, Brazil and the expenditures incurred in the search for mineral resources. The fair values of exploration and evaluation assets as at the date of acquisition were valued by an independent valuer, Roma Appraisal Limited, and reviewed with another independent valuer, CBRE. The valuation was based on the income-based approach and the excess earning method is adopted. This method looks at the current values of the tangible assets and other intangible assets employed as the benchmark for an estimated rate of return.

17. EXPLORATION AND EVALUATION ASSETS – CONTINUED

GROUP – continued

Major assumptions and parameters of the valuation as at the date of acquisition are as follows:

Approval of all required licenses	The first half of 2015
Commencement of production	2018
Annual production capacity	25 million tonnes of 65% iron concentrate
Resource estimates	Measured resources of 1,135 million tonnes (20.57%) Indicated resources of 1,479 million tonnes (19.64%)
Dilution rate	0%
Mining loss rate	6.66%
Processing recovery	87%
Operating costs (free on board)	US$32.50 per tonnes
Income tax rate	11–15% for the period covered by tax benefit program and 34% afterwards
Capital expenditures	US$3,800 million for the construction of infrastructure
Discount rate	17.93%

For illustrative purpose, should there be delay in commencement of production by 1 year, there will be a decrease of the fair value of the exploration and evaluation assets by 15%, assuming there are no changes in other parameters.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset is less than its recoverable amount.

The Group entered into various co-operation agreements, memorandum of understanding and framework agreement for funding and co-operation in the SAM Operation. Hong Bridge, the ultimate holding company of the Company, and its two shareholders, undertake that they will render adequate financial support to the Group for the SAM Operations.

18. PREPAID LAND LEASE PAYMENTS

GROUP

	2013 HK$'000	2012 HK$'000
At 1 January		
Cost	**23,644**	23,436
Accumulated amortisation	**(2,241)**	(1,736)
Net book amount	**21,403**	21,700
For the year ended 31 December		
Opening net book amount	**21,403**	21,700
Addition	**647**	–
Amortisation	**(500)**	(484)
Exchange realignment	**634**	187
Net book amount	**22,184**	21,403
At 31 December		
Cost	**24,999**	23,644
Accumulated amortization	**(2,815)**	(2,241)
Net book amount	**22,184**	21,403

Prepaid land lease payments represented up-front payments to acquire long-term interest in the usage of land situated in the PRC, which are held under medium term leases.

19. INVESTMENTS IN SUBSIDIARIES

COMPANY

	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**83,835**	986,896
Less: Impairment loss recognised	**(82,699)**	(422,099)
	1,136	564,797
Classified as non-current asset held for sale (note 11)		
Unlisted shares, at cost	**–**	903,061
Less: Impairment loss recognised	**–**	(339,400)
	–	563,661
Unlisted shares, at cost	**83,835**	83,835
Less: Impairment loss recognised	**(82,699)**	(82,699)
	1,136	1,136

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For the year ended 31 December 2013

19. INVESTMENTS IN SUBSIDIARIES – CONTINUED

COMPANY – continued

Particulars of the principal subsidiaries at 31 December 2013 are as follows:

Name of subsidiary	Place of incorporation and kind of legal entity	Particulars of issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities and place of operation
			Directly	Indirectly	
Divine Mission Holdings Limited (Divine Mission)	BVI, limited liability company	20,000 ordinary shares of US$1 each	60%	–	Investment holding, Hong Kong
Kailun Photovoltaic Materials Investments Limited (Kailun HK)	Hong Kong, limited liability company	10,000,000 ordinary shares of HK$1 each	–	60%	Investment holding, Hong Kong
Kailun PV (Jining)	PRC, limited liability company	Registered capital of US$10,000,000	–	60%	Production and sale of silicon products, PRC
Shanghai Hongying	PRC, limited liability company	Registered capital of US$1,000,000	–	100%	Trading of copper and steel product, PRC
New Trinity Holdings Limited	BVI, limited liability company	10,000 ordinary shares of US$1 each	–	100%	Investment holding, Hong Kong
SAM (Acquired during the year (note 45))	Brazil, limited liability company	10,000 ordinary shares in Reais ("R$") 5,266,604	–	99.99%	Research and exploration of iron ores, Brazil

The financial statements of the above subsidiaries have been examined by BDO Limited or other member firm of BDO global network for statutory purpose or Group consolidation purpose.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

20. GOODWILL

GROUP

The amount of goodwill capitalised as an asset recognised in the consolidated statement of financial position, arising from business combinations, is as follows:

	2013 HK$'000	2012 HK$'000
At 1 January		
Gross carrying amount	66,737	66,737
Accumulated impairment	(66,737)	(66,737)
Net carrying amount	–	–
Carrying amount at 1 January	–	–
De-recognition upon disposals of the Hill Talent Group	(31,051)	–
Accumulated impairment written back upon disposals of the Hill Talent Group	31,051	–
Net carrying amount at 31 December	–	–
At 31 December		
Gross carrying amount	35,686	66,737
Accumulated impairment	(35,686)	(66,737)
Net carrying amount	–	–

Goodwill allocated to CGUs of silicon business segment and mineral resources exploration had been fully impaired in the previous years.

21. DEPOSITS FOR ACQUISITION OF BUSINESS

GROUP AND COMPANY

As described in note 1 to the financial statements, in March 2010, Infinite Sky, a wholly-owned subsidiary of the Company, entered into the SAM Agreement to acquire the entire issued share capital of SAM in Brazil (the "SAM Acquisition") for a total consideration of US$390 million (equivalent to approximately HK$3,023 million) (the "Total Consideration"). Details of which are set out in note 41.

As at 31 December 2012, in connection with the SAM Acquisition, the Company and Infinite Sky had deposited US$420,000 and US$10,000,000 (equivalent to HK$81,265,000 in aggregate) to the seller respectively, according to the terms of the SAM Agreement.

During the year, as the SAM Acquisition was completed (as set out in the Company's announcement dated 28 March 2013), the balance paid for acquisition of business was transferred as part of Total Consideration during the year (note 45).

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For the year ended 31 December 2013

22. LOANS TO AN ACQUIRING BUSINESS

GROUP AND COMPANY

As at 31 December 2012, loans advanced to SAM were unsecured, interest-free. The loans were used exclusively for the purposes of conducting the mineral resources exploration work by SAM. The loans were repayable on the earlier of (i) the stage 3 payment amounted to US$115 million to become payable by the Group under the SAM Agreement; and (ii) the termination of the SAM Agreement.

As the SAM Acquisition was completed in 28 March 2013 and SAM becomes the subsidiary of the Company, the balance is accounted for as an inter-company balance of the Group and is eliminated in the Group's consolidated financial statements as at 31 December 2013.

23. INVENTORIES

GROUP

	2013 **HK$'000**	2012 HK$'000
Raw materials	**–**	372
Finished goods	**–**	2,405
	–	2,777

24. TRADE AND BILL RECEIVABLES

GROUP

	2013 **HK$'000**	2012 HK$'000
Trade receivables, gross	**263,599**	111,673
Less: Impairment	**(12,820)**	–
Trade receivables, net	**250,779**	111,673
Bill receivables	**–**	149,764
Trade and bill receivables	**250,779**	261,437

As at 31 December 2012, bill receivables of HK$149,764,000 were pledged to the banks for trading facilities and bank borrowings, endorsed to suppliers or discounted to the banks with recourse. These receivables were recognised as assets in the consolidated financial statements as the Group was exposed to credit risk on these receivables as at that date. Accordingly, the liabilities associated with such bills, mainly borrowings and trade and bill payables as disclosed in notes 31 and 29 respectively, were not de-recognised in the consolidated financial statements.

24. TRADE AND BILL RECEIVABLES – CONTINUED

GROUP – continued

The Group allows a credit period from 0 day to 180 days (2012: 0 days to 120 days) to its trade customers. The following is ageing analysis of net trade and bill receivables at the reporting date:

	2013 **HK$'000**	2012 HK$'000
0 – 30 days	**77,399**	260,817
31 – 90 days	**120,036**	–
Over 180 days	**53,344**	620
	250,779	261,437

All trade receivables are subject to credit risk exposure. At each of the reporting dates, the Group reviews receivables for evidence of impairment on both individual and collective basis. As at 31 December 2013, the Group determined trade receivables of HK$12,820,000 (2012: Nil) as impaired and as a result, impairment loss of HK$12,820,000 (2012: Nil) has been recognised. The impaired trade receivables are due from the customer experiencing financial difficulties.

Ageing analysis of trade and bill receivables that were past due as at the reporting date but not impaired, based on the due date is as follows:

	2013 **HK$'000**	2012 HK$'000
Neither past due nor impaired	**197,435**	149,764
1 – 90 days past due	**–**	111,053
Over 180 days past due	**53,344**	620
	53,344	111,673
	250,779	261,437

Trade and bill receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Trade and bill receivables that were past due but not impaired related to customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

Notes to the Financial Statements

For the year ended 31 December 2013

25. PREPAYMENTS AND OTHER RECEIVABLES

GROUP

	2013 HK$'000	2012 HK$'000
Deposits	**5,871**	1,285
Prepayments	**–**	325
Other receivables	**57**	454
Payments in advances	**1,734**	94,302
	7,662	96,366

COMPANY

	2013 HK$'000	2012 HK$'000
Deposits	**5,305**	913
Other receivables	**14**	–
	5,319	913

26. DERIVATIVE FINANCIAL ASSETS

GROUP AND COMPANY

Fair value movements in the derivative financial assets embedded in 2010 CB (as defined in note 35(a), the call option, for the year ended 31 December 2013 are as follows:

	2013 HK$'000	2012 HK$'000
At 1 January	**6,569**	11,295
Fair value loss recognised as at the date of the Disposal of the Hill Talent Group (note 9)	**(2,626)**	(4,726)
De-recognition upon repurchase and cancellation (note 44)	**(3,943)**	–
At 31 December	**–**	6,569

This was stated at fair value and was determined by the Directors with reference to the valuation performed by an independent firm of professional valuers on Trinomial option pricing model basis. The balance was de-recognised upon the repurchase and cancellation of the convertible bonds upon the Disposal of the Hill Talent Group on 6 June 2013.

27. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

COMPANY

These are unsecured, interest-free and repayable on demand.

28. RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

All restricted bank deposits as at 31 December 2012 represented guaranteed deposits placed in the banks in the PRC as securities for the Group's bill payables and banking facilities. There were no restricted bank deposits as at 31 December 2013.

Restricted bank deposits and cash at bank earn interest at floating rates based on the daily bank deposit rates.

As at 31 December 2013, the Group had cash and bank balances denominated in Renminbi ("RMB") amounting to HK$5,600,000 (2012: HK$42,009,000), which were deposited with the banks in the PRC and held in hand. RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

29. TRADE AND BILL PAYABLES

GROUP

	2013	2012
	HK$'000	HK$'000
Trade payables	**237,032**	205,585
Bill payables	**–**	62,270
	237,032	267,855

As at 31 December 2012, bill payables were secured by the Group's bill receivables of HK$30,239,000 and the Group's restricted bank deposits of HK$32,031,000.

The credit terms of trade payables vary according to the terms agreed with different suppliers. The following is ageing analysis of trade and bills payables at the reporting dates:

	2013	2012
	HK$'000	HK$'000
0 – 30 days	**52,824**	179,514
31 – 60 days	**119,948**	–
61 – 90 days	**–**	10,027
91 – 180 days	**–**	67,535
Over 180 days	**64,260**	10,779
	237,032	267,855

Notes to the Financial Statements

For the year ended 31 December 2013

30. OTHER PAYABLES, ACCRUED EXPENSES AND RECEIPTS IN ADVANCE

GROUP

	2013 HK$'000	2012 HK$'000
Other payables	**35,890**	22,018
Accrued expenses	**4,690**	1,493
Receipts in advance	**34,715**	4,940
	75,295	28,451

31. BORROWINGS

GROUP

	Notes	2013 HK$'000	2012 HK$'000
Government loans — unsecured	(i)	**2,691**	2,613
Bank loans — secured	(ii)	**–**	125,184
Total borrowings		**2,691**	127,797

The Group's borrowings as at December 2013 and 2012 are all denominated in RMB and are repayable within one year or on demand.

Notes:

(i) Government loans comprise an interest-free loan of HK$1,409,000 (2012: HK$1,369,000) (the "Government Interest Free Loan") granted by the local government in the PRC which have agreed to waive the repayment of the Government Interest Free Loan on the conditions that the projects in the local county satisfy the requirements set by the local government. Other government loans are unsecured and interest-free.

(ii) The balance as at 31 December 2012 were secured by the Group's bill receivables of HK$119,525,000 and the Group's restricted bank deposits of HK$8,130,000 and bore floating interest rate which is based on 6-month interest rate of the People's Bank of China for the year ended 31 December 2012. There were no bank loans obtained by the Group as at 31 December 2013.

As at 31 December 2012, the Group provided guarantee of RMB3,000,000 (approximately HK$3,733,000) to the bank in connection with banking facilities granted by the bank to 濟寧市天翔機械制造有限公司. No provision for the Group's obligation under the guarantee contract was made as the Directors consider that it was not probable that the repayment of this borrowing would be in default. The guarantee was released during the year.

In the opinion of the Directors, the carrying values of the borrowings are considered to be a reasonable approximation of fair values due to their short-term maturities.

32. LOANS FROM NON-CONTROLLING INTEREST OF A SUBSIDIARY

GROUP

The balance is unsecured, interest-free and repayable on demand.

33. DERIVATIVE FINANCIAL LIABILITIES

GROUP AND COMPANY

	2013 **HK$'000**	2012 HK$'000
Embedded derivatives in convertible bonds (note 35(b))	**92,511**	–

The balance is stated at fair value and is determined by the Directors with reference to the valuation performed by an independent firm of professional valuers on Trinomial option pricing model basis. The balance related to early redemption option for the convertible bonds issued on 4 June 2013.

34. LOANS FROM ULTIMATE HOLDING COMPANY

GROUP AND COMPANY

As at 31 December 2013 and 2012, the balance is unsecured and is not repayable within three years from the drawdown dates. The loans are interest-free in the first two years from drawdown dates and bear interest at prime rate minus 1.25% per annum in the third year. As Hong Bridge has confirmed that it would not demand for loan repayment from the Company at least 12 months from the financial statements approval date, the loans are classified as non-current liabilities.

Fair value of the liability was calculated using cash flows discounted at an estimated discounted rate of 5% (2012: 5%), which is reference to market interest rate. Difference between the fair value and the nominal value of the loans, amounting to HK$3,788,000 (2012: HK$7,024,000) is included in other reserve in equity.

Interest expense on these loans is calculated using effective interest method by applying effective interest rate of 5% (2012: 5%) to the liability.

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For the year ended 31 December 2013

35. CONVERTIBLE BONDS

GROUP AND COMPANY

	2013 HK$'000	2012 HK$'000
Convertible bonds issued in 2010 ("2010 CB") (note a)	–	270,175
Convertible bonds issued in 2013 ("2013 CB") (note b)	433,660	–
	433,660	270,175

(a) 2010 CB

These were issued on 24 March 2010 and, during the year, were repurchased and cancelled as part of the consideration upon the Disposal of the Hill Talent Group. Details of the Disposal are set out in note 44. The 2010 CB was denominated in HK$.

The conversion option embedded in the 2010 CB met the definition of equity instrument of the Company, and was classified as equity and presented separately from the 2010 CB liability components. Other embedded derivative (i.e. the call option of the Company) was separated from the host debt because its economic characteristics and risks were not closely related to those of the host debt and was accounted for as financial assets at fair value through profit or loss.

The 2010 CB liability component was initially recognised at its fair value and was subsequently measured at amortised cost. Movements of the liability component of the 2010 CB in the consolidated and Company's statement of financial position during the year are as follows:

	2013 HK$'000	2012 HK$'000
At 1 January	270,175	226,485
Imputed interest expenses (note 8)	21,441	43,690
Loss on de-recognition of liability component of convertible bonds (note 9)	12,684	–
De-recognition upon repurchase and cancellation (note 44)	(304,300)	–
At 31 December	–	270,175

Interest expense on the 2010 CB was calculated using effective interest method at a rate of 19.34% (2012: 19.34%) per annum to the liability component.

Fair value movements in the derivative financial assets embedded in the 2010 CB are disclosed in note 26.

35. CONVERTIBLE BONDS – CONTINUED

GROUP AND COMPANY – continued

(b) 2013 CB

On 5 March 2013, the Company and Zhejiang Geely Holdings Group Company Limited ("Zhejiang Geely") entered into the subscription agreement pursuant to which the Company has conditionally agreed to issue to Zhejiang Geely for the convertible bonds ("2013 CB") in the principal amount of HK$740,000,000. The 2013 CB are interest-free and convertible into 2,000,000,000 ordinary shares of the Company and not redeemable by the Company. Zhejiang Geely has the discretion on redemption after the second anniversary of the date of issue of the 2013 CB, which is 4 June 2013.

The conversion option embedded in the 2013 CB meets the definition of equity instrument of the Company, and is classified as equity and presented separately from the 2013 CB liability components. Other embedded derivative (i.e. the 2013 CB holder's early redemption option) is separated from the host debt because its economic characteristics and risks are not closely related to those of the host debt and is accounted for as financial liabilities at fair value through profit or loss.

The 2013 CB liability component is initially recognised at its fair value and is subsequently measured at amortised cost. Movements of the 2013 CB liability component in the consolidated and company's statement of financial position for the period from the date of issue to 31 December 2013 are as follows:

	HK$'000
At date of issuance on 4 June 2013	**404,107**
Imputed interest expenses (note 8)	**29,553**
At 31 December 2013	**433,660**

Interest expense on the convertible bonds is calculated using effective interest method at a rate of 12.86% per annum to the liability component.

Fair value movements in the derivative financial liabilities embedded in the convertible bonds, the holder's early redemption option, for the period from the date of issue to 31 December 2013 are as follows:

	HK$'000
At date of issuance on 4 June 2013	**77,057**
Fair value loss recognised in profit or loss (note 9)	**15,454**
At 31 December 2013	**92,511**

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For the year ended 31 December 2013

36. DEFERRED TAX

GROUP

Deferred taxation is calculated in full on temporary differences under liability method using the tax rates applicable in the tax jurisdiction concerned. The following are the major deferred tax liabilities recognised by the Group and movements thereon during the current and prior reporting years.

	Fair value adjustments arising from exploration and evaluation assets HK$'000	Fair value adjustments arising from prepaid land lease payments HK$'000	Total HK$'000
At 1 January 2012	538,032	693	538,725
Credit to profit or loss (note 10)	(58,767)	–	(58,767)
Exchange realignment	(47,974)	–	(47,974)
Reclassified to liabilities of disposal group classified as held for sale (note 11)	(431,291)	–	(431,291)
At 31 December 2012and 1 January 2013	**–**	**693**	**693**
Acquired through business acquisition (note 45)	**5,906,774**	**–**	**5,906,774**
Exchange realignment	**(862,706)**	**–**	**(862,706)**
At 31 December 2013	**5,044,068**	**693**	**5,044,761**

As at 31 December 2013, the Group has unused tax losses of HK$39,451,000 (2012: HK$300,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams and there was no taxable temporary difference related to accelerated tax depreciation as at year ended 31 December 2013. This tax loss has no expiry date.

COMPANY

No deferred tax has been provided in the financial statements of the Company as there are no material temporary differences (2012: Nil).

37. SHARE CAPITAL

	Number of shares '000	Total HK$'000
Authorised:		
Ordinary shares of HK$0.001 each at 31 December 2012 and 2013	1,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2012	6,205,680	6,206
Consideration shares issued for consultancy and technical support	10,000	10
At 31 December 2012, 1 January 2013 and 31 December 2013	**6,215,680**	**6,216**

Pursuant to the strategic cooperation agreement in relation to the provision of technical support (the "Strategic Cooperation Agreement") by Xinwen Mining Group Co. Ltd ("Xinwen"), an aggregate of 30,000,000 ordinary shares of the Company were to be issued to Xinwen in three tranches since 2010. Each tranche represented 10,000,000 shares, being consideration for the services provided by Xinwen to the Company. The first tranche of 10,000,000 ordinary shares of the Company was issued to Xinwen in 2010. On 25 April 2012, the second tranche of 10,000,000 ordinary shares of the Company was issued to Xinwen. The remaining 10,000,000 ordinary shares will be unconditionally issued to Xinwen pursuant to the Strategic Cooperation Agreement.

All ordinary shares issued as at 31 December 2013 have the same rights.

38. SHARE OPTIONS

(a) Share Option Scheme

The Company's share option scheme was adopted pursuant to a resolution passed on 20 December 2001 and became effective on 8 January 2002 for the primary purpose of providing incentives to directors and eligible employees. This share option scheme was expired on 7 January 2012. However, the outstanding share options granted under this share option scheme continues to be exercisable under the terms of issue.

The Company's new share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 21 May 2012. The Share Option Scheme shall be effective for a period of ten years commencing on 21 May 2012. The purpose of the Share Option Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating and providing benefits to any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Company, or any of its subsidiaries.

38. SHARE OPTIONS – CONTINUED

(a) Share Option Scheme – continued

Total number of shares in respect of which options may be granted under the Share Option Scheme does not exceed 10% of the total number of shares in issue of the Company from 21 May 2012 onwards or at the renewal of such limit. Under the Share Option Scheme, the Company may obtain a fresh approval from its shareholders to refresh the above mentioned 10% limit.

Exercise price of the share options shall be determined by the Directors at its absolute discretion and notified to a participant and shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the offer date; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date; and (iii) the nominal value of the shares of the Company on the offer date.

(b) Option Deed

The Company has issued share options to Xinwen pursuant to an option deed dated 26 March 2010 (the "Option Deed") and an aggregate of 300,000,000 share options were exercisable for 3 years with effective from the date of grant of share options on 25 November 2010. These share options lapsed during the year.

At 31 December 2013, an aggregate of 130,000,000 (2012: 438,000,000) shares of the Company were issuable pursuant to share options granted under the Share Option Scheme, representing 2.1% (2012: 7%) of the shares of the Company in issue at that date.

As at 31 December 2013, total number of shares available for issue pursuant to the grant of further options under the Share Option Scheme was 600,567,971 (2012: 600,567,971), representing 9.7% (2012: 9.7%) of the issued share capital of the Company as at 31 December 2013.

At the date of this annual report, the Company had 130,000,000 (2012: 438,000,000) share options outstanding under the Share Option Scheme, which represented 2.1% (2012: 7.0%) of shares of the Company in issue at that date. The consideration payable on the grant of an option is HK$1 for each grant transaction. Options may be exercised at any time within the exercisable period.

38. SHARE OPTIONS – CONTINUED

The following tables set out the movement in share options:

Year ended 31 December 2013:

Name or category of participant	Share option type	Outstanding at 1 January 2013	Lapsed during the year	Outstanding at 31 December 2013
(a) Share Option Schemes				
Share option for directors and employees				
Directors				
Executive directors				
LIU Wei, William	2010	30,000,000	–	30,000,000
	2012	10,000,000	–	10,000,000
SHI Lixin	2010	20,000,000	–	20,000,000
	2012	10,000,000	–	10,000,000
Non-executive directors				
Mr. Yan Wei Min	2010	30,000,000	–	30,000,000
Mr. Ang Siu Lun, Lawrence	2010	15,000,000	–	15,000,000
Independent non-executive directors				
Mr. Chan Chun Wai, Tony	2010	3,000,000	–	3,000,000
Mr. Fok Hon	2010	3,000,000	–	3,000,000
Mr. Ma Gang	2010	3,000,000	–	3,000,000
Sub-total		124,000,000	–	124,000,000
Employees				
In aggregate	2010	13,000,000	(8,000,000)	5,000,000
In aggregate	2012	1,000,000	–	1,000,000
Sub-total		14,000,000	(8,000,000)	6,000,000
Total — Share Option Scheme		138,000,000	(8,000,000)	130,000,000
(b) Option Deed				
Share option for the strategic cooperative partner				
Xinwen	2010	300,000,000	(300,000,000)	–
Total — Option Deed		300,000,000	(300,000,000)	–

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38. SHARE OPTIONS – CONTINUED

Year ended 31 December 2012:

Name or category of participant	Share option type	Outstanding at 1 January 2012	Number of share options Granted during the year	Lapsed during the year	Outstanding at 31 December 2012
(a) Share Option Schemes					
Share option for directors and employees					
Directors					
Executive directors					
LIU Wei, William	2007	10,000,000	–	(10,000,000)	–
	2010	30,000,000	–	–	30,000,000
	2012	–	10,000,000	–	10,000,000
SHI Lixin	2007	10,000,000	–	(10,000,000)	–
	2010	20,000,000	–	–	20,000,000
	2012	–	10,000,000	–	10,000,000
Non-executive directors					
Mr. Yan Wei Min	2010	30,000,000	–	–	30,000,000
Mr. Ang Siu Lun, Lawrence	2010	15,000,000	–	–	15,000,000
Independent non-executive directors					
Mr. Chan Chun Wai, Tony	2010	3,000,000	–	–	3,000,000
Mr. Fok Hon	2010	3,000,000	–	–	3,000,000
Mr. Ma Gang	2010	3,000,000	–	–	3,000,000
Sub-total		124,000,000	20,000,000	(20,000,000)	124,000,000
Employees					
In aggregate	2010	13,000,000	–	–	13,000,000
In aggregate	2012	–	1,000,000	–	1,000,000
Others					
In aggregate	2002	240,000	–	(240,000)	–
Sub-total		13,240,000	1,000,000	(240,000)	14,000,000
Total — Share Option Scheme		137,240,000	21,000,000	(20,240,000)	138,000,000
(b) Option Deed					
Share option for the strategic cooperative partner					
Xinwen	2010	300,000,000	–	–	300,000,000
Total — Option Deed		300,000,000	–	–	300,000,000

38. SHARE OPTIONS – CONTINUED

Details of the share options are as follows:

Share option type		Date of grant	Exercisable period	Exercise price
(a)	Share Option Scheme			
	2002 (note i)	15 April 2002	15 April 2003 to 7 January 2012	HK$0.69
	2007 (note i)	22 November 2007	22 May 2008 to 21 November 2012	HK$1.20
	2010 (a) (note ii & iii)	6 May 2010	6 May 2011 to 5 May 2018	HK$2.60
	2010 (b) (note ii & iii)	6 May 2010	6 May 2012 to 5 May 2018	HK$2.60
	2012 (note iv)	28 May 2012	28 May 2012 to 27 May 2020	HK$0.95
(b)	Option Deed			
	2010 (c) (note v)	25 November 2010	25 November 2010 to 24 November 2013	HK$3.15

Notes:

(i) Share options granted on 15 April 2002 and 22 November 2007 were all lapsed on 7 January 2012 and 21 November 2012 respectively.

(ii) On 6 May 2010, the Directors granted 127,700,000 share options to the Company's directors and employees at exercise price of HK$2.60 per share upon approvals from the independent non-executive directors on that date. Consideration of HK$13 in respect of these granted share options was received.

(iii) Share options granted on 6 May 2010 are subject to a vesting period and became exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage
In the first year	Nil
In the second year (31,925,000 share option "Lot A")	25%
After the second year (95,775,000 share option "Lot B")	75%

(iv) On 28 May 2012, the board of directors granted 21,000,000 share options to the Company's directors and employees at exercise price of HK$0.95 per share upon approvals of the independent non-executive directors on that date. These share options are vested at the date of grant. The share options shall be valid and exercisable for 8 years with effective from the date of grant of share option on 28 May 2012. Consideration of HK$4 in respect of these granted share options was received.

(v) These wee detailed in note (b) above. These share options were lapsed during the year.

(vi) No share options were exercised for the years ended 31 December 2012 and 2013.

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For the year ended 31 December 2013

38. SHARE OPTIONS – CONTINUED

Notes: – continued

(vii) The fair values of options granted under the relevant Share Option Schemes on 15 April 2002, 22 November 2007, Lot A and Lot B on 6 May 2010, 28 May 2012, and the option granted to Xinwen on 25 November 2010, measured at the date of grant, were approximately HK$5,024,000, HK$3,455,000, HK$23,124,000, HK$93,637,000, HK$9,290,000 and HK$212,813,000 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	**15 April 2002**	**22 November 2007**	**6 May 2010 Lot A**	**6 May 2010 Lot B**	**25 November 2010**	**28 May 2012**
Expected volatility	29%	20%	69%	74%	68%	61%
Expected life (in years)	9.7	2.5	2.0	3.0	1.0	8.0
Risk-free interest rate	5%	2%	1%	1%	1%	1%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

(viii) For the year ended 31 December 2013, no share-based payment expenses (2012: HK$23,980,000) have been included in the consolidated statement of comprehensive income, with a corresponding credit in share-based payment reserve. The amount recorded in share-based payment reserve represented the fair value of share options expense vested during the year. No liabilities were recognised due to share-based payment transactions.

(ix) Share options and weighted average exercise prices are as follows for the reporting period presented:

	2013		2012	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at 1 January	**438,000,000**	**2.90**	437,240,000	2.91
Granted	**–**	**–**	21,000,000	0.95
Lapsed	**(308,000,000)**	**3.13**	(20,240,000)	1.19
Outstanding at 31 December	**130,000,000**	**2.33**	438,000,000	2.90

The share options outstanding at 31 December 2013 had exercise price of HK$0.95 or HK$2.60 (2012: HK$0.95, HK$2.60 or HK$3.15) and a weighted average remaining contractual life of 5.0 years (2012: 2.4 years). There are 130,000,000 (2012: 438,000,000) share options exercisable as at 31 December 2013.

(x) Share options lapsed during the year are due to (1) the lapse of 300,000,000 (2012: 20,240,000) share options issued to Xinwen under Option Deed and (2) the lapse of with 8,000,000 (2012: Nil) share options issued to an employee who resigned during the year. As a result of the lapse of share options during the year, an amount of HK$220,508,000 (2012: HK$3,341,000) were credited from the share-based payment reserve and debited to retained earnings/accumulated losses.

39. RESERVES

Other reserve of the Company and of the Group represented to recognise the difference between the fair value and the nominal value of the loans from ultimate holding company and loan from non-controlling interest of a subsidiary on initial recognition.

Share-based payment reserve of the Company and of the Group represented to recognise the share-based payment expenses in statement of comprehensive income with a corresponding credit to share-based payment reserve.

Treasury shares reserve represented the fair value at the date of disposal of Hill Talent of the Company's shares held by the purchaser which were receivable as part of the consideration of the disposals of Hill Talent (note 44).

Exchange fluctuation reserve represented gains/losses arising on retranslating the net assets of overseas operations into HK$. The significant exchange loss on translation of HK$1,754,454,000 was mainly due to (1) the depreciation of Brazilian currency during the year; and (2) the translation of the significant net assets of SAM, which was acquired during the year.

GROUP

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 40 of the consolidated financial statements.

Notes to the Financial Statements

For the year ended 31 December 2013

39. RESERVES – CONTINUED

COMPANY

	Share premium HK$'000	Treasury shares reserve HK$'000	Other reserve HK$'000	Share-based payment reserve HK$'000	Convertible bond equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	651,041	–	37,895	365,042	363,304	(852,511)	564,771
Issue of shares	28,290	–	–	(28,300)	–	–	(10)
Arising from loans from ultimate holding company (note 34)	–	–	7,024	–	–	–	7,024
Equity-settled share-based transactions (note 38)	–	–	–	23,980	–	–	23,980
Lapse of share options (note 38)	–	–	–	(3,341)	–	3,341	–
Transactions with owners	28,290	–	7,024	(7,661)	–	3,341	30,994
Loss for the year and total comprehensive income for the year	–	–	–	–	–	(280,480)	(280,480)
At 31 December 2012 and 1 January 2013	**679,331**	**–**	**44,919**	**357,381**	**363,304**	**(1,129,650)**	**315,285**
Arising from loans from ultimate holding company (note 34)	**–**	**–**	**3,788**	**–**	**–**	**–**	**3,788**
Issuance of convertible bonds (note 35(b))	**–**	**–**	**–**	**–**	**258,836**	**–**	**258,836**
Disposals of subsidiaries (note 44)	**–**	**(276,332)**	**–**	**–**	**(41,997)**	**–**	**(318,329)**
Lapse of share options (note 38)	**–**	**–**	**–**	**(220,508)**	**–**	**220,508**	**–**
Transactions with owners	**–**	**(276,332)**	**3,788**	**(220,508)**	**216,839**	**220,508**	**(55,705)**
Profit for the year and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**57,872**	**57,872**
Transfer of reserves	**–**	**–**	**–**	**–**	**(321,307)**	**321,307**	**–**
At 31 December 2013	**679,331**	**(276,332)**	**48,707**	**136,873**	**258,836**	**(529,963)**	**317,452**

40. OPERATING LEASE COMMITMENTS

At 31 December 2013, the total future minimum lease payments under non-cancellable operating leases are payable by the Group and the Company as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**4,798**	2,081	**2,173**	–
In the second to fifth year inclusive	**4,164**	–	**2,717**	–
	8,962	2,081	**4,890**	–

The Group leases a number of rented premises under operating leases. The leases run for an initial period of one to three years (2012: one to two years). None of the leases include contingent rentals.

41. CAPITAL COMMITMENTS

GROUP

	2013	2012
	HK$'000	HK$'000
Contracted but not provided for		
Property, plant and equipment	**1,940**	1,884
Exploration and evaluation assets	**6,978**	–
Proposed acquisition of SAM*	**–**	2,945,228
	8,918	2,947,112

COMPANY

	2013	2012
	HK$'000	HK$'000
Contracted but not provided for		
Proposed acquisition of SAM*	**–**	2,945,228

41. CAPITAL COMMITMENTS – CONTINUED

* Pursuant to the SAM Agreement (note 1 and note 21), the Group is committed to pay the Total Consideration in five stages as follows.

Stage 1 and Stage 2	US$10 million and US$65 million	Payable to seller on the date of completion of the SAM Acquisition, subject to the fulfilment of several conditions as stated in the SAM Agreement
Stage 3	A minimum of US$111.25 million and a maximum of US$115 million	Payable on the date when the approvals and permits in relation to the commencement of construction of the mine, plant, pipeline and the relevant specified port facilities as detailed in the SAM Agreement are obtained.
Stage 4 and 5	US$100 million and US$100 million	Payable on the relevant specified port operation commencement date and the mining production commencement date.

As at 31 December 2012, the Group and the Company paid US$10 million (equivalent to approximately HK$78,000,000 (note 21)) for stage 1 and further paid US$420,000 (equivalent to approximately HK$3,265,000 (note 21)) as additional payment, the aggregate principal amount of outstanding considerations for stage 2 to 5 of US$380 million (equivalent to approximately HK$2,945 million) were disclosed as capital commitments as at 31 December 2012. Details of the SAM Agreement and the Total Consideration are set out in the Company's circular dated 5 November 2010.

As at 31 December 2013, as the SAM Acquisition was completed and stage 2 payment was made whereas stage 3 to 5 have been recognised as contingent consideration payable, there is no capital commitment for the SAM Acquisition.

42. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. Assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

Retirement benefits cost charged to profit or loss represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

42. RETIREMENT BENEFITS SCHEME – CONTINUED

For members of the MPF Scheme, the Group contributes 5% of the relevant payroll costs to the MPF Scheme, which contribution is matched by the employee. Both the employer's and employees' contribution are subject to a maximum of monthly earnings of HK$25,000 per employee.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employee's basic salary. Employees are entitled to receive their entire contributions and the accrued interest thereon, and 100% of the employer's contributions and the accrued interest thereon upon retirement or leaving the employer after completing 10 years of service or at a reduced scale of between 30% to 90% after completing 3 to 9 years of service.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. There was no forfeited contributions utilised during the year (2012: Nil). There was no significant amount of forfeited contributions available to reduce future contribution payable by the Group as at 31 December 2013 and 2012.

Employees located in the PRC and Brazil are covered by the retirement and pension schemes defined by local practice and regulations and which are essentially defined contribution schemes. The calculation of contributions for the PRC and Brazil eligible staff is based on certain percentage of the applicable payroll costs.

43. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, during the year ended 31 December 2012, the Group made sales of copper and steel products in the aggregate amount of HK$403,849,000 to a related company in which Mr. Yan Weimin, a non-executive director of the Company, was the controlling shareholder. The terms were based on the non-exclusive steel product distribution agreement signed with the related company or mutually agreed. These sales were presented in gross amounts as "sale of copper and steel products" or in net amounts as "revenue from trading commodity contracts" in note 5, depending on the nature of the transactions. There is no significant related party transaction during the year ended 31 December 2013.

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For the year ended 31 December 2013

44. DISPOSALS OF THE HILL TALENT GROUP

As described in note 1 and note 11, on 6 June 2013, the Group completed the disposal of its entire share capital of Hill Talent. Net assets of the Hill Talent Group at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Exploration and evaluation assets	1,221,556
Property, plant and equipment	112
Prepayments, deposits and other receivables	1,309
Cash and cash equivalents	562
Other payables and accruals	(122)
Deferred tax liabilities	(415,313)
	808,104
Non-controlling interests	(275,016)
Release of translation reserve upon disposals of Hill Talent Group to profit or loss	123,560
Gain on disposals of subsidiaries	73,188
Total consideration	729,836
Satisfied by:	
Cash consideration	111,150
Repurchase and cancellation of 2010 CB (note (i))	342,354
Promissory note (note (ii))	276,332
	729,836

An analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries was as follows:

	HK$'000
Cash consideration received	111,150
Cash and cash equivalents disposed of	(562)
Net inflow of cash and cash equivalents in respect of the disposals of the Hill Talent Group	110,588

44. DISPOSALS OF THE HILL TALENT GROUP – CONTINUED

Notes:

(i) 2010 CB were issued to Brilliant People on 24 March 2010 and can be converted into 400,000,000 ordinary shares of the Company per HK$1 bond at par. The convertible bonds were repurchased and cancelled upon the Disposal. The fair values of derivative, liability and equity components of the convertible bonds are as follows:

	HK$'000
Derivative financial assets (note 26)	(3,943)
Liability component (note 35(a))	304,300
Equity component (note 39)	41,997
	342,354

The fair value of 2010 CB as at disposal date has been determined with reference to the valuation performed by an independent valuer.

(ii) Brilliant People issued interest-free promissory note with principal amount of HK$203.85 million with a repayment term of three years. The promissory note is secured by 226,500,000 ordinary shares of the Company ("Charged Shares"), which were owned by Brilliant People. In accordance with the promissory note agreement, Brilliant People deposited the Charged Shares with an escrow agent and instructed he escrow agent to sell the Charged Shares on the open market and apply the proceeds of sale of the Charges Share for payment of the outstanding principal amount of the promissory note during the repayment term. Once Brilliant People deposited the Charged Shares with the escrow agent, Brilliant People is deemed to have discharged its entire payment obligation under the promissory note. The entire proceeds of sale of all the Charged Shares will be applied for payment of the principal amount of the promissory note. Whether the proceeds of sale of all the Charged Shares are higher or lower than the principal amount of the promissory note, the Company shall be entitled to the entire sale proceeds. Accordingly, the fair value of the Charged Shares at the date of disposal of HK$276,332,000 was recognised directly in the "treasury shares reserve" in equity. As at 31 December 2013, no Charged Shares were sold.

45. BUSINESS COMBINATION

As described in note 1, on 28 March 2013, the Group obtained the control of the entire interests of SAM, a company incorporated in Brazil with principal activity of research and exploration of iron ore. The acquisition was made with the aims to explore the Group's new investment opportunities in the energy and resources sector. Details of the SAM Acquisition were set out in the Company's circulars dated 5 November 2010.

The fair value of identifiable assets and liabilities of SAM as at the date of acquisition were:

	HK$'000	HK$'000
Property, plant and equipment	2,168	
Exploration and evaluation assets	17,688,504	
Cash and cash equivalents	3,880	
Other receivables	1,166	
Other payables	(20,019)	
Loan from the Group	(315,319)	
Deferred tax liabilities recognised upon fair value adjustments	(5,906,774)	
		11,453,606
The fair value of consideration transfer:		
Deposits for acquisition of business (note 21)	81,265	
Cash paid (stage 2 payment)	504,926	
Contingent consideration payables	1,590,274	
		2,176,465
Gain on bargain purchase		9,277,141
Purchase consideration settled in cash		(504,926)
Cash and cash equivalents acquired		3,880
Cash outflow on acquisition of subsidiaries		(501,046)

During the period of negotiation of the SAM Acquisition, there was lower level of measured and indicated mineral resources of SAM. Upon the completion of the SAM Acquisition, the level of measured and indicated mineral resources increased significantly when further drilling works performed and resulted in the gain on bargain purchase of HK$9,277,141,000, which was recognised in profit or loss during the year. Details of the increase in mineral resources of SAM are set out in the Company's circular dated 5 November 2010 and announcement dated 4 April 2011.

SAM had not yet commenced production. Since the acquisition date, SAM has contributed no revenue to the Group's revenue and loss of HK$33,745,000 to the Group's profit for the year. Had the SAM Acquisition been completed on 1 January 2013, total Group revenue for the year would have remained unchanged but profit for the year would have been decreased by approximately HK$6,700,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results. SAM Acquisition's related costs of HK$2,300,000 have been expensed and are included in other operating expenses (note 9).

45. BUSINESS COMBINATION – CONTINUED

Contingent consideration payables

As disclosed in note 41, pursuant to the SAM Agreement, after the payments of US$10 million (Stage 1) and of US$65 million (Stage 2) made in 2010 and 2013 respectively, the Group is committed to pay the consideration outstandings of stage 3 payment of US$115 million, stage 4 payment of US$100 million and stage 5 payment of US$100 million upon completion of approvals of required licenses and permits, commencement of port operation and commencement of mining production respectively.

On 7 February 2013, the Group entered into a supplementary agreement in connection with the SAM Acquisition to the sellers (the "Supplementary SAM Agreement"). Pursuant to the Supplementary SAM Agreement, stage 4 and 5 payments would be reduced from US$100 million and US$100 million respectively to US$40 million and US$40 million respectively, if stage 3 payment of US$115 million is paid at a date that is on or before six-month anniversary of the date of completion of SAM Acquisition. No stage 3 payment was made as at 31 December 2013 and the Supplementary SAM Agreement was expired accordingly.

The potential undiscounted amount of the contingent consideration payables that the Group could be required to make under the Supplementary SAM Agreement is between Nil (if conditions for stage 3 to 5 payments were not fulfilled) to US$315 million (if stage 3 payment was not paid on or before the early repayment date).

The contingent consideration payables represent the fair value of the obligation for the consideration payable in accordance with the SAM Agreement and are estimated by independent professional valuers. The fair value of the contingent consideration payables was estimated by applying income approach at a discount rate of 14.75% and the probability-weighted average of payouts associated with possible repayment schedules of SAM Agreement and the Supplementary SAM Agreement.

The fair value of the contingent consideration payables as at 31 December 2013 are taken into account for the calculation of gain on bargain purchase as the management obtained additional information to identify and measure the contingent consideration payables during the measurement period in accordance with HKFRS 3 "Business Combinations".

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46. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities (excluding assets and liabilities off disposal group classified as held for sale).

(i) Financial assets

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets at fair value through profit or loss:				
Derivative financial assets	**–**	6,569	**–**	6,569
	–	6,569	**–**	6,569
Loans and receivables:				
Non-current assets				
Deposits for acquisition of business	**–**	81,265	**–**	3,265
Loans to an acquiring business	**–**	262,434	**–**	262,434
	–	343,699	**–**	265,699
Current assets				
Trade and bill receivables	**250,779**	261,437	**–**	–
Other receivables	**57**	454	**14**	–
Amount due from subsidiaries	**–**	–	**1,002,279**	86,180
Cash and bank balances	**86,142**	42,701	**70,094**	130
	336,978	304,592	**1,072,387**	86,310
	336,978	654,860	**1,072,387**	358,578

46. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY – CONTINUED

(ii) Financial liabilities

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities at fair value through profit or loss:				
Non-current liabilities				
Derivative financial liabilities	**92,511**	–	**92,511**	–
Contingent consideration payables	**1,590,274**	–	**–**	–
	1,682,785	–	**92,511**	–
Financial liabilities at amortised cost:				
Current liabilities				
Trade and bill payables	**237,032**	267,855	**–**	–
Other payables and accrued expenses	**40,580**	23,511	**1,141**	1,340
Amounts due to subsidiaries	**–**	–	**89**	1,078
Borrowings	**2,691**	127,797	**–**	–
Loans from non-controlling interest of a subsidiary	**6,800**	6,800	**–**	–
	287,103	425,963	**1,230**	2,418
Non-current liabilities				
Loans from ultimate holding company	**228,794**	330,194	**228,794**	330,194
Convertible bonds	**433,660**	270,175	**433,660**	270,175
	662,454	600,369	**662,454**	600,369
	2,632,342	1,026,332	**756,195**	602,787

The Group and the Company use the following hierarchy for determining and disclosing the fair value of financial instruments that are measured at fair value in the statements of financial position:

Level 1: fair value measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: fair value measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial assets or liabilities are categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

Notes to the Financial Statements

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46. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY – CONTINUED

(i) Financial assets measured at fair value through profit or loss

Group and Company

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2013				
Derivative financial assets	**–**	**–**	**–**	**–**
As at 31 December 2012				
Derivative financial assets	–	–	6,569	6,569

(ii) Financial liabilities measured at fair value through profit or loss

Group

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2013				
Derivative financial liabilities	**–**	**–**	**92,511**	**92,511**
Contingent consideration payables	**–**	**–**	**1,590,274**	**1,590,274**
	–	**–**	**1,682,785**	**1,682,785**

Company

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2013				
Derivative financial liabilities	**–**	**–**	**92,511**	**92,511**

The Group and the Company did not have any financial liabilities measured at fair value as at 31 December 2012.

Information about level 3 fair value measurements

The fair value of the derivative financial liabilities, which is early redemption option embedded in the convertible bond, is estimated using the Black-Scholes model with Trinomial Tree method. The only significant unobservable input is historical volatility of share price of the Company. As at 31 December 2013, the historical volatility is 78.206%. The higher the historical volatility, the higher the fair value.

The details of the valuation of the fair value of contingent consideration payables were disclosed in note 45.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk and interest risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long-term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. Management identifies ways to access financial markets and monitors the Group's financial risk exposures. Regular reports are provided to the board of directors.

47.1 Foreign currency risk

The Group's exposure to currency exchange rates is minimal as the group companies usually hold most of their financial assets/liabilities in their own functional currencies. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

47.2 Interest rate risk

The Group's exposure to interest rate is minimal as the Group has no interest-bearing borrowings at floating rates as at 31 December 2013. The exposure to interest rates for the Group's bank deposits is considered immaterial.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Directors are of the opinion that sensitivity of the Group's profit after tax and retained earnings to a reasonable change in the interest rates are assessed to be immaterial. Changes in interest rates have no impact on other components of equity.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

47.3 Credit risk

The Group continuously monitors defaults of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that the Group's financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade, bill and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

47.4 Liquidity risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly.

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As detailed in note 3.1, these financial statements have been prepared on the assumption that the Group and the Company will continue as a going concern. On the basis that (1) Hong Bridge and its two shareholders provide financial support to the Group and (2), the Company has signed certain MOU and framework agreement with its strategic partners for the SAM Operations and if all licences were obtained, additional funding will be obtained for the capital expenditure and the payment for the coming twelve months, the Directors are satisfied that both the Group and the Company will be able to meet in full their financial obligations as they fall due in the foreseeable future without significant curtailment of operations. Accordingly, the financial statements have been prepared on a going concern basis.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

47.4 Liquidity risk – continued

As at 31 December 2013 and 2012, the Group's financial liabilities (excluding assets and liabilities of disposal group classified as held for sale) have contractual maturities which are summarised below:

GROUP

	Within 1 month or on demand HK$'000	1 to 3 months HK$'000	4 to 12 months HK$'000	Over 1 year HK$'000	Total undiscounted amount HK$'000	Total carrying amount HK$'000
At 31 December 2013						
Non-derivatives:						
Trade and bills payables	**237,032**	**–**	**–**	**–**	**237,032**	**237,032**
Other payables and accrued expenses	**40,580**	**–**	**–**	**–**	**40,580**	**40,580**
Borrowings	**2,691**	**–**	**–**	**–**	**2,691**	**2,691**
Loans from ultimate holding company	**–**	**–**	**–**	**236,992**	**236,992**	**228,794**
Loans from non-controlling interest of a subsidiary	**6,800**	**–**	**–**	**–**	**6,800**	**6,800**
Contingent consideration payables	**–**	**–**	**–**	**2,444,369**	**2,444,369**	**1,590,274**
Convertible bonds	**–**	**–**	**–**	**740,000**	**740,000**	**433,660**
	287,103	**–**	**–**	**3,421,361**	**3,708,464**	**2,539,831**
At 31 December 2012						
Non-derivatives:						
Trade and bills payables	205,585	–	62,270	–	267,855	267,855
Other payables and accrued expenses	23,511	–	–	–	23,511	23,511
Borrowings	2,613	126,274	–	–	128,887	127,797
Loans from ultimate holding company	–	–	–	351,717	351,717	330,194
Loans from non-controlling interest of a subsidiary	6,800	–	–	–	6,800	6,800
Convertible bonds	–	–	–	400,000	400,000	270,175
	238,509	126,274	62,270	751,717	1,178,770	1,026,332
Financial guaranteed issued:						
Maximum amount guaranteed	–	–	–	3,733	3,733	3,733

Notes to the Financial Statements

For the year ended 31 December 2013

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

47.4 Liquidity risk – continued

COMPANY

	Within 1 month or on demand HK$'000	1 to 3 months HK$'000	4 to 12 months HK$'000	Over 1 year HK$'000	Total undiscounted amount HK$'000	Total carrying amount HK$'000
At 31 December 2013						
Non-derivatives:						
Other payables and accrued expenses	**1,141**	**–**	**–**	**–**	**1,141**	**1,141**
Amounts due to subsidiaries	**89**	**–**	**–**	**–**	**89**	**89**
Loans from ultimate holding company	**–**	**–**	**–**	**236,992**	**236,992**	**228,794**
Convertible bonds	**–**	**–**	**–**	**740,000**	**740,000**	**433,660**
	1,230	**–**	**–**	**976,992**	**978,222**	**663,684**
At 31 December 2012						
Non-derivatives:						
Other payables and accrued expenses	1,340	–	–	–	1,340	1,340
Amounts due to subsidiaries	1,078	–	–	–	1,078	1,078
Loans from ultimate holding company	–	–	–	351,717	351,717	330,194
Convertible bonds	–	–	–	400,000	400,000	270,175
	2,418	–	–	751,717	754,135	602,787

48. CAPITAL MANAGEMENT

The Group's objectives when managing capital include:

(i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(ii) To support the Group's stability and growth; and

(iii) To provide capital for the purpose of strengthening the Group's risk management capability.

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

48. CAPITAL MANAGEMENT – CONTINUED

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or raise new debts, or sell assets to reduce debt.

The capital-to-overall financing ratio at reporting date was as follows:

	2013 HK$'000	2012 HK$'000
Capital		
Total equity	**7,802,161**	583,927
Loans from ultimate holding company	**(48,707)**	(44,919)
Loans from non-controlling interest of a subsidiary	**(556)**	(556)
Convertible bonds — equity components	**(258,836)**	(363,304)
	7,494,062	175,148
Overall financing		
Borrowings	**2,691**	127,797
Loans from ultimate holding company	**277,501**	375,113
Loan from non-controlling interest of a subsidiary	**7,356**	7,356
Convertible bonds — equity and liability components	**692,496**	633,479
	980,044	1,143,745
Capital-to-overall financing ratio	**7.65 times**	0.15 times

49. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 17 January 2014, the Company entered into the disposal agreement with an independent third party to sell the entire issued share capital of Divine Mission, a 60% owned subsidiary of the Group, for a total consideration of HK$3.6 million. Divine Mission beneficially owns 100% equity interests of Kailun HK and Kailun PV (Jining). The disposal was completed on the same date. As at 31 December 2013, Divine Mission Group was in net liabilities position of HK$24.2 million.

50. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2013 were approved for issue by the Board of Directors on 26 March 2014.

Financial Summary

FINANCIAL RESULTS

	Year ended 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013 HK$'000**
CONTINUING OPERATIONS					
Turnover	10,079	49,785	1,756,598	415,306	**10,365**
Direct operating expenses	(7,631)	(50,399)	(1,740,781)	(412,442)	**(2,778)**
Other operating revenue	164	4,321	9,678	8,190	**6,971**
Selling and distribution costs	(187)	(663)	(851)	(1,180)	**(432)**
Administrative expenses	(12,489)	(23,752)	(32,036)	(27,284)	**(60,143)**
Other operating expenses, net	(3,031)	(44,885)	(50,029)	(55,069)	**(54,924)**
Share-based payment expenses	–	(349,883)	(51,861)	(23,980)	**–**
Impairment of exploration and evaluation assets	–	–	(298,247)	(171,398)	**–**
Gain on disposals of subsidiaries	–	–	–	–	**73,188**
Gain on bargain purchase	–	–	–	–	**9,277,141**
Impairment of goodwill	(35,686)	–	(31,051)	–	**–**
Finance costs	(3,918)	(32,397)	(52,373)	(61,200)	**(69,539)**
(Loss)/Profit before income tax	(52,699)	(447,873)	(490,953)	(329,057)	**9,179,849**
Income tax credit	–	–	101,404	58,767	**–**
(Loss)/Profit for the year from continuing operations	(52,699)	(447,873)	(389,549)	(270,290)	**9,179,849**
DISCONTINUED OPERATIONS					
(Loss)/Profit for the year from discontinued operations	(1,021)	(1,640)	3,001	–	**–**
(Loss)/Profit for the year	(53,720)	(449,513)	(386,548)	(270,290)	**9,179,849**
Attributable to:					
Owners of the Company	(50,136)	(445,650)	(304,839)	(221,699)	**9,182,596**
Non-controlling interests	(3,584)	(3,863)	(81,709)	(48,591)	**(2,747)**
(Loss)/Profit for the year	(53,720)	(449,513)	(386,548)	(270,290)	**9,179,849**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013 HK$'000**
Total assets	94,204	2,529,270	3,013,559	2,047,332	**15,513,979**
Total liabilities	(101,075)	(1,246,926)	(2,095,943)	(1,463,405)	**(7,711,818)**
Non-controlling interests	(16,470)	(495,588)	(360,419)	(279,188)	**9,305**
Equity attributable to owners of the Company	(23,341)	786,756	557,197	304,739	**7,811,466**