中國有色金屬有限公司*

China Nonferrous Metals Company Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8306

ANNUAL REPORT 2013

* for identification only

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. MEI Ping *(Chairman)*
Dr. YU Heng Xiang
Mr. TSANG Chung Sing, Edward

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Siu Lun
Ms. HE Qing

COMPLIANCE OFFICER

Mr. MEI Ping

COMPANY SECRETARY

Mr. LI Chi Chung, Michael

AUDIT COMMITTEE

Mr. CHAN Siu Lun *(Chairman)*
Ms. HE Qing

REMUNERATION COMMITTEE

Mr. CHAN Siu Lun
Ms. HE Qing

NOMINATION COMMITTEE

Mr. MEI Ping
Mr. CHAN Siu Lun

AUTHORISED REPRESENTATIVES

Mr. TSANG Chung Sing, Edward
Mr. LI Chi Chung, Michael

STOCK CODE

8306

COMPANY WEBSITE

http://www.cnm.com.hk

LEGAL ADVISERS

Michael Li & Co.

AUDITOR

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

PRINCIPAL BANKERS

Hang Seng Bank
Standard Chartered Bank

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong
To be relocated to the new office with effect from 31 March 2014
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 1704-05
17/F, Dah Sing Financial Centre
108 Gloucester Road
Wanchai
Hong Kong

FINANCIAL HIGHLIGHTS

	2013	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue					
– Continuing operations	**383,283**	339,650	526,577	492,063	269,045
– Discontinued operation	**–**	–	–	7,079	117,229
	383,283	339,650	526,577	499,142	386,274
Gross profit					
– Continuing operations	**13,877**	35,844	60,785	111,113	100,073
– Discontinued operation	**–**	–	–	1,257	27,603
	13,877	35,844	60,785	112,370	127,676
(Loss)/profit attributable to owners of the Company					
– Continuing operations	**(259,140)**	(17,322)	27,671	61,527	60,268
– Discontinued operation	**–**	–	–	9,505	(1,965)
	(259,140)	(17,322)	27,671	71,032	58,303
Equity attributable to owners of the Company	**1,094,654**	1,309,254	1,085,053	1,046,950	663,814
Total assets	**2,008,295**	2,195,736	2,080,121	2,253,596	2,142,516
Total liabilities	**913,641**	793,638	902,415	903,180	1,130,636

	2013	2012 (Restated)	2011 (Restated)	2010 (Restated)	2009 (Restated)
(Losses)/earnings per share (RMB cents)					
Basic					
– For (loss)/profit from continuing and discontinued operations	**(14.80)**	(1.60)	2.77	9.07	10.64
– For (loss)/profit from continuing operations	**(14.80)**	(1.60)	2.77	7.86	11.00
Diluted					
– For (loss)/profit from continuing and discontinued operations	**(14.80)**	(1.60)	2.77	8.20	8.18
– For (loss)/profit from continuing operations	**(14.80)**	(1.60)	2.77	7.46	8.34

MILESTONE

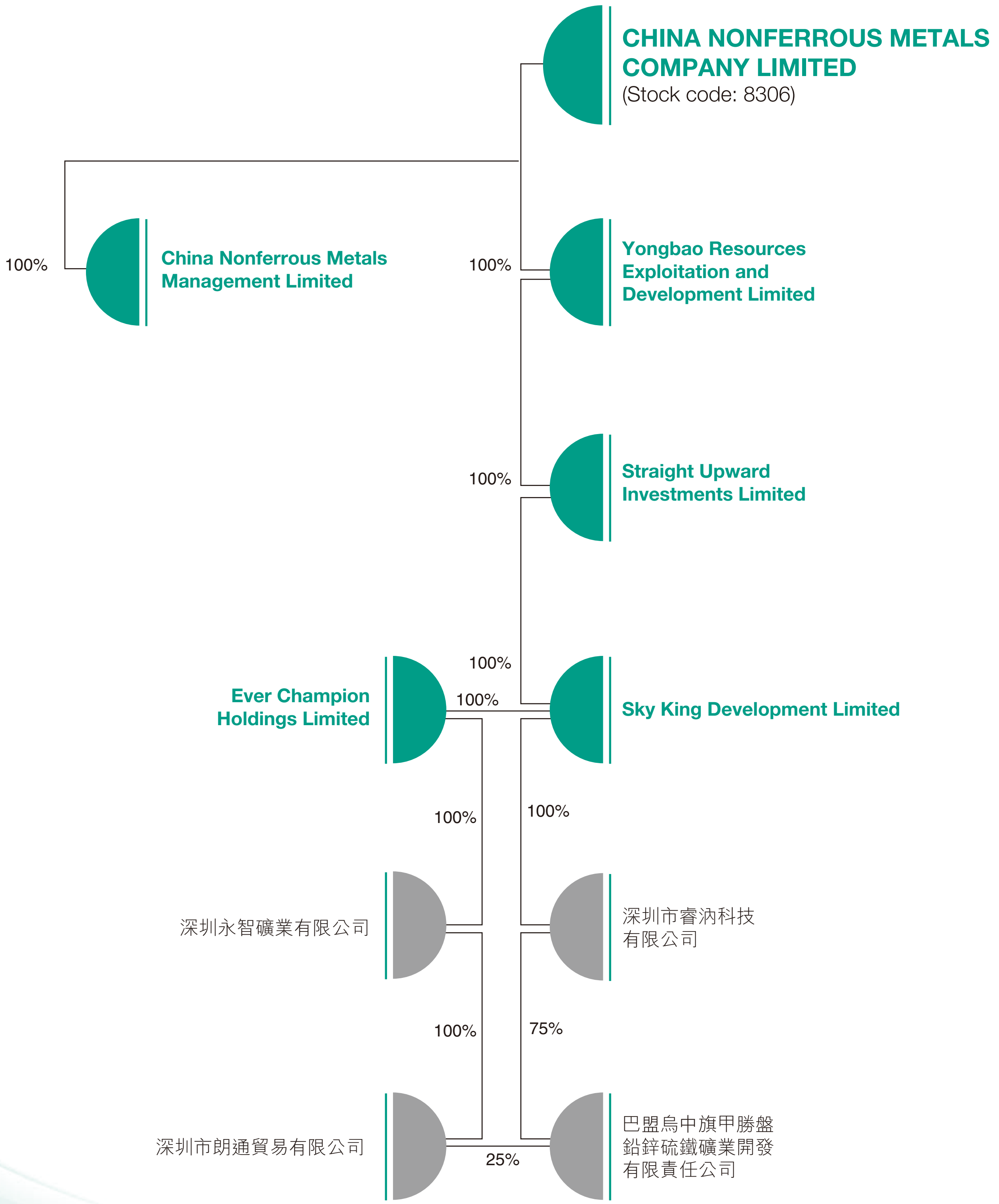
TARGET

To become a leading company to explore and produce quality zinc, lead concentrates and other minerals and precious metals in China

2013		
	July	Acquisition of 10% equity interest in Jiashengpan and since then Jiashengpan become a wholly-owned subsidiary of the Group
2012		
	November	Issuance of 3,750,000,000 shares and net proceeds of approximately RMB240 million had been raised
2011		
	April	Acquisition of 15% equity interest in Jiashengpan
2010		
	November	Mr. Mei Ping was appointed as an executive Director, general manager and chairman of the Group
	March	Disposal of 100% equity interest in the fertilizer business
2009		
	Mid year	Increment of production capacity to 1.02 million tonnes per annum by the addition of a 600,000 tonnes per annum concentrator in Jiashengpan
2008		
	September	Change of the Company name to China Nonferrous Metals Company Limited to better reflect the change in business focus
	July	Shift in business focus to nonferrous metal mining by the acquisition of Wulatezhong Qi, Inner Mongolia (Bameng Wuzhong Qi Jiashengpan Zinc, Lead and Pyrite Resources Exploitation Company Limited ("Jiashengpan")
2005		
	February	Listed on GEM of the Stock Exchange (Stock code: 8306) Engaged in manufacturing, sale and distribution of a series of fertilizers under the brand name of "Fuwanjia"

GROUP STRUCTURE

The Group Structure with major subsidiaries as at 31 December 2013 is as follows:



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Nonferrous Metals Company Limited (the "Company"), I hereby present the operating results of the Company and its subsidiaries (collectively referred to the "Group") for the year ended 31 December 2013 as follows:

BUSINESS AND FINANCE REVIEW

During the year, unfavourable market condition in the global economy continued to pose various challenges to the mining industry. Economic uncertainties coupled with the intensive competition of the industry increased the operational difficulties. The average selling prices of the Group's products were under pressure. Extracted from Shanghai Metals Exchange Markets website, average prices of zinc and lead in 2013 dropped by approximately 0.3% to RMB14,902 per tonne and approximately 7.3% to RMB 14,178 per tonne respectively when compared with their average prices in 2012. Furthermore, the growing inflation in the People's Republic of China (the "PRC") led to rising raw material costs, labour costs and environmental production requirements increased production costs which directly undermined the profitability of the Group.

As a result, the Group's financial performance has been affected by the above factors. For the year ended 31 December 2013, although turnover of the Group has increased by 12.8% to approximately RMB383.3 million (2012: approximately RMB339.7 million) due to the increase in the sales quantities and trading volume, gross profit has dropped to approximately RMB13.9 million (2012: approximately RMB35.8 million) representing a fall of 61.3% when compared with the year end 31 December 2012. The decrease was mainly attributed to the continued sluggish nonferrous market conditions which lower the selling prices as well as increased production costs from the mining site.

In view of the unfavourable factors above, the Group has taken positive steps to sustain the growth of its business by (1) Recovery of residual ore: Pit area in the history of the mining process left a lot of caving area, while this region tend to accumulate a lot of high-grade ore residue. The exploration/production costs can be lower under the recovery of residual ore including the mining right amortisation expenses and subcontracting costs; and (2) The Group has continued to adopt a stringent standard on its internal control to enhance production efficiency and safety measures.

MAJOR EVENTS IN 2013

To strengthen the control over the mining site, the Group has acquired the remaining minority interests in 巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司 ("Jiashengpan") during the year. This acquisition aligns with the Group's development strategy to expand its operation scale by buying out the minority interests in order to maximise the Company's share of its resources.

On the other hand, considered the trading business has been deteriorated in recent years and the end of tax preferential treatment of the Group's trading vehicle, the working capital of the Group can be improved through disposal. Thus, in August 2013, the disposal of subsidiaries, 深圳市銀池科技有限公司 and 青海鈺洋商貿有限公司 which were mainly engaged in the investment holding and trading business, has been completed. It is expected the size of the nonferrous metals trading business will be affected in the next year.

CHAIRMAN'S STATEMENT

Furthermore, under the low interest rate market condition, the Group's indent trading business will be continued in order to fully utilised its existing capital. At the same time, our management is in progress to identify the suitable acquisition and/or investment opportunities, appropriate announcement will be made to public once required.

PROSPECT

Through there are signs of a slow recovery in the US economy, the overall strength of economy recovery was visibly weak. The anticipated tapering or gradual withdrawal of the quantitative easing in its monetary policy by the US government is casting uncertainties on the general economy. Prices of zinc and lead remained volatile. Looking ahead, the Directors are cautiously positive on the continuous economic development in the PRC and believe that the PRC government will continue to implement favourable economic policies to sustain the economic development in the PRC, which could facilitate the continuous growth of the nonferrous metals sector in the PRC amid the international economic uncertainties.

CONCLUSION

I would like to take this opportunity to express my sincere gratitude to the Directors, management and our staff for their contributions made to the development of the Group. At the same time, I would like to express my appreciation to shareholders for their continued support. In return for your support, we are fully committed to do our best to bring better returns to our shareholders in the future.

Mei Ping
Chairman
China Nonferrous Metals Company Limited

26 March 2014

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Mei Ping (梅平), aged 54, is the chairman of the Board. Mr. Mei graduated with a Bachelor's Degree in optical physics from Changchun Institute of Optics and Fine Mechanics, the PRC, in 1983. Mr. Mei also obtained a Master's Degree in automation from Beijing Aeronautical and Astronautical Institute, the PRC, in 1989. After graduation, Mr. Mei worked for the Ministry of Aviation Industry of the PRC with main research focused on metal fatigues in airplanes and ship fire controls. Thereafter, Mr. Mei worked in Ministry of Coal Industry of the PRC, and was primarily responsible for gas locking system for ventilation and power supply. Until 1993, Mr. Mei had worked in 13 different Mining Bureaus in the PRC including but not limited to Datong, Pingdingshan, and Huanan and was mainly responsible for the ventilation and safety management controls in mines. Mr. Mei also worked for Intel (China) Co. Ltd. during 1993 to 1995 and was responsible for the application of computer operating systems. Between 1995 and 2009, Mr. Mei worked as a ventilation and safety engineer for the Jinhuagong Coal Mine of Datong Mining Bureau; the general manager of Beijing Aotianshengye Trading Company Limited whose principal business is zinc and lead trading as well as being a manager for research in zinc lead pyrite processing techniques.

Dr. Yu Heng Xiang (喻亨祥), aged 45, is a professor in Department of Resources and Environmental Engineering in Guilin University of Technology. He holds a Bachelor's Degree in Geology, specialising in Exploration Geochemistry and a Master's Degree in Geology, specialising in Mining Exploration and Survey from Guilin University of Technology and a doctorate in Geology, specialising in Structural Geology from Changsha Institute of Geotectonics, Chinese Academy of Sciences. Dr. Yu joined the Group in April 2008.

Mr. Tsang Chung Sing, Edward (曾松星), aged 59, was the director of business development of the Company for the period from November 2007 to May 2012. Mr. Tsang is the directors of certain subsidiaries of the Company. Prior to joining the Group, Mr. Tsang held senior positions in a number of Hong Kong listed companies. He holds a Bachelor's Degree in Commerce and a Master's Degree in Business Accounting. Mr. Tsang is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Siu Lun (陳肇倫), aged 34, graduated from University of Queensland, Australia, with Bachelor of Commerce and Bachelor of Business (Management). Mr. Chan is currently a member of CPA Australia and Hong Kong Institute of Certified Public Accountants. He is currently a director of a business consultancy firm in Hong Kong and had worked as an auditor with an international accounting firm in prior years. Mr. Chan has over 10 years of experience in business consultancy and financial audit. During the years of professional service, Mr. Chan has involved himself in serving clients from various industries including manufacturing, retailing and natural resources etc. Mr. Chan has been appointed as an independent non-executive Director since July 2011.

Ms. He Qing (何晴), aged 39, obtained her Bachelor Degree of accounting from Shenzhen University and her Degree of Master of Business Administration from Centenary College of New Jersey. Ms. He is a member of the Chinese Institute of Certified Public Accountants and a member of the Association for Chartered Certified Accountants. Ms. He possesses extensive experience in accounting, corporate finance as well as financial management in the senior management level. She is currently a Senior Vice President of a private offered fund and had worked as an independent non-executive director of Shenzhen Universe (Group) Co., Ltd, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000023) of the PRC, from June 2008 to June 2011.

SENIOR MANAGEMENT

Ms. Liu Yaling, Irene (劉亞玲), aged 41, is the general manager of the Company. Ms. Liu graduated from the Ocean University of Qingdao with a Bachelor's Degree in Ecology and a Master's Degree in Accounting from California State University, LA, USA. Ms. Liu is a member of the Chinese Institute of Certified Public Accountants. Prior to joining the Group as financial controller in November 2009, Ms. Liu was a manager of KPMG, Shenzhen, China. Ms. Liu was appointed as financial controller in November 2009 and was redesignated as general manager in June 2012.

Mr. Chan Wai Cheung, Admiral (陳偉璋), aged 40, is the financial controller of the Company. He holds a Bachelor of Arts (Honours) in Accountancy from City University of Hong Kong. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Prior to joining the Group, Mr. Chan has over 10 years of experience in accounting and auditing fields. Mr. Chan joined the Group in June 2012.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

MANAGEMENT TEAM

Mr. Mei Ping (梅平), holds several positions of the Company, including chairman of the Board and executive Director. He graduated with a Master Degree in 1989. He is the elder brother of Mr. Mei Wei, who is a substantial shareholder of the Company.

Mr. Mei Wei (梅偉), aged 50, is the general manager of the mining division. Mr. Mei graduated from Beijing University in 1988 with a Bachelor's Degree in Bio Engineering. After graduation, he worked at the Beijing Biological Immunization Pharmaceutical Centre as an engineer before working in Qinghai Bodi International Limited, a zinc and lead trading company in 1993, as general manager. He began to involve in the international trading of zinc and lead in 1998. He also received training from Standard Bank of London for futures trading in the London Metal Exchange (LME). Shenzhen City First Create Investment Company Limited, a company that he formed in Shenzhen, the PRC, in 2002 began to invest in zinc and lead mines in the PRC. Mr. Mei joined the Group in July 2008.

Dr. Yu Heng Xiang (喻亨祥), Dr. Yu is a professor in Department of Resources and Environmental Engineering in Guilin University of Technology. He holds a Bachelor's Degree in Geology, specialising in Exploration Geochemistry and a Master Degree in Geology, specialising in Mining Exploration and Survey from Guilin University of Technology and a Doctorate in Geology, specialising in Structural Geology from Changsha Institute of Geotectonics, Chinese Academy of Sciences.

MANAGEMENT DISCUSSION AND ANALYSIS

PRC NONFERROUS METAL MARKET INDUSTRY REVIEW

Introduction to Lead and Zinc

Lead is a very corrosion-resistant, dense, ductile and malleable blue-gray metal that has been used for at least 5,000 years. Approximately 80% of the lead produced globally is used for making lead-acid batteries, which can be found in motor vehicles and in emergency systems.

Zinc is a bluish-white, lustrous, diamagnetic metal. Approximately 50% of the zinc produced globally is used for making galvanising steel.

Reserve, Production and Consumption in China

China has ranked among the second largest of the world's lead and zinc reserve whereas Australia is the largest in 2012 according to the data from United States Geological Survey.

Driven by steady and rapid economic development, demand for lead and zinc increases significantly and China becomes the single largest lead and zinc consumption country in the world for almost 10 years according to International Lead and Zinc Study Group ("ILZSG"). However, its output on nonferrous resources cannot meet its demand and thus China has to import from other countries. China is also the world's largest importers of lead and zinc concentrates in recent years. According to the General Administration of Customs of the PRC, total import of lead and zinc concentrates for year 2013 amounted to approximately 1.5 million tonnes (2012: 1.8 million tonnes) and 2.0 million tonnes (2012: 1.9 million tonnes) respectively. The import volume in lead concentrates has reduced as a result of the PRC Government raised its self-sufficiency in nonferrous metals industry by stepping up domestic exploration and overseas acquisitions during the 12th Five-Year Plan.

PRC Government Measures to Stimulate the Nonferrous Metals Industry

With the initiative from the PRC Government to provide greater involvement of nonferrous metal development, according to the development plan for the nonferrous metal industry during "The 12th Five-Year Plan" period (2011-2015), the PRC government would regulate the production level and the combined output of 10 nonferrous metals, which included copper, aluminium, lead and zinc, would be limited to approximately 46 million tonnes by 2015. To cope with this target, the annual growth rate of industrial enterprises have to be exceeded 10% and target annual growth rates of production volumes of lend and zinc are set at 5.2% and 6.9% respectively.

In addition, in order to promote industrial restructuring and upgrade the nonferrous metals industry technology level, this development plan also aims to eliminate backward production capacity and focus on the environmental protection. These are expected to accelerate the development of the industry in the PRC as the corporation will pave the way for a better regulated and healthier Chinese nonferrous metals industry.

MANAGEMENT DISCUSSION AND ANALYSIS

PRC Nonferrous Metals Development in 2013

According to an article issued by the China Nonferrous Metals Industry Association of the PRC, the national output of ten nonferrous metals for this year, including lead and zinc, rose to approximately 40.29 million tonnes, its output growth has increased by approximately 9.9% while compared with last year. The output of lead and zinc climbed to approximately 5.0% to 4.47 million tonnes and approximately 11.1% to 5.30 million tonnes respectively. Total profitability in nonferrous metals industry in the PRC had decreased by approximately 5.9% to approximately RMB207.3 billion as compared with last year.

The decrease in the profitability in nonferrous metals industry was attributed to the following factors: (1) the Gross Domestic Production growth rate in the PRC in 2013 was 7.7%, which is the lowest among with the past 14 years; (2) nonferrous metals industry has been suffering from overcapacity, despite the fact that the PRC government has promoted industrial plan to eliminate backward production capacity; and (3) according to "Lead, Zinc Industrial Pollutants Emission Standards" released by the Ministry of Environmental Protection of the PRC, the environmental protection standard has been enhanced including the restriction on the emission volume. Accordingly, the companies are required to further invest to upgrade its production plant and technology in order to meet with the required standard. These result in the increased production costs as a whole.

Major global economies in 2013 remained weak, as various uncertainties including European sovereign debt crisis, anticipated tapering or gradual withdrawal of the quantitative easing in the US monetary policy and China's economic transformation had undermined the growth of the global economy. It is expected these uncertainties/factors could be continued to have material impact in the international finance markets. Considered the overall economy market condition and the nonferrous metals market, the Group recorded a substantial impairment loss on its cash generating unit, which includes mining rights and property, plant and equipment, for the year.

Nevertheless, with the accelerated industrialisation and urbanisation being taken place in the PRC, natural resources are expected in short supply. In addition, the PRC government continued to implement favourable development plan to uphold the nonferrous metals industry development and adopt various economic policies to substain the economic development in the PRC. It is expected that the outlook for metal prices and supply remains positive, the supply surplus will eventually be turned into a deficit and China will raise its self-sufficiency plan by lowering the import quantities in nonferrous metals in the long run.

MARKET REVIEW

LEAD

Total global supply of lead for this year stood at approximately 10.593 million tonnes whilst total consumption was only approximately 10.615 million tonnes, representing a supply deficit of approximately 22,000 tonnes. During the year 2012, global lead production was approximately 10.617 million tonnes and consumption was approximately 10.553 million tonnes, representing a supply surplus of approximately 64,000 tonnes.

World refined lead supply and usage

	2013	2012
Metal production (tonnes)	**10,593,000**	10,617,000
Metal usage (tonnes)	**10,615,000**	10,553,000
(Deficit)/Surplus (tonnes)	**(22,000)**	64,000

Source: ILZSG

MANAGEMENT DISCUSSION AND ANALYSIS

There was no material fluctuation in global refined lead metal production and consumption as compared with last corresponding period. In accordance with ILZSG forecasts, global demand for refined lead metal is expected to rise to 11.51 million tonnes in 2014. The supply for refined lead metal is expected to rise to 11.48 million tonnes in 2014. As a consequence, it is anticipated that there should not have any material deficit/surplus between the usage and consumption in 2014.

ZINC

Total global supply of zinc was approximately 13.138 million tonnes for this year whilst total consumption was approximately 13.198 million, representing a deficit of approximately 60,000 tonnes. During the year 2012, global zinc production was approximately 12.660 million tonnes and consumption was approximately 12.395 million tonnes, representing a supply surplus of approximately 265,000 tonnes.

World refined zinc supply and usage

	2013	2012
Metal production (tonnes)	**13,138,000**	12,660,000
Metal usage (tonnes)	**13,198,000**	12,395,000
(Deficit)/Surplus (tonnes)	**(60,000)**	265,000

Source: ILZSG

After six successive years in which the zinc market had been in supply surplus, global usage of refined zinc metal exceeded output by 60,000 tonnes. The primary influence on a rise was mainly attributable to the increased consumption and production in China. In addition, the usage in the United States rose by 4.6% and in India by 12.2%.

OUTLOOK

Capitalising on the PRC Government stimulus measures and soar in the capital investment and profitability in the nonferrous metals industry, the Group will continue to explore investment opportunities in the PRC mining industry in order to establish its position as one of the industry leaders in lead and zinc mining in the PRC. With the expertise and experience of our management team, the Group believes it has the ability to produce even better results in years to come.

MANAGEMENT DISCUSSION AND ANALYSIS

INFORMATION ON THE MINE

The mine of the Group is located in Wulatezhong Qi, an autonomous region in Inner Mongolia of the PRC with an aggregate mining area of 1.1014 km^2 (the "Mine"). The exploration activities on the Mine are mainly exploration of nonferrous metals of zinc, lead and sulphur resources.

A resource verification on the Mine has been conducted by No. 5 Geology Institute in December 2008 and the verification report was submitted by Jiashengpan, the results of which are set out below:

Category under Chinese standard	**Zinc resources contained metals (approximate '000 tonnes)**	**Lead resources contained metals (approximate '000 tonnes)**	**Sulphur resources (approximate '000 tonnes)**
112b	302.20	42.68	13,300
333	554.90	68.16	20,696
Total as at 31 December 2008	**857.10**	**110.84**	**33,996**
Less: Total output from 2009 to 2013	(72.55)	(8.00)	(182)
Total as at 1 January 2014	784.55	102.84	33,814

The data above present the zinc, lead and sulphur resources in metal tonnes which represent the estimated quantities in various nonferrous concentrates after processing.

Major assumptions of the above table:

The resource statements above are not in compliance with Joint Ore Reserves Committee ("JORC") Code for the reporting of mineral resources and/or ore reserves. The resources presented in the above table are all inside the mining lease, however it is believed that the resources may also include some tonnes below the depth boundary and it is based on the detailed analysis on resource maps obtained from the Group's internal records.

MANAGEMENT DISCUSSION AND ANALYSIS

The following is a list of main resource parameters used for resources estimates as extracted from the verification report which was conducted by No. 5 Geology Institute of above table:

- Average grades: weighted average for exploration engineering line; weighted average for ore-block and ore-body;
- Ore densities: 3.39 tonnes per cubic metre (t/m^3) for the main block, and 3.75 t/m^3 for the west block;
- Areas of blocks were defined on vertical cross section maps and/or longitudinal projection maps along the exploration line, and calculated using standard formula showing as triangle, trapezoidal, and rectangular shapes.
- Volume of blocks was calculated by using standard formula for various shapes. For example, when two sectional areas are shown and (SI-S2)/SI×l00 < 40%, the block volume: V = (S1+S2)/2×H, Here S1 and S2 are the areas of the blocks; and H is vertical distance between two sectional areas.
- Resources of mineralised bodies were estimated using the standard formula: Q = V×d, where Q, V and d are the resource tonnes, volumes, and densities, respectively.

FINANCIAL REVIEW

Revenue and gross profit margin of the Group are analysed as follows:

	2013				2012			
	Revenue *RMB'000*	Cost of sales *RMB'000*	Gross profit *RMB'000*	Gross profit %	Revenue *RMB'000*	Cost of sales *RMB'000*	Gross profit *RMB'000*	Gross profit %
Nonferrous metal mining	**155,846**	**(145,805)**	**10,041**	**6.4%**	151,605	(125,468)	26,137	17.2%
Metal trading	**224,350**	**(223,601)**	**749**	**0.3%**	182,914	(178,338)	4,576	2.5%
Indent trading/service income	**3,087**	**–**	**3,087**	**100.0%**	5,131	–	5,131	100.0%
Total	**383,283**	**(369,406)**	**13,877**	**3.6%**	339,650	(303,806)	35,844	10.6%

* Intra-group transfer pricing impact has been eliminated for comparative purpose.

REVENUE

Looking back to the year of 2013, total revenue increased by approximate 12.8% to approximately RMB383.3 million. The increase was mainly attributable to the improvement in revenue generated from metal trading business of RMB224.3 million (2012: RMB182.9 million) and nonferrous metal mining of RMB155.8 million (2012: RMB151.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS

MINING

Revenue from mining activities of Jiashengpan, a principal subsidiary of the Group, has been affected by a downward trend pricing pressure as a result of the uncertainties surrounding the global economy. For the year ended 31 December 2013, Jiashengpan has increased its sales quantities to setoff the impact on the selling prices. Revenue generated from sales of nonferrous metal products amounted to approximately RMB155.8 million, representing an increase of approximately 2.8% as compared with last year. Approximately 6.4% gross profit margin was recorded for the year ended 31 December 2013 representing a decrease of approximately 10.8 percentage points as compared with last year. Revenue generated from sales of tailing mine amounted to approximately RMB9.1 million (2012: RMB14.9 million) as a result of drop in the selling price of RMB125.6 per tonne (2012: 227.5 per tonne). Overall, zinc concentrates accounted for approximately 85% of the mining sector's revenue (2012: 71%) and as such its fluctuation had materially affected the Group's performance in 2013.

METAL TRADING

Total revenue generated from trading activities amounted to approximately RMB224.3 million for the year (2012: RMB182.9 million) representing an increase of approximately RMB41.4 million or 22.7% over the last year. Gross profit margin on metal trading has been deteriorated from approximately 2.5% to 0.3% when compared to last year. To remain competitive, the Group has adopted a slim margin strategy in respect of its metal trading business.

INDENT TRADING/SERVICE INCOME

The indent trading generated approximately RMB3.1 million profit (2012: RMB5.1 million). The management of the Company is cautioned to evaluate the credit risk in indent trading and the benefits it produces. This business activity might to be discontinued if the risk outweigh the profit generated or investment opportunities have been identified.

The followings are the sales volume and average selling prices for each of our mining products and trading business in respect of the years ended 31 December 2013 and 2012:

	2013			2012		
	Sales volume *(tonne)*	**Selling price *(RMB/tonne)***	**Total revenue *(RMB'000)***	Sales volume *(tonne)*	Selling price *(RMB/tonne)*	Total revenue *(RMB'000)*
Zinc concentrates	**18,046**	**7,664.5**	**138,313**	13,152	8,759.6	115,206
Lead concentrates, crude lead and lead ingots	**2,542**	**11,297.8**	**28,719**	2,983	11,797.5	35,192
Sulphuric acid	**45,493**	**105.3**	**4,789**	41,451	206.7	8,568
Silver	**2.08**	**5,093,750**	**10,595**	1.825	5,039,452	9,197
Associated gold metal (gram)	**3,778**	**312.8**	**1,182**	2,537	313.3	795
Copper concentrates or copper cathode	**4,222**	**44,418.9**	**187,537**	2,143	55,001.4	117,868
Tailing mine	**72,112**	**125.65**	**9,061**	65,620	227.52	14,930
Nick Cathodes	**–**	**–**	**–**	331	98,981.8	32,763
Indent trading/service income	**–**	**–**	**3,087**	–	–	5,131
			383,283			339,650

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL INFORMATION BY ORDINARY COURSE OF BUSINESS

The Company is engaged in three ordinary courses of business – nonferrous metal mining, nonferrous metal trading and metal commodity futures contracts, reflecting the structure used by the Company's management to assess the performance of the Group.

	Year ended 31 December 2013				
	Mining *RMB'000*	Metal trading *RMB'000*	Metal commodity futures *RMB'000*	Unallocated corporate income and expenses *RMB'000*	Total *RMB'000*
Revenue	155,846	227,437	–	–	383,283
Changes in fair value of derivative financial instruments	–	–	3,984	–	3,984
Cost of sales	(145,805)	(223,601)	–	–	(369,406)
Gross profit	10,041	3,836	3,984	–	17,861
Other income	3,667	6,650	–	278	10,595
Selling and distribution costs	(3,157)	(1,206)	–	–	(4,363)
Administrative expenses	(30,527)	(1,328)	(2,318)	(10,252)	(44,425)
Equity-settled share options expenses	–	–	–	(1,134)	(1,134)
Finance costs	(16,519)	(2,367)	(62)	(27,155)	(46,103)
Impairment losses	(261,000)	–	–	–	(261,000)
Profit/(loss) before income tax	(297,495)	5,585	1,604	(38,263)	(328,569)

ADDENDUM TO BUSINESS AND FINANCIAL REVIEW

For the year ended 31 December 2013, overall revenue of the Group was approximately RMB383.3 million and the trade and note receivables as at 31 December 2013 was approximately RMB182.0 million, as such accounts receivable turnover was approximately 173 days. Long turnover days was mainly caused by the indent trading activity during the year. According to paragraph 21 in the appendix of International Accounting Standard 18 "Revenue", as the Group acted as an agent, the net receivable in return for services performed was recognised as revenue instead of the gross invoiced amount. In this regard, only the gross profit of approximately RMB3.1 million instead of the gross invoiced amount of approximately RMB355.8 million from the indent trading activity was recognised as revenue in the consolidated income statement. However, the gross amount was recorded in the trade receivable balance. As such, the Directors are of the view that the significant amount in the trade receivables but comparatively lower in revenue is a matter of accounting treatment. Subsequent to the 2013 year end date and up to 26 March 2014, trade and note receivables of RMB165.8 million as at 31 December 2013 has been settled. The remaining outstanding amount of RMB16.2 million is still within the credit period.

OTHER INCOME

During the year, other income was approximately RMB10.6 million representing a decrease of approximately RMB2.7 million as compared with approximately RMB13.2 million in 2012. The decrease was mainly attributable to a fall in the Group's compensation income.

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGES IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

It represents the gain or loss arising from the changes in fair value of the metal commodity futures contracts used to hedge against the Group's production and inventories. For the year ended 31 December 2013, the Group recorded a net gain on future contracts of approximately RMB4.0 million (2012: approximately RMB24.1 million). The Group did not enter into any commodity futures contracts unrelated to the business operations during the year (2012: Nil).

The Group continued to take a prudent approach to hedge the inventory position through appropriate nonferrous metal futures contracts during the year. Strict internal policies and procedures are in place to ensure the position is regularly reviewed and that the Group is not exposed to undue market risk and the management is not allowed in entering into any commodity futures contract for speculation purposes.

OPERATING EXPENSES

Selling and distribution costs for the year amounted to approximately RMB4.4 million, as compared to approximately RMB8.3 million reported last year. The decrease was mainly due to the transportation cost which was beared by the Group before. Following the disposal of a trading company, this cost was transferred to the customers.

Administrative expenses for the year increased to approximately RMB44.4 million, as compared to approximately RMB38.6 million reported last year. The increase was in tandem with the increased turnover of the Group.

Impairment losses represented impairment losses recognised for the Group's cash generating unit, which includes intangible assets and property, plant and equipment, totalling RMB261.0 million due to the adverse business environment of the nonferrous metals market during the year ended 31 December 2013 (2012: impairment losses on trade and other receivables amounted to approximately RMB8.5 million).

FINANCE COSTS

Finance costs for the year ended 31 December 2013 amounted to approximately RMB46.1 million representing an increase of approximately RMB17.4 million (2012: RMB28.7 million) as a result of a total of RMB195.0 million loans being raised during the year ended 31 December 2013.

Finance costs amounted to approximately RMB3.1 million had been capitalised as additions to construction in progress for the year ended 31 December 2012.

LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company for the year ended 31 December 2013 was approximately RMB259.1 million (2012: RMB17.3 million).

The loss was attributable to the decrease in the gain on metal commodity futures contracts, adverse nonferrous market conditions which lower the selling prices of zinc and lead concentrates and impairment losses on intangible assets and property, plant and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by its principal bankers in the PRC. The Group maintains a strong financial position. As at 31 December 2013, the total equity attributable to owners of the Company was approximately RMB1,094.7 million (2012: RMB1,309.3 million). The Group's cash and bank balances (including pledged bank deposits) stood at RMB221.0 million (2012: RMB76.4 million) as a result of repayment from the customers. The interest-bearing and other bank borrowings of the Group amounted to RMB195.6 million (2012: RMB76.1 million).

As at 31 December 2013, the total asset value of the Group was approximately RMB2,008.3 million (2012: approximately RMB2,195.7 million). Total liabilities was approximately RMB913.6 million (2012: approximately RMB793.6 million). Gearing ratio of the Group, calculated as total liabilities over total assets was approximately 45.5% (2012: approximately 36.1%).

FOREIGN EXCHANGE EXPOSURE

The Group has bank balances, sales and purchases denominated in foreign currencies which expose the Group to foreign currency risk. The currency risk for those subsidiaries with functional currency in Hong Kong Dollars ("HK$") were mainly attributable to the bank balances and trade and other receivables denominated in United States Dollars ("US$") as at the end of the reporting year. As the exchange rate of HK$ is pegged against US$, the Directors were of the opinion that the currency risk of US$ was insignificant to the Group.

The Group currently 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.

SAFETY PRODUCTION AND ENVIRONMENTAL PROTECTION

The Group has always been paying great attention to production safety and environmental protection while achieving growth in zinc and lead concentrates production. Thus, the Group had put great efforts in promoting safety management and strengthened measures for environmental protection, aiming to build itself into a safety-oriented and environmental-friendly corporation. The Production Safety Permit has been renewed in 2012 and its expiry date is extended to the year 2015.

PLEDGE OF ASSETS

As at 31 December 2013, the Group's mining rights at the net carrying amount of approximately RMB856.8 million (2012: RMB1,062.2 million) were pledged to secure borrowing facilities granted to the Group. The Group's pledged bank deposits of approximately RMB1.1 million were used to pledge to certain note payables of the Group.

CONTINGENT LIABILITIES

As at 31 December 2013 and 2012, there were no guarantees given to any banks or financial institutions by the Group to the parties outside the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE INFORMATION

As at 31 December 2013, the Group had approximately 340 employees. The Group has maintained good relations with its staff and has not experienced any disruption of its operations due to labour disputes. The Group provides fringe benefits in accordance with the relevant laws and regulations of the PRC and Hong Kong including contributions to social security scheme of the PRC and the contributions to the Mandatory Provident Fund Scheme of Hong Kong. The Group remunerates its employees in accordance with their work performance and experience.

Total employees' remuneration incurred for the year ended 31 December 2013 amounted to approximately RMB7.8 million (2012: approximately RMB23.1 million). The Directors received remuneration of approximately RMB0.7 million during the year ended 31 December 2013 (2012: approximately RMB1.2 million).

CORPORATE GOVERNANCE REPORT

The Company applied the principles and complied with all requirements of the new promulgated Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules throughout 2013 with certain deviations in respect of the distinctive roles of chairman and chief executive officer. The following summarises the Company's corporate governance practices and explains deviations, if any, from the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they complied with the required standard of dealings and its code of conduct regarding directors' securities transactions throughout the year ended 31 December 2013.

BOARD OF DIRECTORS

The Board comprises five Directors, of whom three being executive Directors (including the chairman of the Board), and two being independent non-executive Directors. The Directors' profile is set out on pages 9 to 10 of this annual report. The Company has received confirmation from each independent non-executive Director about his/her independence under the GEM Listing Rules and continues to consider each of them to be independent. In accessing the independence of independent non-executive Directors, the Company is satisfied that each independent non-executive Director fulfills the guideline requirements as set out in Rule 5.09 of the GEM Listing Rules.

The Board is responsible for determining the overall strategy and development, overseeing the business operations of the Group, financial reporting, legal and regulatory compliance, risk management, major acquisitions, disposals, capital transactions and approving the annual business plan of the Group whereas day-to-day execution responsibility was delegated to management team of the Company with clear directions by the Board. The Board is also responsible for the establishment of the internal control of the Company; the Board discusses with the management regularly to ensure that internal control is operating effectively. There is no other relationship (including financial, business, family or other material/relevant relationship(s)), among members of the Board.

The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his or her position, and has sufficient experience to hold the position so as to carry out his or her duties effectively and efficiently.

Every newly appointed Director receives a comprehensive and formal induction upon his appointment to ensure that he/she has a proper understanding of operations and business of the Group and is fully aware of responsibilities and obligations of being a Director. The Group provides continuing briefings and professional development to the Directors to update on the latest development in relation to the GEM Listing Rules and other applicable regulatory requirements as well as the Group's business and governance policies.

Appropriate insurance cover on Directors' and officers liabilities has been in forced to protect the Directors' and officers of the Group from their risk exposure arising from the business of the Group.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2013, all Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group including reading materials in relation to regulatory update and/or attending seminars to develop professional skills.

FREQUENCY OF MEETINGS AND ATTENDANCE

Each Director is expected to give sufficient time and attention to the affairs of the Company. The time commitment required of Directors to perform their responsibilities to the Company will be reviewed annually. The attendance record of each of the Directors for the Board and committee meetings held during the year is set out below:

	Number of attendance/Number of meetings			
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. MEI Ping	13/14	N/A	N/A	2/3
Dr. YU Heng Xiang	2/14	N/A	N/A	N/A
Mr. TSANG Chung Sing, Edward	2/2	N/A	N/A	N/A
Independent non-executive Directors				
Mr. CHAN Siu Lun	4/14	3/4	3/3	4/4
Ms. HE Qing	5/11	2/2	1/1	N/A

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company does not have a post of chief executive officer. Mr. Mei Ping is the chairman of the Board and he is responsible to manage day to day business. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly at least four times a year to discuss issues affecting operations of the Company. Also, the balance of power is further ensured by the following reasons:

– Audit committee is composed exclusively of all independent non-executive Directors; and

– The independent non-executive Directors have free and direct access to the Company's external auditor and independent professional advisors when considered necessary.

The Board believes that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Mei Ping, and believes that his appointment to the posts of chairman is beneficial to the business prospects of the Company.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company set up a Remuneration Committee in February 2005. Following the resignation of Mr. Chen Mingzian on 17 March 2014, the Remuneration Committee currently comprises two members who are two independent non-executive Directors, namely Ms. He Qing and Mr. Chan Siu Lun, which fall below the minimum requirement of Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules. The Company is endeavouring to identify suitable candidate to fill the vacancy within three months from 17 March 2014. The responsibility of the Remuneration Committee is to formulate transparent procedures for development of remuneration policies and packages for key executives. The terms of reference of the Remuneration Committee are in compliance with GEM Listing Rules.

The Remuneration Committee consults the chairman of the Board about their proposals relating to the remuneration policies and packages of key executives. During the year under review, meetings were held for approving the remuneration packages of the senior management of the Company and considering and reviewing the remuneration and terms of service contracts of the executive Directors of the Company.

NOMINATION COMMITTEE

The Company set up the Nomination Committee in March 2005. Following the resignation of Mr. Chen Mingxian on 17 March 2014, the Nomination Committee currently comprises Mr. Mei Ping and Mr. Chan Siu Lun, which fall below the minimum requirement of Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules. The Company is endeavouring to identify suitable candidate to fill the vacancy within three months from 17 March 2014.

The responsibilities and authorities of the Nomination Committee are clearly stated in the terms of reference of the Nomination Committee, including but not limited to reviewing the structure, size and composition of the Board, making recommendations to the Board on relevant matters relating to the appointment of Directors and accessing the independence of independent non-executive Directors. The terms of reference of the Nomination Committee are in compliance with the GEM Listing Rules.

The Board has adopted a board diversity policy with effect from 29 August 2013 and its aims to set out the approach to achieve diversity on the Board.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Nomination Committee discusses and agrees annually measurable objectives for implementing diversity on the Board and recommend them to the Board for adoption. Selection of candidates is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

During the year, the Board achieved the above measurable objectives by which the Board had included both male and female candidates with working experience in other industries in the selection of independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company set up an Audit Committee in February 2005 with the responsibility of reviewing and providing supervision over the Group's financial reporting process and internal controls, as well as making recommendations to the Board for appointment and removal of external auditor. Following the resignation of Mr. Chen Mingxian on 17 March 2014, the Audit Committee currently comprises two members who are all independent non-executive Directors, namely Mr. Chan Siu Lun (who is the chairman of the Audit Committee) and Ms. He Qing, which fall below the minimum requirement of Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules. The Company is endeavouring to identify suitable candidate to fill the vacancy within three months from 17 March 2014. All independent non-executive Directors have confirmed their independence pursuant to Rule 5.09 of the GEM Listing Rules.

The Group's 2013 quarterly, interim and annual reports have been reviewed by the Audit Committee which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

INTERNAL CONTROL

An effective internal control system is very important for the protection of the Group's assets and shareholders' investments, ensuring the reliability of financial information announcements and compliance with the GEM Listing Rules. The Board is also aware of and acknowledge its responsibility towards the Group's internal control, financial control and risk management, and its responsibility of supervising the efficiency from time to time.

The Internal Audit Team of the Group carried out reviews and submitted report on the internal control system of the Group as well as the accounting workforce of the Group during the year in order to review the effectiveness of the internal control system. The scope of the review covered all important aspects of the internal control, including the controls in finance, operations, compliance and risk management of the subsidiaries on a rotational basis. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

In addition, the Board will continuously closely monitor the transactions with related parties with due care, and if necessary seek prior professional advice before entering into any legally-binding agreements, so as to ensure compliance with all relevant regulations in this regard.

AUDITOR'S REMUNERATION

Currently, the Company's external auditor is BDO Limited. For the year ended 31 December 2013, the remuneration paid and payable to the auditor of the Company for provision of audit services were approximately RMB678,000 and approximately RMB150,000 was paid and payable to the auditor, BDO Limited for provision of non-audit services. The Audit Committee approved the appointment of BDO Limited as auditor, which the Board fully concurred with such approval of the Audit Committee.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial period and to ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statements of the auditor of the Company regarding their responsibilities on the financial statements are set out in the Independent Auditor's Report on pages 37 to 38 of this annual report.

COMPANY SECRETARY

Mr. Li Chi Chung, Michael of Michael Li & Co., external service provider, has been engaged by the Company as its company secretary. During the year ended 31 December 2013, Mr. Li has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene a special general meeting and putting forward proposals at shareholders' meeting

Pursuant to the bye-law of the Company, any one or more member(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company by mail at Suites 1704-05, 17/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquires may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at Suites 1704-05, 17/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive officer of the Company.

There has not been any significant change in the Company's constitutional documents during the year ended 31 December 2013.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

The Board recognises the importance of maintaining a clear, timely and effective communication with the shareholders and investors of the Company. The Board also recognises that effective communication with its investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the shareholders and investors of the Company will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, quarterly reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at http://www.cnm.com.hk. Members of the Board and chairman of various board committees will attend the forthcoming annual general meeting of the Company (the "AGM") to answer questions raised by the shareholders of the Company. The resolutions of every important proposal will be proposed at general meetings separately.

Voting at general meetings of the Company is conducted by way of poll in accordance with the GEM Listing Rules. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company, respectively. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications.

Three special general meetings were held during the year. On 19 June 2013 at 3:00 p.m. at the Company's registered office in connection with the resolutions of the share consolidation of every five shares of HK$0.0004 each in the issued and unissued capital of the Company into one consolidated share of HK$0.002 each.

On 24 July 2013 at 3:00 p.m. at the Company's registered office in connection with the acquisition of 40% of Ever Champion Holdings Limited.

On 9 August 2013 at 3:00 p.m. at the Company's registered office in connection with the disposal of the entire registered and paid-up capital in 深圳市銀池科技有限公司.

All the aforesaid resolutions were duly passed by way of poll and all these transactions were completed during the year.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated income statement on page 39 of the annual report.

DIVIDENDS

The Directors do not recommend the payment of a dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 31 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the Consolidated Statement of Changes in Equity on pages 45 to 46 of this annual report and in note 34 to the financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2013, the Company had no distributable reserves as required in accordance with the Companies Act 1981 of Bermuda.

DIRECTORS' REPORT

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

EXECUTIVE DIRECTORS:

Mr. Mei Ping
Dr. Yu Heng Xiang
Mr. Tsang Chung Sing, Edward *(appointed on 22 August 2013)*
Ms. Xie Yi Ping *(retired on 3 May 2013)*
Mr. Ng Tang *(retired on 3 May 2013)*
Mr. Kang Hongbo *(resigned on 22 August 2013)*
Ms. Han Qiong *(resigned on 22 August 2013)*

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Chan Siu Lun
Ms. He Qing *(appointed on 13 May 2013)*
Mr. Chen Mingxian *(resigned on 17 March 2014)*
Mr. Liu Yaosheng *(resigned on 13 May 2013)*

In accordance with bye-law clause 87 of the Company's bye-laws, Mr. Mei Ping, Mr. Tsang Chung Sing, Edward, Ms. He Qing and Mr. Chan Siu Lun will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' PROFILE

The Directors' profile is set out on pages 9 to 10 of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

The term of office of Dr. Yu, Mr. Mei and Mr. Tsang are not specific. Mr. Chan and Ms. He are appointed for a term of two years with specific terms in the letter of appointment and their appointment are renewable for successive terms of one year automatically upon expiry. All Directors are subject to re-election requirements under the Company's bye-laws.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of the Hong Kong Special Administrative Region (the "SFO")), which were (a) 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 and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in the shares of the Company (the "Shares")

(A) ORDINARY SHARES OF HK$0.002 EACH OF THE COMPANY

Name of Director	Capacity	Number of Shares	Percentage of shareholding (%)
He Qing	Interest of spouse	2,000,000	0.11

Note: Ms. He Qing was deemed to be interested in 2,000,000 Shares which were held by Mr. Liu Ying, her spouse, under the SFO.

(B) SHARE OPTIONS

As at 31 December 2013, save as disclosed herein, none of the Directors or chief executive of the Company had any interests and short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (a) 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 and short positions which they are taken or deemed to have under such provisions of the SFO); and (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred in Rules 5.46 to 5.67 of the GEM Listing Rules.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 16 February 2005. A summary of the principal terms and conditions of the share option scheme is set out in note 32 to the financial statements. Up to 31 December 2013, 109,642,000 options have been granted and remained outstanding under such share option scheme.

DIRECTORS' REPORT

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the options disclosed above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements which enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the financial statements, no contract of significance, to which the Company, or any of its 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.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed, at no time during the year had the Company or any of its subsidiaries, and the controlling shareholder or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, so far as the Directors were aware, the following persons or companies (other than the Directors or chief executive of the Company) had an interest or short position in the shares, underlying shares and debentures of the Company which were discloseable under Divisions 2 and 3 Part XV of the SFO and recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or otherwise notified to the Company as follows:

Name of shareholders	**Type of interests**	**Position**	**Number of Shares**	**Approximate percentage of interests**
Ruffy Investments Limited ("Ruffy") *(Note 1)*	Beneficial owner	Long	1,371,544,609	78.32%
	Beneficial owner	Short	70,000,000	4.00%
Mr. Mei Wei *(Notes 1 & 2)*	Interest in controlled corporation	Long	1,371,544,609	78.32%
	Beneficial owner	Long	83,912,000	4.79%
			1,455,456,609	83.11%
	Interest in controlled corporation	Short	70,000,000	4.00%

DIRECTORS' REPORT

Notes:

1. These shares and underlying shares of the Company comprise of 1,033,091,706 Shares and HK$372,298,194 of outstanding principal amount of convertible bonds which can be convertible into 338,452,903 Shares, were held by Ruffy, which is wholly-owned by Mr. Mei Wei. Mr. Mei Wei was deemed to be interested in these Shares and the underlying Shares under the SFO. Among the Shares owned by Ruffy, 125,324,850 Shares and HK$370,957,666 of outstanding principal amount of convertible bonds have been pledged by Ruffy to CCB International Group Holdings Limited, 893,167,054 Shares have been pledged by Ruffy to Xinxing Pipes (Hong Kong) Co. Limited.

   On 13 March 2012, Ruffy issued 350,000,000 warrants to Merry Intake Limited, a wholly-owned subsidiary of CCB International Group Holdings Limited, conferring rights to subscribe for 350,000,000 shares of the Company of HK$0.0004 each at the initial exercise price of HK$0.12 per share. Pursuant to supplemental deed dated 31 December 2012, the aforesaid exercise price has been adjusted to HK$0.08 per share. The total number of warrants and the exercise price have been adjusted to 70,000,000 and HK$0.40 per Share respectively as a result of every five shares of the Company of HK$0.0004 each have been consolidated into one Share of HK$0.002 each, which is effective on 20 June 2013.

2. These shares and underlying shares of the Company, comprise of 11,210,000 Shares and 72,702,000 share options, were beneficially held by Mr. Mei Wei.

Save as disclosed herein, so far as known to any Director or chief executive of the Company, no other person (other than the Directors and chief executive of the Company) had any interest and short positions in the shares, underlying shares and debentures of the Company which were discloseable under Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2013.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 49.7% of the total purchases of the Group and the largest supplier accounted for approximately 15.1% of the total purchases of the Group. The aggregate sales attributable to the Group's five largest customers during the year accounted for approximately 74.4% of the total sales of the Group while sales to the largest customer accounted for approximately 21.7%.

So far as is known to the Directors, none of the Directors, their associates or substantial shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the share capital of any of the five largest customers and suppliers of the Group.

DIRECTORS' REPORT

RELATIONSHIP BETWEEN THE GROUP AND EACH OF THE RELEVANT CONNECTED PERSONS

Ruffy is a company incorporated in the British Virgin Islands whose entire issued share capital is solely and beneficially owned by Mr. Mei Wei, a substantial shareholder of the Company.

深圳市冠欣投資有限公司 and 深圳冠欣礦業集團有限公司 (collectively referred as "First Create Group") were companies established under the laws of the PRC with limited liability. Mr. Mei Ping, an executive Director, and Mr. Mei Wei beneficially owned more than 30% equity interest in First Create Group respectively. Mr. Mei Ping and Mr. Mei Wei have directorship in First Create Group. First Create Group is a connected person to the Company under the GEM Listing Rules.

As far as the transactions set out in note 37 to the financial statements under the heading of "Related Party Transactions" are concerned, the transactions relating to the sale of zinc and lead products to First Create Group as set out in note (a) were continuing connected transactions which had been approved by the independent shareholders of the Company for the year ended 31 December 2012. The transaction as set out in note (b) was the remuneration of key management as determined pursuant to the service contracts entered into between the key management (including Directors) of the Group and the securities issued and to be issued upon exercise of options granted to the Directors under the share option scheme of the Company were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the GEM Listing Rules. The transactions as set out in notes (c) and (d) were exempted from the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

Save as disclosed herein and elsewhere in the financial statements, (i) there were no other transactions which need to be disclosed as connected or continuing connected transactions in accordance with the requirements of the GEM Listing Rules; and (ii) no contracts of significance to which Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT

DIRECTORS/CONTROLLING SHAREHOLDER INTERESTS IN COMPETING BUSINESSES

During the year and at the date of this report, the following Director(s) and controlling shareholder is/are considered to have interests in the businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the GEM Listing Rules.

Mr. Mei Ping held shareholding or directorship in First Create Group which, including its subsidiaries and associated companies, is engaged in the mining and trading business. Mr. Mei Wei also has beneficial interest and directorship in First Create Group. However, the Directors do not consider the interests/directorship held by Mr. Mei Ping and Mr. Mei Wei to be competing in practice with the relevant businesses of the Group in view of:

(1) Different target customers: trading business of First Create Group is overseas focus while over 99% turnover in the Group is local business; and

(2) Trading volume in First Create Group is significantly higher than the Group.

In addition, the Board is independent from the board of directors of the aforesaid companies as Mr. Mei Ping cannot personally control the Board. Further, Mr. Mei is fully aware of, and has been discharging, his fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and its shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from the business of such companies.

Mr. Mei Wei also held shareholding interests and/or directorship in companies engaged in the mining and processing of mineral resources. However, the Directors do not consider the interest held will create any competing in practice with the relevant businesses of the Group as the mineral resources explored are not mainly zinc and lead concentrates oriented or the mining sites activities are inactive.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Company on the basis of their merit, qualifications and competence. The emoluments of the Directors and senior management are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 32 to the financial statements.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Company has complied with the CG Code as contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2013 which are explained in the relevant paragraphs.

A report on the principal corporate governance practices adopted by the Company is set out on pages 22 to 27 of this annual report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The Company set up an audit committee on 16 February 2005 with written terms of reference in compliance with the GEM Listing Rules. The authority and duties of the audit committee are based on the guidelines set out in "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The audit committee provides a link between the Board and the Company's auditor in matter coming within the scope of the Group audit. It also reviews and supervises the financial reporting process and internal control procedures of the Group. The members of the audit committee comprises two independent non-executive Directors, namely Mr. Chan Siu Lun and Ms. He Qing.

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the amount of sufficient public float as required under Rule 11.23 of the GEM Listing Rules throughout 2013.

MATERIAL ACQUISITION AND DISPOSAL

In July 2013, the Group's beneficial shareholding in Jiashengpan has been increased from 90% to 100%. In August 2013, the disposals of 深圳市銀池科技有限公司 and 青海鈺洋商貿有限公司 have been completed and both companies ceased to be subsidiaries of the Company. Save as disclosed, no material acquisitions or disposals of subsidiaries and associated companies have been made by the Company during the year ended 31 December 2013.

DIRECTORS' REPORT

AUDITOR

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

On behalf of the Board
China Nonferrous Metals Company Limited

Mei Ping
Chairman

Hong Kong, 26 March 2014

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF CHINA NONFERROUS METALS COMPANY LIMITED
中國有色金屬有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Nonferrous Metals Company Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 39 to 120, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity 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 International Financial Reporting Standards 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 section 90 of the Bermuda Companies Act 1981, 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.

INDEPENDENT AUDITOR'S REPORT

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of the Group's loss and cash flows for the year then ended in accordance with International 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
Lo Ngai Hang
Practising Certificate Number P04743

Hong Kong, 26 March 2014

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Revenue	5	**383,283**	339,650
Cost of sales		**(369,406)**	(303,806)
Gross profit		**13,877**	35,844
Other income	5	**10,595**	13,248
Changes in fair value of derivative financial instruments		**3,984**	24,100
Selling and distribution costs		**(4,363)**	(8,276)
Administrative expenses		**(44,425)**	(38,652)
Equity-settled share options expenses		**(1,134)**	(3,057)
Impairment losses		**(261,000)**	(8,505)
(Loss)/Profit from operations	7	**(282,466)**	14,702
Finance costs	8	**(46,103)**	(28,745)
Loss before income tax		**(328,569)**	(14,043)
Income tax credit/(expense)	9	**67,785**	(3,088)
Loss for the year		**(260,784)**	(17,131)
Attributable to:			
Owners of the Company		**(259,140)**	(17,322)
Non-controlling interests		**(1,644)**	191
Loss for the year		**(260,784)**	(17,131)
			(Restated)
Losses per share	12		
Basic and diluted		**(14.80) cents**	(1.60) cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
Loss for the year	**(260,784)**	(17,131)
Other comprehensive income, after tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**353**	(1,191)
Total other comprehensive income for the year, net of tax	**353**	(1,191)
Total comprehensive income for the year	**(260,431)**	(18,322)
Attributable to:		
Owners of the Company	**(258,787)**	(18,513)
Non-controlling interests	**(1,644)**	191
	(260,431)	(18,322)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**279,465**	342,192
Intangible assets	15	**856,807**	1,062,213
Prepaid land lease payments	16	**1,881**	1,923
Deposits	18	**4,616**	56,376
Deferred tax assets	30	**16,564**	251
		1,159,333	1,462,955
Current assets			
Inventories	19	**59,801**	82,904
Prepaid land lease payments	16	**42**	42
Trade and note receivables	20	**182,007**	214,963
Other receivables, deposits and prepayments	21	**384,382**	252,509
Financial assets at fair value through profit or loss	28	**1,261**	997
Amounts due from related companies	22	**482**	104,939
Pledged bank deposits	23	**1,138**	–
Cash and bank balances	23	**219,849**	76,427
		848,962	732,781
Current liabilities			
Trade and note payables	24	**100,196**	43,413
Other payables and accrued charges	25	**59,451**	75,770
Amounts due to related companies	26	**1,581**	1,425
Financial liabilities at fair value through profit or loss	28	**298**	646
Borrowings	27	**45,355**	75,437
Provision for tax		**81,586**	82,575
		288,467	279,266
Net current assets		**560,495**	453,515
Total assets less current liabilities		**1,719,828**	1,916,470

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current liabilities			
Borrowings	27	**150,266**	634
Convertible bonds	29	**270,678**	258,036
Deferred tax liabilities	30	**204,230**	255,702
		625,174	514,372
Net assets		**1,094,654**	1,402,098
EQUITY			
Equity attributable to owners of the Company			
Share capital	31	**3,107**	3,107
Reserves		**1,091,547**	1,306,147
		1,094,654	1,309,254
Non-controlling interests		**–**	92,844
Total equity		**1,094,654**	1,402,098

On behalf of the Board

Mei Ping **Tsang Chung Sing, Edward**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	**2013** **RMB'000**	2012 RMB'000
Cash flows from operating activities			
Loss before income tax		**(328,569)**	(14,043)
Adjustments for:			
Finance costs	8	**46,103**	28,745
Interest income	5	**(114)**	(49)
Equity-settled share options expenses		**1,134**	3,057
Depreciation of property, plant and equipment	7	**17,133**	17,795
Amortisation of prepaid land lease payments	7	**42**	42
Amortisation of mining rights	7	**9,656**	15,557
Impairment of trade receivables	7	**–**	6,640
Impairment of other receivables	7	**–**	1,865
Impairment of property, plant and equipment	7	**65,250**	–
Impairment of intangible assets	7	**195,750**	–
Gain on disposal of subsidiaries	5	**(190)**	–
Operating profit before working capital changes		**6,195**	59,609
Decrease/(Increase) in inventories		**23,103**	(16,086)
Decrease/(Increase) in trade and note receivables		**29,988**	(155,779)
(Increase)/Decrease in other receivables, deposits and prepayments		**(295,724)**	37,491
Decrease in amounts due from related companies		**–**	23,839
Increase in trade and note payables		**56,783**	3,683
Increase/(Decrease) in other payables and accrued charges		**127,745**	(32,017)
Increase in amounts due to related companies		**156**	549
Changes in derivative financial instruments		**(612)**	(3,116)
Cash used in operations		**(52,366)**	(81,827)
Income tax paid		**(200)**	(7,148)
Net cash used in operating activities		**(52,566)**	(88,975)
Cash flows from investing activities			
Deposits paid for acquisition of property, plant and equipment		**–**	(4,616)
Purchase of property, plant and equipment		**(19,941)**	(1,701)
Refund of deposit in respect of acquiring a subsidiary		**51,760**	–
Net outflow of cash and cash equivalents in respect of disposal of subsidiaries	35	**(7,108)**	–
Interest received		**114**	49
(Increase)/Decrease in pledged bank deposits		**(1,138)**	2,350
Decrease in amount due from related companies		**80,945**	19,150
Net cash generated from investing activities		**104,632**	15,232

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	**2013** **RMB'000**	2012 RMB'000
Cash flows from financing activities			
Issue of new shares	31	**–**	241,170
Share issue expenses		**–**	(1,513)
Redemption of convertible bonds		**–**	(12,162)
New bank and other borrowings raised		**195,000**	30,000
Repayment of bank and other borrowings		**(30,000)**	(64,000)
Interest paid on bank and other borrowings		**(18,886)**	(6,021)
Interest paid on convertible bonds		**(250)**	(838)
Interest paid on finance lease liabilities		**(62)**	(66)
Capital element on finance lease liabilities		**(450)**	(465)
Net cash outflow of purchase of non-controlling equity interests in a subsidiary		**(48,147)**	(42,607)
Net cash generated from financing activities		**97,205**	143,498
Net increase in cash and cash equivalents		**149,271**	69,755
Cash and cash equivalents at beginning of year		**76,427**	10,016
Effect of foreign exchange, net		**(5,849)**	(3,344)
Cash and cash equivalents at end of year		**219,849**	76,427

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Warrant reserve (note 34(a)(ii)) RMB'000	Capital redemption reserve RMB'000	Translation reserve RMB'000	Specific reserve RMB'000	Other reserve RMB'000	Share option reserve RMB'000	Convertible bonds equity reserve (note 29) RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2013	3,107	970,169	-	6	(13,997)	4,264	(20,560)	53,084	118,673	194,508	1,309,254	92,844	1,402,098
Purchase of non-controlling interests in a subsidiary	-	-	-	-	-	-	43,053	-	-	-	43,053	(91,200)	(48,147)
Equity-settled share option arrangements	-	-	-	-	-	-	-	1,134	-	-	1,134	-	1,134
Transactions with owners	-	-	-	-	-	-	43,053	1,134	-	-	44,187	(91,200)	(47,013)
Loss for the year	-	-	-	-	-	-	-	-	-	(259,140)	(259,140)	(1,644)	(260,784)
Other comprehensive income													
Currency translation	-	-	-	-	353	-	-	-	-	-	353	-	353
Total comprehensive income for the year	-	-	-	-	353	-	-	-	-	(259,140)	(258,787)	(1,644)	(260,431)
Disposal of subsidiaries	-	-	-	-	-	-	(6,964)	-	-	6,964	-	-	-
Lapse of share options	-	-	-	-	-	-	-	(3,435)	-	3,435	-	-	-
At 31 December 2013	3,107	970,169	-	6	(13,644)	4,264	15,529	50,783	118,673	(54,233)	1,094,654	-	1,094,654

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Warrant reserve (note 34(a)(ii)) RMB'000	Capital redemption reserve RMB'000	Translation reserve RMB'000	Specific reserve RMB'000	Other reserve RMB'000	Share option reserve RMB'000	Convertible bonds equity reserve (note 29) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2012	1,901	731,718	5,314	6	(12,806)	4,264	(20,560)	50,027	119,345	205,844	1,085,053	92,653	1,177,706
Placing and subscription of new shares	1,206	239,964	–	–	–	–	–	–	–	–	241,170	–	241,170
Share issue expenses	–	(1,513)	–	–	–	–	–	–	–	–	(1,513)	–	(1,513)
Equity-settled share option arrangements	–	–	–	–	–	–	–	3,057	–	–	3,057	–	3,057
Transactions with owners	1,206	238,451	–	–	–	–	–	3,057	–	–	242,714	–	242,714
Loss for the year	–	–	–	–	–	–	–	–	–	(17,322)	(17,322)	191	(17,131)
Other comprehensive income													
Currency translation	–	–	–	–	(1,191)	–	–	–	–	–	(1,191)	–	(1,191)
Total comprehensive income for the year	–	–	–	–	(1,191)	–	–	–	–	(17,322)	(18,513)	191	(18,322)
Redemption of convertible bonds	–	–	–	–	–	–	–	–	(672)	672	–	–	–
Lapse of warrants	–	–	(5,314)	–	–	–	–	–	–	5,314	–	–	–
At 31 December 2012	3,107	970,169	–	6	(13,997)	4,264	(20,560)	53,084	118,673	194,508	1,309,254	92,844	1,402,098

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

1. GENERAL INFORMATION

China Nonferrous Metals Company Limited (the "Company") was incorporated in Bermuda on 14 April 2004 as an exempted company under the Companies Act 1981 of Bermuda (as amended). Its shares are listed on the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 28 February 2005.

The Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the Company's principal place of business is Suites 1704-05, 17th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong.

The directors of the Company (the "Directors") consider that the Company's immediate and ultimately holding company is Ruffy Investments Limited ("Ruffy"), a company incorporated in the British Virgin Islands ("BVI").

The principal activity of the Company is investment holding. The principal subsidiaries of the Company are engaged in the mining, processing and trading of mineral resources. Details of the activities of the principal subsidiaries of the Company are set out in note 17 to the financial statements. There were no significant changes in the Group's operations during the year.

The financial statements on pages 39 to 120 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"). 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 GEM of the Stock Exchange (the "GEM Listing Rules").

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

2. ADOPTION OF NEW AND AMENDED IFRSs

In the current year, the Group has applied for the first time the following new or revised standards and amendments (the "new IFRSs") issued by the IASB and the International Financial Reporting Interpretations Committee of the IASB, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2013:

IFRSs (Amendments)	Annual Improvements to IFRSs 2010-2012 Cycle
Amendments to IAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 27 (2011)	Separate Financial Statements

The adoption of the new IFRSs had no material impact on the Group's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2. ADOPTION OF NEW AND AMENDED IFRSs (Continued)

IFRSs (Amendments) – Annual Improvements 2010-2012 Cycle

The Basis of Conclusions for IFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

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

The amendments to IAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis. The Group has adopted the amendments retrospectively for the year ended 31 December 2013. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

Amendments to IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities

IFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under IAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under IAS 32. The adoption of the amendments has no impact on these consolidated financial statements as the Group has not offset financial instruments, nor has it entered into a master netting agreement or a similar arrangement.

IFRS 10 – Consolidated Financial Statements

IFRS 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. IFRS 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2. ADOPTION OF NEW AND AMENDED IFRSs (Continued)

IFRS 10 – Consolidated Financial Statements (Continued)

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 accounting requirements in IAS 27 (2008) on other consolidation related matters are carried forward unchanged. As all subsidiaries are at least 90% owned by the Company, IFRS 10 has no impact or implication on the consolidation of investments held by the Group. IFRS 10 is applied retrospectively subject to certain transitional provisions.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements. The Directors conclude that the adoption of IFRS 12 has no material impact on the Group's financial position and performance.

IFRS 13 – Fair Value Measurement

IFRS 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 IFRS 7 "Financial Instruments: Disclosures". IFRS 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. IFRS 13 can be adopted early and is applied prospectively.

IFRS 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. The standard requires disclosure about fair value measurements and these are included in note 38.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2. ADOPTION OF NEW AND AMENDED IFRSs (Continued)

New or amended IFRSs that have been issued and have been early adopted

Amendments to IAS 36 – Recoverable amount disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit ("CGU") to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014. The Group has early adopted the amendments to IAS 36 in the current period. The disclosures about the impairment of property, plant and equipment in note 14 and intangible assets in note 15 have been modified accordingly.

New or amended IFRSs that have been issued but are not yet effective

The following new or amended IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to IAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities [1]
IFRS 9	Financial Instruments
Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	Investment Entities [1]
IFRIC – Int 21	Levies [1]

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

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to IAS 32 which clarifies when an entity "currently has a legal enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

2. ADOPTION OF NEW AND AMENDED IFRSs (Continued)

IFRS 9 – Financial Instruments

Under IFRS 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. IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 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, IFRS 9 retains the requirements in IAS 39 for de-recognition of financial assets and financial liabilities.

IFRIC 21 – Levies

IFRIC 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation occurs.

The Group is in the process of making an assessment of the potential impact of these new or amended IFRSs. The Directors so far concluded that the application of these new or amended IFRSs will have no material impact on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

(i) Statement of compliance

The financial statements have been prepared in accordance with all applicable IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the GEM Listing Rules.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities which are measured at fair value in accordance with IFRSs. The measurement bases are fully described in the accounting policies below.

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 year presented unless otherwise stated. The adoption of new or amended IFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

(ii) Basis of measurement (Continued)

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 judgment of current events and actions, actual results may ultimately differ from those estimates. The area involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(iii) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Hong Kong dollars ("HK$"). The consolidated financial statements are presented in Renminbi ("RMB") since most of the companies comprising the Group are operating in RMB environment and the functional currency of most of the companies comprising the Group is RMB.

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 the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting 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 in terms of 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 RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB 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 dealt with separately in the translation reserves in equity.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separated from the equity attributable to owners of the Company. Profit or loss attributable to the non-controlling interests are presented separately in the consolidated income statement as an allocation of the Group's results. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

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

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Subsidiaries (Continued)

In consolidated financial statements, acquisition of subsidiaries (other than those under common control) is accounted for by applying the acquisition method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

3.4 Revenue recognition

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

(i) Sales of goods are 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 accepted the goods;

(ii) Dividend income is recognised when the right to receive payment has been established;

(iii) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount; and

(iv) Service income is recognised when services are rendered.

3.5 Property, plant and equipment

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Property, plant and equipment (Continued)

Depreciation on the following property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Buildings	Over the shorter of the term of the leasehold interests in land and the expected useful live of 50 years
Leasehold improvements	3 to 5 years
Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 to 8 years

Depreciation on the mining structures is provided to write off the cost of the mining structures using units of production method based on the proven and probable mineral reserves.

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Construction in progress represents leasehold buildings, plant and machinery and mining structures under development and is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3.6 Prepaid land lease payments

Prepaid land lease payments represent up-front payments to acquire the land use rights/leasehold land. They are stated at cost less accumulated amortisation and accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 3.10. Amortisation is calculated on a straight line basis over the lease term except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

3.7 Intangible assets

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for the intangible assets with finite useful lives is provided on the following bases over their estimated useful lives. Amortisation commences when the intangible assets are available for use.

The mining rights are amortised using units of production method based on the proven and probable mineral reserves.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 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 they are incremental costs directly attributable to the equity transaction.

Where any Group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's owners until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or 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. No gain or loss is recognised in profit or loss on the purchase, sales reissue or cancellation of such shares.

3.9 Impairment of non-financial assets

Property, plant and equipment, prepaid land lease payments and intangible assets are subject to impairment testing.

Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets 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 purpose of assessing impairment, where an asset does not generate cash inflows largely independent from those 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.

Impairment losses recognised for CGU are charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Impairment of non-financial assets (Continued)

In respect of other non-financial assets, 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.

3.10 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except that property held under operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Leases (Continued)

(iii) Operating lease charges as the leasee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease term except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

3.11 Financial assets

The Group's accounting policies for financial assets are set out below.

Financial assets other than hedging instruments are classified into the following categories (i) financial assets at fair value through profit or loss and (ii) loans and receivables.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed an appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial assets (Continued)

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

Financial assets at fair value through profit or loss include financial assets held for trading.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

- the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

- the financial asset contains an embedded derivative that would need to be separate recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 3.4 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial assets (Continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fee that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its costs.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial assets (Continued)

Impairment of financial assets (Continued)

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow (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 the loss is recognised in profit or loss for the period in which the impairment occurs.

If, in subsequent period, the amount of the 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 for the period in which the reversal occurs.

For financial assets other than financial assets at fair value through profit or loss and trade and note receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade and note receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade and bill receivables is remote, the amount considered irrecoverable is written off against trade and note receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3.12 Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is determined using the weighted average basis, and in the 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 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, fiscal 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 calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities for all deductible temporary difference, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

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 equity if they relate to items that are charged or credited directly to 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Accounting for income taxes (Continued)

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 the deferred tax assets and the deferred tax 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.

3.14 Employee benefits

(i) Retirement benefit obligations

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. Under the rule of the MPF Schemes, the employer and its employees are each required to make contributions to the scheme of rate specified in the rules. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the scheme. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee.

The Group also participates in a defined contribution retirement scheme organised by the relevant local government authority in the People's Republic of China (the "PRC"). Certain employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The local government authority is responsible for the pension liabilities to these retired employees. The Group is required to make monthly contributions to the retirement scheme up to the time of retirement of the eligible employees, at certain percentage of the local standard basic salaries.

Contributions to the above defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by employees.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Employee benefits (Continued)

(ii) Short-term employee benefit

Provision for bonus due are recognised when the Group has a present legal or constructive obligations as a result of services rendered by employees and a reliable estimate of the obligation can be made.

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.

(iii) Share-based employee compensation

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options 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 equity share option 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 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.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Cash and cash equivalents

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

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

3.16 Financial liabilities

The Group's financial liabilities include trade and note payables, other payables and accrued charges, amounts due to related companies, financial liabilities at fair value through profit or loss, borrowings and convertible bonds.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 3.19). A financial liability is derecognised 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.

(i) Trade and note payables, other payables and accrued charges

Trade and note payables, other payables and accrued charges are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(ii) Bank and other borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction cost) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Financial liabilities (Continued)

(iii) 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 bonds 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 equity as convertible bond equity reserve.

The liability component is subsequently carried at amortised cost using the effective interest method. The 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, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the convertible bond equity reserve is released directly to retained profits.

(iv) Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 3.10).

3.17 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into or the derivative is separated from the host contracts and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Related parties

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

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

(b) has significant influence over the Group; or

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

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

(a) 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).

(b) 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).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

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

(g) A person identifies in (i)(a) 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 influence by, that person in their dealings with the entity and include:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 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 as 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.

Capitalisation of borrowing costs is suspended during the extended period in which active development of the qualifying assets is suspended.

3.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match then with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in profit or loss on a straight line basis over the expected lives of the related assets.

Government grants related to assets are presented in the consolidated statement of financial position by setting up the grant as deferred income. Government grants relating to income is presented in gross under “Other income” in profit or loss.

3.21 Research and development expenditure

Cost associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group’s ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the intangible asset can be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Research and development expenditure (Continued)

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

All other development costs are expensed as incurred.

3.22 Provisions and contingent liabilities

Provision 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 future uncertain 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 a business combination. They 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.

3.23 Financial guarantee issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for issuance of the guarantee, the consideration is recognised in accordance with the Group's policies to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Financial guarantee issued (Continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantee issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3.24 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 the Directors are determined following the Group's major product and services lines. During the years ended 31 December 2013 and 2012, the Directors manage the Group's operations as a single business segment.

4. CRITICAL ACCOUNTING ESTIMATES

Estimates and judgments 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 to 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) Estimation of mineral reserves

Mining rights and mining structures are amortised and depreciated using units of production method based on the proven and probable mineral reserves. Such estimates are made based on the management's knowledge, experience and industry practice. Estimates which were valid when originally made may need to be updated when new information or techniques become available. By nature, reserves estimates depend to some extent on interpretations and deductions which may prove to be inaccurate. As further information becomes available, the estimates are likely to change.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

4. CRITICAL ACCOUNTING ESTIMATES (Continued)

(ii) Depreciation and amortisation

The Group depreciates the property, plant and equipment and amortises prepaid land lease payments and the intangible assets in accordance with the accounting policies stated in note 3.5, note 3.6 and note 3.7 respectively. The estimated useful lives reflect the management estimate of the periods that the Group intends to derive future economic benefits from the use of these assets. In particular, the mining rights and mining structures are amortised and depreciated using units of production method, utilising only proved and probable mineral reserves as the depletion base. The estimated mineral reserves reflect the management estimation on the intention to derive future economic benefits from the mining rights (see note 4(i)). The management assesses annually the estimated reserves of the mine. However, the licence period of the mining rights held by the Group expires by January 2019 which is shorter than the estimated useful lives of the mine estimated by the management. Management of the Group is of the opinion that the Group will be able to renew the licence of the mining rights from the relevant authority continuously and at minimal charges. If the expectation differs from the original estimate, such differences will impact the depreciation and the amortisation charged in the year in which such estimate is changed.

(iii) Allowance for and written off of irrecoverable debts

The Group's management determines the allowance for irrecoverable debts on a regular basis. This estimate is based on the credit history of the Group's debtors, past default experience and the current market condition. When the Group's management determines that there are indicators of significant financial difficulties of the debtors such as default or delinquency in payments, allowance for debts are estimated. The Group's management reassesses the estimations at the reporting dates.

When the Group's management determines the debts are uncollectible, they are written off against the allowance account for the debts.

(iv) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at cash reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or CGU and determines a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

4. CRITICAL ACCOUNTING ESTIMATES (Continued)

(v) Income taxes

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

(vi) Share-based payment compensation

The share-base payment expense is subject to the limitation of the option pricing model and the uncertainty in estimates used by management in the assumptions. The estimates include limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option model.

(vii) Net realisable value of inventories

These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. The Group's management will reassess the estimations at the reporting dates.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, derived from the Group's principal activities recognised during the year is as follows:

	2013 **RMB'000**	2012 RMB'000
Revenue:		
Sales of goods	**380,196**	334,519
Income from indent trading (note a)	**3,087**	5,131
	383,283	339,650
Other income:		
Bank interest income	**114**	49
Sales of scrap materials	**3,576**	4,974
Government grants and subsidies (note b)	**–**	3,000
Compensation income	**–**	5,222
Reversal of impairment of trade receivables (note 20)	**6,640**	–
Gain on disposal of subsidiaries (note 35(c))	**190**	–
Others	**75**	3
	10,595	13,248

Notes:

(a) During the year ended 31 December 2013, the Group entered into indent trading transactions of nonferrous metals and other products and the gross invoiced sale amount was approximately RMB355,793,000 (2012: RMB321,144,000). Pursuant to 2009 amendments to IAS 18 Revenue, the Group's sale amounts received from its indent trading are deemed as cash collected on behalf of the principal as an agent. Accordingly, the net amount receivable in return for services performed is recognised as revenue.

(b) During the year ended 31 December 2012, government grants and subsidies represented unconditional monetary award of RMB3,000,000 from relevant authorities in the PRC for subsidising the Group's mining business.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

6. SEGMENT INFORMATION

The Directors manage the Group's operations as a single business segment. The Group's operations are monitored and strategic decisions are made on the basis of operating results, consolidated assets and liabilities as reflected in the Group's financial statements prepared under IFRSs.

The Group's principal place of operations is in Mainland China. The Group's assets are located in Mainland China. The Group's revenue from external customers in different locations is as follows:

	2013 RMB'000	2012 RMB'000
– Mainland China (domicile)	**380,196**	335,442
– Hong Kong	**3,087**	4,208
Total revenue	**383,283**	339,650

The geographical analysis of revenue is based on the location of external customers.

There are three (2012: three) customers with whom transactions of each exceed 10% of the Group's revenue during the year ended 31 December 2013. During the year ended 31 December 2013, revenue derived from these customers are approximately RMB85,182,000, RMB71,885,000 and RMB64,452,000 individually (2012: approximately RMB115,343,000, RMB69,837,000 and RMB45,652,000 individually).

7. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/Profit from operations is arrived at after charging/(crediting):

	2013 RMB'000	2012 RMB'000
Directors' emoluments (note 13(a))	**714**	1,248
Other staff costs	**5,391**	17,156
Equity-settled share options expenses (excluding those of Directors)	**1,134**	2,766
Retirement benefit schemes contributions (excluding those of Directors)	**605**	1,893
Total staff costs	**7,844**	23,063
Depreciation of property, plant and equipment	**17,133**	17,795
Cost of inventories recorded as expense	**369,406**	303,806
Amortisation of mining rights	**9,656**	15,557
Amortisation of prepaid land lease payments	**42**	42
Impairment of trade receivables*	**–**	6,640
Impairment of other receivables*	**–**	1,865
Impairment of property, plant and equipment* (note 14)	**65,250**	–
Impairment of intangible assets* (note 15)	**195,750**	–
Auditor's remuneration	**678**	667
Operating lease expenses in respect of rented premises	**1,583**	1,650
Foreign exchange (gain)/loss, net	**(75)**	161

* These are included in "Impairment losses" in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

8. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Wholly repayable within five years		
– interest on bank loans	**5,521**	5,698
– interest on other loans	**13,365**	48
Interest on convertible bonds	**27,155**	26,081
Interest on finance lease liabilities	**62**	66
Total finance costs on financial liabilities not at fair value through profit or loss	**46,103**	31,893
Less: Interest capitalised included in construction in progress (note 14)	**–**	(3,148)
	46,103	28,745

The capitalisation rate of general borrowings was 9.11% per annum for the year ended 31 December 2012.

9. INCOME TAX (CREDIT)/EXPENSE

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

	2013 RMB'000	2012 RMB'000
Current taxation		
– PRC	**–**	7,082
Deferred taxation (note 30)	**(67,785)**	(3,994)
Total tax (credit)/charge for the year	**(67,785)**	3,088

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2013 and 2012 as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2013 and 2012. Income tax (credit)/expense for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

9. INCOME TAX (CREDIT)/EXPENSE (Continued)

(b) The income tax (credit)/expense for the year can be reconciled to the loss before income tax as per the consolidated income statement as follows:

	2013 **RMB'000**	2012 RMB'000
Loss before income tax	**(328,569)**	(14,043)
Tax at the domestic income tax rate of 25% (2012: 25%)	**(82,142)**	(3,511)
Tax effect of non-taxable and non-deductible items, net	**6,975**	2,697
Tax effect of tax losses not recognised	**4,435**	963
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**2,947**	2,939
Income tax (credit)/expense for the year	**(67,785)**	3,088

(c) At 31 December 2013, the Group had temporary differences amounting to RMB37,922,000 (2012: RMB67,221,000) associated with undistributed earnings of subsidiaries. No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not reverse in the foreseeable future.

(d) At 31 December 2013, the Group has unrecognised tax losses of RMB25,856,000 (2012: RMB13,505,000) available for offsetting against future taxable profits of the Group's companies which incurred losses. Under the current tax legislation, tax losses can be carried forward for five years since the year the loss is incurred. These unrecognised tax losses are losses of RMB25,856,000 (2012: RMB13,505,000) that will expire at various dates up to and including 2018 (2012: up to and including 2017). Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams.

10. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss attributable to owners of the Company of approximately RMB259,140,000 (2012: RMB17,322,000), a loss of approximately RMB31,691,000 (2012: RMB32,249,000) has been dealt with in the financial statements of the Company.

11. DIVIDEND

During the years ended 31 December 2013 and 2012, no dividend was paid or proposed, nor has any dividend been proposed since the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

12. LOSSES PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic losses per share is calculated based on the Group's loss for the year attributable to owners of the Company of RMB259,140,000 (2012: RMB17,322,000) divided by the weighted average number of approximately 1,751,308,000 (2012: approximately 1,085,324,000, restated as the Share Consolidation effective from 20 June 2013 as set out in note 31(a)) ordinary shares in issue during the year.

Diluted losses per share for the years ended 31 December 2013 and 2012 are same as the basic earnings per share because the impacts of both of the exercise of share options and conversion of the convertible bonds are anti-dilutive.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The details of Directors' remuneration of each Director for the years ended 31 December 2013 and 2012 are set out below:

Name of Directors	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Employee share option benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
2013					
Executive Directors:					
Mr. Mei Ping	96	–	–	–	96
Ms. Xie Yi Ping#	32	–	–	–	32
Dr. Yu Heng Xiang	29	–	–	–	29
Mr. Ng Tang#	32	–	–	–	32
Mr. Kang Hongbo#	127	–	–	–	127
Ms. Han Qiong#	96	–	–	–	96
Mr. Tsang Chung Sing, Edward*	48	–	–	–	48
Independent non-executive Directors:					
Mr. Liu Yaosheng	25	–	–	–	25
Mr. Chan Siu Lun	96	–	–	–	96
Mr. Chen Mingxian	77	–	–	–	77
Ms. He Qing*	56	–	–	–	56
	714	–	–	–	714

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

Name of Directors	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Employee share option benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
2012					
Executive Directors:					
Mr. Mei Ping	98	–	–	–	98
Ms. Xie Yi Ping	98	–	–	–	98
Dr. Yu Heng Xiang	29	–	–	–	29
Mr. Ng Tang	98	–	51	–	149
Mr. Xu Bing^	39	–	–	–	39
Mr. Kang Hongbo	195	–	171	–	366
Ms. Han Qiong	146	–	69	–	215
Independent non-executive Directors:					
Mr. Liu Yaosheng	78	–	–	–	78
Mr. Chan Siu Lun	98	–	–	–	98
Mr. Chen Mingxian	78	–	–	–	78
	957	–	291	–	1,248

Resigned/retired during the year ended 31 December 2013

* Appointed during the year ended 31 December 2013

^ Resigned/retired during the year ended 31 December 2012

There was no arrangement under which a Director waived or agreed to waive any remuneration during the years ended 31 December 2013 and 2012.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments (Continued)

The five highest paid individuals in the Group during the year included none of the Directors (2012: none), details of whose emoluments have been disclosed in note (a) above. The emoluments of the five (2012: five) non-Director, highest paid individuals for the year are as follows:

	2013 RMB'000	2012 RMB'000
Basic salaries, bonus and allowances	**3,530**	3,319
Retirement benefits scheme contribution	**53**	92
	3,583	3,411

The number of the highest paid individuals whose enrolments fell within the following band is as follows:

	2013	2012
Nil to HK$1,000,000	**3**	4
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	–

During the years ended 31 December 2013 and 2012, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

The emoluments of the members of senior management fell within the following bands:

	2013	2012
Nil to HK$1,000,000	**12**	12
HK$1,000,001 to HK$2,000,000	**2**	1

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Mining structures RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2012								
Cost	136,078	197	147,340	60,222	1,589	7,909	36,674	390,009
Accumulated depreciation	(8,325)	(197)	(5,509)	(21,705)	(1,015)	(3,936)	–	(40,687)
Net carrying amount	127,753	–	141,831	38,517	574	3,973	36,674	349,322
Year ended 31 December 2012								
Opening net carrying amount	127,753	–	141,831	38,517	574	3,973	36,674	349,322
Additions	2,571	–	1,281	3,249	397	–	3,189	10,687
Transfer	12,457	–	–	–	–	–	(12,457)	–
Depreciation	(3,912)	–	(2,081)	(10,262)	(381)	(1,159)	–	(17,795)
Exchange realignment	–	–	–	–	(14)	(8)	–	(22)
Closing net carrying amount	138,869	–	141,031	31,504	576	2,806	27,406	342,192
At 31 December 2012								
Cost	151,106	195	148,621	63,471	1,955	7,889	27,406	400,643
Accumulated depreciation	(12,237)	(195)	(7,590)	(31,967)	(1,379)	(5,083)	–	(58,451)
Net carrying amount	138,869	–	141,031	31,504	576	2,806	27,406	342,192
Year ended 31 December 2013								
Opening net carrying amount	**138,869**	**–**	**141,031**	**31,504**	**576**	**2,806**	**27,406**	**342,192**
Additions	**11,492**	**–**	**7,129**	**1,081**	**26**	**213**	**–**	**19,941**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**(103)**	**(229)**	**–**	**(332)**
Depreciation	**(3,650)**	**–**	**(1,925)**	**(10,313)**	**(262)**	**(983)**	**–**	**(17,133)**
Impairment loss (note c)	**(27,940)**	**–**	**(27,849)**	**(4,242)**	**–**	**–**	**(5,219)**	**(65,250)**
Exchange realignment	**–**	**–**	**–**	**–**	**15**	**32**	**–**	**47**
Closing net carrying amount	**118,771**	**–**	**118,386**	**18,030**	**252**	**1,839**	**22,187**	**279,465**
At 31 December 2013								
Cost	**162,598**	**–**	**155,750**	**64,552**	**1,856**	**7,749**	**27,406**	**419,911**
Accumulated depreciation and impairment	**(43,827)**	**–**	**(37,364)**	**(46,522)**	**(1,604)**	**(5,910)**	**(5,219)**	**(140,446)**
Net carrying amount	**118,771**	**–**	**118,386**	**18,030**	**252**	**1,839**	**22,187**	**279,465**

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) The net carrying amount of the Group's property, plant and equipment held under financial lease arrangement included in the total amount of motor vehicles at 31 December 2013 amounted to approximately RMB691,000 (2012: RMB1,168,000).

(b) Included in additions to construction in progress for the year ended 31 December 2012 was capitalised borrowing cost of approximately RMB3,148,000 (note 8).

(c) For the year ended 31 December 2013, provisions for impairment loss of buildings, mining structures, plant and machinery and construction in progress relating to the mining CGU of RMB27,940,000 (2012: nil), RMB27,849,000 (2012: nil), RMB4,242,000 (2012: nil) and RMB5,219,000 (2012: nil) respectively, were recognised in profit or loss to write down to their recoverable amounts, totally RMB65,250,000 (2012: nil) (note 15).

15. INTANGIBLE ASSETS

	Mining rights RMB'000
At 1 January 2012	
Cost	1,123,998
Accumulated amortisation	(46,228)
Net carrying amount	1,077,770
Year ended 31 December 2012	
Opening net carrying amount	1,077,770
Amortisation	(15,557)
Closing net carrying amount	1,062,213
At 31 December 2012	
Cost	1,123,998
Accumulated amortisation	(61,785)
Net carrying amount	1,062,213
Year ended 31 December 2013	
Opening net carrying amount	**1,062,213**
Amortisation	**(9,656)**
Impairment loss	**(195,750)**
Closing net carrying amount	**856,807**
At 31 December 2013	
Cost	**1,123,998**
Accumulated amortisation and impairment	**(267,191)**
Net carrying amount	**856,807**

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

15. INTANGIBLE ASSETS (Continued)

Mining rights represent the right for mining in Wulatezhong Qi, an autonomous region in Inner Mongolia of the PRC with an aggregate mining area of approximately 1.1014 square kilometer. The mining rights will expire in January 2019. In the opinion of the Directors, the Group will be able to renew the licence of the mining rights from the relevant authority continuously and at minimal charges.

At 31 December 2013, the Group's mining rights at the net carrying amount of RMB856,807,000 (2012: RMB1,062,213,000) were pledged to borrowings of the Group (note 27).

The Directors have carefully reviewed the recoverable amount of the CGU of the mining business to which the intangible assets belong by reference to the professional valuation as at 31 December 2013, performed by an independent professional valuer. The recoverable amount of the CGU of RMB1,136,000,000 was determined based on a value in use calculation using discounted cash flow technique with discount rate of 16.15%, covering a detailed 5-year budget plan followed by an extrapolation of expected cash flows at the growth rate of 3%. The key assumptions adopted in the value in use calculation relate to the renewal of mining operating permit, estimated reserves, estimated productivity and the estimated prices of mineral resources.

During the year ended 31 December 2013, due to the adverse business environment of the nonferrous metals market, the carrying amounts of the aggregated assets of the mining CGU are higher than the recoverable amount. A total impairment loss of RMB261,000,000 (2012: nil) was being identified for the mining CGU. The impairment loss is charged pro rata to the assets in the CGU related to the mining operations. For the year ended 31 December 2013, impairment loss in respect of the property, plant and equipment and intangible assets of RMB65,250,000 (2012: nil) (note 14(c)) and RMB195,750,000 (2012: nil), respectively, were recognised as expense in profit or loss immediately for the amounts by which the assets' carrying amounts exceed their recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

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16. PREPAID LAND LEASE PAYMENTS

	2013 **RMB'000**	2012 RMB'000
At 1 January		
Cost	**2,114**	2,114
Accumulated amortisation	**(149)**	(107)
Net carrying amount	**1,965**	2,007
Year ended 31 December		
Opening net carrying amount	**1,965**	2,007
Amortisation	**(42)**	(42)
Closing net carrying amount	**1,923**	1,965
At 31 December		
Cost	**2,114**	2,114
Accumulated amortisation	**(191)**	(149)
Net carrying amount	**1,923**	1,965
Analysed for reporting purposes as:		
Current assets	**42**	42
Non-current assets	**1,881**	1,923
	1,923	1,965

NOTES TO THE FINANCIAL STATEMENTS

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17. LIST OF PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ registration and operations	Particulars of issued capital/ registered capital	Effective interest held by the Group		Principal activities
			Direct	Indirect	
China Nonferrous Metals Management Limited	HK	HK$2,000,000	100%	–	Trading of nonferrous metals
Yongbao Resources Exploitation and Development Limited	BVI	US$1	100%	–	Investment holding
Straight Upward Investments Limited ("Straight Upward")	BVI	US$100	–	100%	Investment holding and trading of derivative financial instruments
Sky King Development Limited ("Sky King")	HK	HK$1	–	100%	Investment holding and trading of derivative financial instruments
深圳市睿汭科技有限公司 ("Shenzhen Ruirui)	PRC	RMB161,045,269	–	100%	Investment holding, trading of nonferrous metals and derivative financial instruments
巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司	PRC	RMB150,000,000	–	100% (2012: 90%)	Mining and processing of mineral resources and holding of mining licence in the PRC
Ever Champion Holdings Limited* ("Ever Champion)	HK	HK$10	–	100% (2012: 60%)	Investment holding
深圳永智礦業有限公司	PRC	RMB10,014,610	–	100% (2012: 60%)	Investment holding
深圳市朗通貿易有限公司	PRC	RMB100,000	–	100% (2012: 60%)	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

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17. LIST OF PRINCIPAL SUBSIDIARIES (Continued)

* During the year ended 31 December 2013, Sky King acquired 40% equity interest of Ever Champion from the non-controlling equity holder of Ever Champion at a consideration of HK$60,000,000 (equivalents to approximately RMB48,147,000).

The financial statements of the Company's subsidiaries are audited by BDO Limited 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.

18. DEPOSITS

	Notes	**2013 RMB'000**	2012 RMB'000
Deposits for acquisition of subsidiaries	(a)	**–**	51,760
Deposits for acquisition of property, plant and equipment	(b)	**4,616**	4,616
		4,616	56,376

Notes:

(a) As at 31 December 2012, the amount of RMB51,760,000 represented the deposits paid to Shenzhen City First Create Investment Company Limited ("First Create"), a related company, for the proposed acquisition of 55% equity interest in 奈曼旗烜大礦業有限公司 ("奈曼旗烜大") which is a company established in the PRC and principally engaged in the exploration, mining and trading of mineral resources in the PRC.

Pursuant to the Company's announcement dated 2 January 2014, the proposed acquisition of 奈曼旗烜大 was terminated. Full amount of the deposit of RMB51,760,000 was refunded to the Group.

(b) The amount of RMB4,616,000 (2012: RMB4,616,000) was paid for the acquisition of property, plant and equipment for the Group's development projects to expand the production capacity in the Group's mining business in the PRC.

19. INVENTORIES

	2013 RMB'000	2012 RMB'000
Raw materials	**16,853**	16,540
Finished goods	**42,948**	66,364
	59,801	82,904

NOTES TO THE FINANCIAL STATEMENTS

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20. TRADE AND NOTE RECEIVABLES

	2013 RMB'000	2012 RMB'000
Trade and note receivables	**182,007**	221,603
Less: Impairment loss recognised	**–**	(6,640)
	182,007	214,963

Movement in the provision for impairment of trade and note receivables is as follows:

	2013 RMB'000	2012 RMB'000
Balance at the beginning of the year	**6,640**	–
Impairment loss recognised during the year	**–**	6,640
Reversal of impairment	**(6,640)**	–
Balance at the end of the year	**–**	6,640

The Group recognised impairment loss on individual assessment based on the accounting policy stated in note 3.11.

The ageing analysis of the trade and note receivables (net of allowance for impairment) is as follows:

	2013 RMB'000	2012 RMB'000
0 to 60 days	**47,412**	148,760
61 to 120 days	**134,595**	66,191
121 to 180 days	**–**	–
181 to 365 days	**–**	12
	182,007	214,963

NOTES TO THE FINANCIAL STATEMENTS

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20. TRADE AND NOTE RECEIVABLES (Continued)

The ageing analysis of these trade and note receivables (net of allowance for impairment) that are neither individually nor collectively considered to be impaired are as follows:

	2013 RMB'000	2012 RMB'000
Neither past due nor impaired	**177,767**	214,951
1 to 60 days past due	**4,240**	–
61 to 120 days past due	**–**	–
121 to 180 days past due	**–**	12
At end of year	**182,007**	214,963

The Group has a policy of allowing trade customers with credit normally within 90 days (2012: 90 days), except for certain customers where the terms are extended to 180 days during the year ended 31 December 2013.

As at 31 December 2013, the Group has determined trade receivables of approximately RMB4,240,000 (2012: approximately RMB12,000) were past due but not impaired. These receivables related to a number of independent customers for whom there is no recent history of default. Based on past experience and settlement subsequent to the reporting date, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Trade and note receivables that were neither past due nor impaired related to certain independent customers that have a good track record with the Group. The Group does not hold any collateral or other credit enhancements over these balances.

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2013 RMB'000	2012 RMB'000
Other receivables	**79,481**	70,353
Less: Impairment loss recognised	**–**	(1,865)
	79,481	68,488
Deposits	**245,523**	118,438
Prepayments	**59,378**	65,583
	384,382	252,509

NOTES TO THE FINANCIAL STATEMENTS

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21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Movement in the provision for impairment of other receivables is as follows:

	2013 RMB'000	2012 RMB'000
Balance at the beginning of the year	**1,865**	–
Impairment loss recognised during the year	**–**	1,865
Disposal of subsidiaries (note 35(c))	**(1,865)**	–
Balance at the end of the year	**–**	1,865

The ageing analysis of other receivables that are neither individually nor collectively considered to be impaired are as follows:

	2013 RMB'000	2012 RMB'000
Neither past due nor impaired	**74,705**	66,535
1 to 6 months past due	**2,218**	1,953
Over 6 months past due	**2,558**	–
At end of year	**79,481**	68,488

The Directors consider that no further impairment of other receivables is necessary as there was no recent history of default in respect of these debtors.

The Directors consider that the fair values of current portion of deposits and other receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

NOTES TO THE FINANCIAL STATEMENTS

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22. AMOUNTS DUE FROM RELATED COMPANIES

	2013 RMB'000	2012 RMB'000
西部礦業西藏雅江礦業有限公司	–	2,000
烏蘭察布市白乃廟銅業有限責任公司	482	–
First Create	–	82,454
Hung Kam Holdings Limited	–	20,485
	482	104,939

Details of amounts due from related companies pursuant to section 161B of the Companies Ordinance are as follows:

Name of borrower	西部礦業西藏雅江礦業有限公司 RMB'000	烏蘭察布市白乃廟銅業有限責任公司 RMB'000	First Create RMB'000	Hung Kam Holdings Limited RMB'000
Balance of the relevant loans				
At 31/12/2013	–	482	(703)	–
At 1/1/2013	2,000	(550)	82,454	20,485
Maximum balance outstanding during the year	2,000	482	134,180	20,485

The Company's substantial shareholder, Mr. Mei Wei, is a key management personnel or has beneficial interest and/or directorship in the companies above.

The Director, Mr Mei Ping, has beneficial interest and directorship in First Create.

The amounts due are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

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23. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

	2013 **RMB'000**	2012 RMB'000
Cash in hand	**6,909**	3,977
Cash at bank	**214,078**	72,450
	220,987	76,427
Less: Pledged bank deposits	**(1,138)**	–
Cash and cash equivalents	**219,849**	76,427

Cash at bank earns interest at floating rates based on daily bank deposit rates and earned interest ranging from 0.01% to 0.5% (2012: 0.01% to 0.5%) per annum during the year.

At 31 December 2013, the Group had cash and bank balances denominated in RMB amounting to approximately RMB155,378,000 (2012: approximately RMB71,378,000), which were deposited with banks in the PRC and held in hand. RMB is not freely convertible into foreign currencies. Under the PRC 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 banks that are authorised to conduct foreign exchange business.

As at 31 December 2013, pledged bank deposits with carrying amount of RMB1,138,000 (2012: nil) have been pledged to certain note payables of the Group.

24. TRADE AND NOTE PAYABLES

The ageing analysis of trade and note payables is as follows:

	2013 **RMB'000**	2012 RMB'000
0 to 90 days	**58,912**	26,995
91 to 180 days	**5,727**	2,472
181 to 365 days	**5,880**	13,946
Over 365 days	**29,677**	–
	100,196	43,413

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25. OTHER PAYABLES AND ACCRUED CHARGES

	2013 RMB'000	2012 RMB'000
Other payables	**40,752**	60,496
Accrued interest charges (note)	**15,791**	6,894
Other accrued charges	**2,908**	8,380
	59,451	75,770

Note: At 31 December 2013, the accrued interest charges consist of approximately RMB14,157,000 (2012: approximately RMB5,466,000) in relation to the interest payable of convertible bonds to Ruffy. Details of which are set out in note 29 to the financial statements.

26. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies in which Mr. Mei Ping and Mr. Mei Wei have beneficial interest or directorship in these companies are unsecured, non-interest bearing and repayable on demand.

27. BORROWINGS

	Notes	Original currency	2013 RMB'000	2012 RMB'000
Current				
Finance lease liabilities	(a)	HK$	**355**	437
Bank loans – unsecured	(b)	RMB	**45,000**	75,000
			45,355	75,437
Non-current				
Finance lease liabilities	(a)	HK$	**266**	634
Other loan – secured	(b)	RMB	**150,000**	–
			150,266	634

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

27. BORROWINGS (Continued)

Notes:

(a) Finance lease liabilities

During the year ended 31 December 2013, the Group has leased its motor vehicle under a finance lease and has remaining lease terms of two (2012: three) years. Finance lease liabilities are effectively secured as the rights to lease asset revert to the lessor in the even of default. These leases do not have options to renew or any contingent rental provisions.

The analysis of the obligations under finance leases is as follows:

	2013 RMB'000	2012 RMB'000
Amounts payable:		
Within one year	**401**	505
In the second year	**300**	408
In the third to fifth years	**–**	306
	701	1,219
Less: Future finance charges on finance lease	**(80)**	(148)
Present value of finance lease liabilities	**621**	1,071
The present value of finance lease liabilities is as follows:		
Within one year	**355**	437
In the second year	**266**	363
In the third to fifth years	**–**	271
	621	1,071
Less: Portion due within one year included under current liabilities	**(355)**	(437)
Non-current portion included under non-current liabilities	**266**	634

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

27. BORROWINGS (Continued)

Notes:

(b) Bank and other loans

	2013 RMB'000	2012 RMB'000
Repayable		
Within one year or on demand		
Bank loans (note i)	**45,000**	75,000
In the second year		
Other loan (note ii)	**150,000**	–
	195,000	75,000

Notes:

(i) Bank loans

As at 31 December 2013, the bank loans of the Group were guaranteed by First Create, 烏蘭察布市白乃廟銅業有限責任公司 and Mr. Mei Ping in the principal amount of RMB45,000,000.

As at 31 December 2012, the bank loans for the Group were:

– guaranteed by First Create, 烏蘭察布市白乃廟銅業有限責任公司 and Mr. Mei Ping in the principal amount of RMB30,000,000; and

– guaranteed by an independent third party of the Group in the principal amount of RMB45,000,000.

During the year ended 31 December 2013, the bank loans were at fixed rates ranging from 7.8% to 9.0% per annum (2012: approximately 7.8% to 8.528%).

(ii) Other loan

As at 31 December 2013, the other loan of the Group was secured by the mining rights in Wulatezhong Qi, an autonomous region in Inner Mongolia of the PRC (note 15) and guaranteed by First Create and Mr. Mei Wei.

During the year ended 31 December 2013, the other loan was at a fixed rate of approximately 10% per annum.

NOTES TO THE FINANCIAL STATEMENTS

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28. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 RMB'000	2012 RMB'000
Financial assets at fair value through profit or loss classified as held for trading		
– Futures contracts in relation to nonferrous metals, at fair value	**1,261**	997
Financial liabilities at fair value through profit or loss classified as held for trading		
– Futures contracts in relation to nonferrous metals, at fair value	**298**	646

(a) Financial assets at fair value through profit or loss

Maturity	Underlying commodity	Fair value 2013 RMB'000	Fair value 2012 RMB'000
2 January 2014 – 31 January 2014	LME Nonferrous Metals *	**1,261**	–
9 January 2013 – 20 March 2013	LME Nonferrous Metals *	**–**	997

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

Maturity	Underlying commodity	Fair value 2013 RMB'000	Fair value 2012 RMB'000
7 February 2014	LME Nonferrous Metals *	**298**	–
3 January 2013 – 20 March 2013	LME Nonferrous Metals *	**–**	646

* London Metal Exchange registered contracts

The Directors determine the fair value of the above futures contracts are determined with reference to the publicly available market price at the reporting date.

As at the approval date of these financial statements, the Directors confirmed that the Group does not have material exposure to derivative financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

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29. CONVERTIBLE BONDS

On 9 July 2008, the Company issued convertible bonds with a principal amount of HK$756,900,000 (the "2008 Convertible Bonds"), which bear coupon interest rate at 3% per annum payable semi-annually in arrears. The 2008 Convertible Bonds were issued as part of the consideration for the acquisition of entire issued share capital of Straight Upward and its subsidiaries (collectively referred as to the "Straight Upward Group"). The 2008 Convertible Bonds due on 9 July 2015 are convertible into fully paid ordinary shares with a par value of HK$0.0004 each of the Company at an initial conversion price of HK$0.22, subject to adjustments on the occurrence of dilutive or concentrative event. Upon the Share Consolidation becoming effective on 20 June 2013 as set out in note 31(a), the conversion price of the 2008 Convertible Bonds has been adjusted to HK$1.10.

The Company has not redeemed any of the 2008 Convertible Bonds since the issuance. Pursuant to a deed of set-off entered by the Company and Ruffy during the year ended 31 December 2009, Ruffy agreed to set off profit guarantee shortfalls by deducting a principal amount of approximately HK$80,488,000 from the 2008 Convertible Bonds held by Ruffy. Since the date of issuance, principal amount of approximately HK$294,374,000 has been converted into approximately 1,338,065,000 shares of the Company. As at 31 December 2013, the principal amount outstanding was approximately HK$382,038,000 (2012: HK$382,038,000).

The bondholders of the 2008 Convertible Bonds will have the right to convert the whole or part of the outstanding principal amount of the 2008 Convertible Bonds. Any conversion shall be made in amounts of not less than a whole multiple of HK$5,000,000. The convertible bonds remain outstanding on the maturity date shall be redeemed at its then outstanding principal amount, inclusive of interest as accrued.

On 9 March 2010, the Company and two subscribers entered into the subscription agreements in respect of the issue of the convertible bonds (the "CB Subscription Agreements"). Pursuant to the CB Subscription Agreements, the Company issued the two years 1% per annum plus the prime lending rate per annum quoted by The Hongkong and Shanghai Banking Corporation Limited coupon convertible bonds due on 17 March 2012 up to aggregate amount of HK$30,000,000 (the "2010 Convertible Bonds"). Based on the conversion price of HK$0.285 per conversion share, a maximum number of 105,263,156 conversion shares will fall to be allotted and issued upon exercise of the conversion rights attached to the 2010 Convertible Bonds. The CB Subscription Agreements had been completed on 17 March 2010.

HK$15,000,000 of the principal amount of the 2010 Convertible Bonds has been converted into 52,631,578 shares of the Company on 5 November 2010. The remaining outstanding amount of the 2010 Convertible Bonds of HK$15,000,000 had been fully redeemed by the Company during the year ended 31 December 2012.

On initial recognition, the fair value of the liability component of the convertible bonds was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost under the effective interest method.

The equity component of the convertible bonds was recognised at the difference between the proceeds received and the fair value of the liability component and was included in shareholders' equity in convertible bonds equity reserve.

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29. CONVERTIBLE BONDS (Continued)

The convertible bonds recognised in the statements of financial position were calculated as follows:

	Group and Company		
	2008 Convertible Bonds RMB'000	2010 Convertible Bonds RMB'000	Total RMB'000
Liability component			
Net carrying amounts at 1 January 2012	243,634	12,132	255,766
Interest expenses	25,903	178	26,081
Interest paid and accrued	(9,322)	(152)	(9,474)
Redemption of 2010 Convertible Bonds (note)	–	(12,162)	(12,162)
Exchange realignment	(2,179)	4	(2,175)
Net carrying amounts at 31 December 2012 and 1 January 2013	**258,036**	**–**	**258,036**
Interest expenses	**27,155**	**–**	**27,155**
Interest paid and accrued	**(9,147)**	**–**	**(9,147)**
Exchange realignment	**(5,366)**	**–**	**(5,366)**
Net carrying amounts at 31 December 2013	**270,678**	**–**	**270,678**
Equity component			
Net carrying amounts at 1 January 2012	118,673	672	119,345
Redemption of 2010 Convertible Bonds (note)	–	(672)	(672)
Net carrying amounts at 31 December 2012 and 2013	**118,673**	**–**	**118,673**

Note:

As at 29 March 2012, the Company redeemed the entire outstanding principal amount of the 2010 Convertible Bonds in the sum of HK$15,000,000 and the interest accrued thereon.

NOTES TO THE FINANCIAL STATEMENTS

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29. CONVERTIBLE BONDS (Continued)

The fair value of the equity component of the 2008 Convertible Bonds was calculated using the Binominal model with the major inputs used in the model as follows:

	2008 Convertible Bonds
Stock price	HK$1.64
Expected volatility	83.02%
Risk free rate	3.43%
Expected life	7 years
Expected dividend yield	0%

Interest expense on the 2008 Convertible Bonds and 2010 Convertible Bonds is calculated using the effective interest method by applying the effective interest rate of 10.18% and 8.76% respectively to the adjusted liability component.

30. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are calculated in full on temporary differences under the liability method using principal taxation rate of 25% (2012: 25%).

(a) The movement on deferred tax assets and liabilities during the year is as follows:

	Impairment losses of property, plant and equipment RMB'000	**Accelerated tax depreciation RMB'000**	**Fair value adjustment of mining rights RMB'000**	**Total RMB'000**
At 1 January 2012	251	(2,502)	(257,194)	(259,445)
Credit for the year (note 9)	–	105	3,889	3,994
At 31 December 2012 and 1 January 2013	**251**	**(2,397)**	**(253,305)**	**(255,451)**
Credit for the year (note 9)	**16,313**	**121**	**51,351**	**67,785**
At 31 December 2013	**16,564**	**(2,276)**	**(201,954)**	**(187,666)**

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30. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2013 RMB'000	2012 RMB'000
Deferred tax assets	**16,564**	251
Deferred tax liabilities	**(204,230)**	(255,702)
	(187,666)	(255,451)

31. SHARE CAPITAL

	Number of shares '000	**Amount HK$'000**
Authorised:		
Ordinary shares of HK$0.0004 each at 1 January 2012 and 31 December 2012	125,000,000	50,000
Share consolidation (note a)	(100,000,000)	–
Ordinary shares of HK$0.002 each at 31 December 2013	25,000,000	50,000

	Number of shares '000	**Amount RMB'000**
Issued:		
Ordinary shares of HK$0.0004 each at 1 January 2012	5,006,540	1,901
Placing and subscription of new shares (note b)	3,750,000	1,206
Ordinary shares of HK$0.0004 each at 31 December 2012	**8,756,540**	**3,107**
Share consolidation (note a)	**(7,005,232)**	**–**
Ordinary shares of HK$0.002 each at 31 December 2013	**1,751,308**	**3,107**

Notes:

(a) Pursuant to the ordinary resolution passed on 19 June 2013, with effect from 20 June 2013, five shares of HK$0.0004 each in the issued and unissued share capital of the Company were consolidated into one share of HK$0.002 each. The authorised share capital of the Company remained at HK$50,000,000 but was consolidated into 25,000,000 shares of HK$0.002 each ("Share Consolidation").

(b) On 29 August 2012, the Company entered into a subscription agreement (the "Subscription Agreement") with Ruffy pursuant to which Ruffy has agreed to subscribe for 3,750,000,000 ordinance shares of the Company at HK$0.08 per share. The Subscription Agreement was completed on 20 November 2012.

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32. SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to the resolutions of the shareholders passed on 16 February 2005 for the primary purposed of providing the people and the parties working for the interest of the Group with an opportunity to obtain equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with incentives to work better for the interest of the Group and/or rewards for their contribution and support to the Group. The board of Directors may, at its discretion, invite (i) employees of the Company (whether full-time or part-time) or any of its subsidiaries or associated companies; (ii) chief executive, Directors (whether executive Directors or non-executive Directors or independent non-executive Directors) of the Company or any its subsidiaries or associated companies; (iii) any shareholder of any member of the Company or any of its subsidiaries or associated companies; (iv) suppliers of good and/or services to the Company or any of its subsidiaries or associated companies; (v) any customers of the Company or any of its subsidiaries or associated companies: (vi) any person or entity that provides research, development or other technical support to the Company or any of its subsidiaries or associated companies; (vii) any adviser (technological, technical, financial, legal or otherwise) or consultants engaged by or worked for the Company or any of its subsidiaries or associated companies; and (viii) joint venture partner or counter-party to any business operation or business arrangements of the Group (together, the "Participants" and each a "Participant"), to take up options ("Option") to subscribe for shares at a price calculated in accordance with paragraph below. No performance target is required to be achieved before an option can be exercised.

HK$1.00 is payable by the Participant to the Company on acceptance of the option offer as consideration for the grant.

At the time of adoption of the Share Option Scheme, the Company may seek approval of its shareholders in a general meeting to authorise the Directors to grant options under the Share Option Scheme and any other Share Option Schemes of the Company entitling the grantees to exercise up to an aggregate of 10% (the "Scheme Mandate Limit") of the total number of shares of the Company in issue immediately following completing of the placing (excluding (a) any shares issued pursuant to Share Option Scheme and any other Share Option Schemes of the Company; and (b) any pro rata entitlements to further shares issued in respect of these shares mentioned in (a) unless the Company obtains a fresh approval from the shareholders).

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period of not more than 10 years to be notified by the board of Directors to each grantee, which period shall commence on the date on which an offer of the grant of an Option is accepted or deemed to be accepted or deemed to be accepted in accordance with the terms of the Share Option Scheme and expire on the last day of such period as determined by the Board.

NOTES TO THE FINANCIAL STATEMENTS

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32. SHARE OPTION SCHEME (Continued)

The Share Option Scheme will remain valid and effective for a period of 10 years commencing on 16 February 2005, after which period no further Options will be granted but in respect of all Option which remain exercisable at the end of such period, the provisions of the Share Option Scheme shall remain in full force and effect. Unless otherwise determined by the Directors of the Company at their discretion, there is no requirement of minimum period of which a share option must be held.

The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of any ordinary share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

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32. SHARE OPTION SCHEME (Continued)

Movement in share options during the year ended 31 December 2013 are as follows:

	Number of share options								
Name or category of participant	At 1 January 2013	Granted during the year	Exercised during the year	Adjustment due to Share Consolidation (note b)	Lapsed during the year	At 31 December 2013	Date of grant of share options (note a)	Exercise period of share options	Exercise price of share options (note b) HK$
Directors									
Mr. Ng Tang (note c)	600,000	–	–	–	(600,000)	–	04/12/2009	Period 7	1.30
	600,000	–	–	–	(600,000)	–	04/12/2009	Period 8	1.30
	900,000	–	–	–	(900,000)	–	04/12/2009	Period 9	1.30
	900,000	–	–	–	(900,000)	–	04/12/2009	Period 10	1.30
	3,000,000	–	–	–	(3,000,000)	–			
Mr. Kang Hongbo (note d)	1,500,000	–	–	(1,200,000)	(300,000)	–	20/05/2009	Period 4	1.17
	2,000,000	–	–	(1,600,000)	(400,000)	–	04/12/2009	Period 7	1.30
	2,000,000	–	–	(1,600,000)	(400,000)	–	04/12/2009	Period 8	1.30
	3,000,000	–	–	(2,400,000)	(600,000)	–	04/12/2009	Period 9	1.30
	3,000,000	–	–	(2,400,000)	(600,000)	–	04/12/2009	Period 10	1.30
	11,500,000	–	–	(9,200,000)	(2,300,000)	–			
Ms. Han Qiong (note d)	800,000	–	–	(640,000)	(160,000)	–	04/12/2009	Period 7	1.30
	800,000	–	–	(640,000)	(160,000)	–	04/12/2009	Period 8	1.30
	1,200,000	–	–	(960,000)	(240,000)	–	04/12/2009	Period 9	1.30
	1,200,000	–	–	(960,000)	(240,000)	–	04/12/2009	Period 10	1.30
	4,000,000	–	–	(3,200,000)	(800,000)	–			

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32. SHARE OPTION SCHEME (Continued)

Name or category of participant	Number of share options At 1 January 2013	Granted during the year	Exercised during the year	Adjustment due to Share Consolidation (note b)	Lapsed during the year	At 31 December 2013	Date of grant of share options (note a)	Exercise period of share options	Exercise price of share options (note b) HK$
Other employees									
In aggregate	1,500,000	–	–	(1,200,000)	–	300,000	15/05/2009	Period 2	1.08
	5,000,000	–	–	(4,000,000)	–	1,000,000	20/05/2009	Period 4	1.17
	22,340,000	–	–	(17,872,000)	–	4,468,000	04/12/2009	Period 7	1.30
	22,340,000	–	–	(17,872,000)	–	4,468,000	04/12/2009	Period 8	1.30
	33,510,000	–	–	(26,808,000)	–	6,702,000	04/12/2009	Period 9	1.30
	33,510,000	–	–	(26,808,000)	–	6,702,000	04/12/2009	Period 10	1.30
	358,510,000	–	–	(286,808,000)	–	71,702,000	28/07/2010	Period 11	1.23
	476,710,000	–	–	(381,368,000)	–	95,342,000			
Suppliers/Advisors									
In aggregate	20,000,000	–	–	–	(20,000,000)	–	12/06/2008	Period 1	1.70
	8,000,000	–	–	(6,400,000)	–	1,600,000	19/05/2009	Period 3	1.10
	3,500,000	–	–	(2,800,000)	–	700,000	17/08/2009	Period 5	1.36
	10,000,000	–	–	(8,000,000)	–	2,000,000	04/12/2009	Period 6	1.30
	10,000,000	–	–	(8,000,000)	–	2,000,000	04/12/2009	Period 7	1.30
	10,000,000	–	–	(8,000,000)	–	2,000,000	04/12/2009	Period 8	1.30
	15,000,000	–	–	(12,000,000)	–	3,000,000	04/12/2009	Period 9	1.30
	15,000,000	–	–	(12,000,000)	–	3,000,000	04/12/2009	Period 10	1.30
	91,500,000	–	–	(57,200,000)	(20,000,000)	14,300,000			
	586,710,000	–	–	(450,968,000)	(26,100,000)	109,642,000			

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

32. SHARE OPTION SCHEME (Continued)

Movement in share options during the year ended 31 December 2012 are as follows:

Name or category of participant	Number of share options: At 1 January 2012	Granted during the year	Exercised during the year	Reclassified during the year	Lapsed during the year	At 31 December 2012	Date of grant of share options (note a)	Exercise period of share options	Exercise price of share options HK$
Directors									
Mr. Ng Tang	600,000	–	–	–	–	600,000	04/12/2009	Period 7	0.260
	600,000	–	–	–	–	600,000	04/12/2009	Period 8	0.260
	900,000	–	–	–	–	900,000	04/12/2009	Period 9	0.260
	900,000	–	–	–	–	900,000	04/12/2009	Period 10	0.260
	3,000,000	–	–	–	–	3,000,000			
Mr. Kang Hongbo	1,500,000	–	–	–	–	1,500,000	20/05/2009	Period 4	0.234
	2,000,000	–	–	–	–	2,000,000	04/12/2009	Period 7	0.260
	2,000,000	–	–	–	–	2,000,000	04/12/2009	Period 8	0.260
	3,000,000	–	–	–	–	3,000,000	04/12/2009	Period 9	0.260
	3,000,000	–	–	–	–	3,000,000	04/12/2009	Period 10	0.260
	11,500,000	–	–	–	–	11,500,000			
Ms. Han Qiong	800,000	–	–	–	–	800,000	04/12/2009	Period 7	0.260
	800,000	–	–	–	–	800,000	04/12/2009	Period 8	0.260
	1,200,000	–	–	–	–	1,200,000	04/12/2009	Period 9	0.260
	1,200,000	–	–	–	–	1,200,000	04/12/2009	Period 10	0.260
	4,000,000	–	–	–	–	4,000,000			

NOTES TO THE FINANCIAL STATEMENTS

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32. SHARE OPTION SCHEME (Continued)

	Number of share options								
Name or category of participant	At 1 January 2012	Granted during the year	Exercised during the year	Reclassified during the year	Lapsed during the year	At 31 December 2012	Date of grant of share options (note a)	Exercise period of share options	Exercise price of share options HK$
Other employees									
In aggregate	1,500,000	–	–	–	–	1,500,000	15/05/2009	Period 2	0.216
	5,000,000	–	–	–	–	5,000,000	20/05/2009	Period 4	0.234
	22,340,000	–	–	–	–	22,340,000	04/12/2009	Period 7	0.260
	22,340,000	–	–	–	–	22,340,000	04/12/2009	Period 8	0.260
	33,510,000	–	–	–	–	33,510,000	04/12/2009	Period 9	0.260
	33,510,000	–	–	–	–	33,510,000	04/12/2009	Period 10	0.260
	358,510,000	–	–	–	–	358,510,000	28/07/2010	Period 11	0.246
	476,710,000	–	–	–	–	476,710,000			
Suppliers/Advisors									
In aggregate	20,000,000	–	–	–	–	20,000,000	12/06/2008	Period 1	0.340
	8,000,000	–	–	–	–	8,000,000	19/05/2009	Period 3	0.220
	3,500,000	–	–	–	–	3,500,000	17/08/2009	Period 5	0.272
	10,000,000	–	–	–	–	10,000,000	04/12/2009	Period 6	0.260
	10,000,000	–	–	–	–	10,000,000	04/12/2009	Period 7	0.260
	10,000,000	–	–	–	–	10,000,000	04/12/2009	Period 8	0.260
	15,000,000	–	–	–	–	15,000,000	04/12/2009	Period 9	0.260
	15,000,000	–	–	–	–	15,000,000	04/12/2009	Period 10	0.260
	91,500,000	–	–	–	–	91,500,000			
	586,710,000	–	–	–	–	586,710,000			

NOTES TO THE FINANCIAL STATEMENTS

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32. SHARE OPTION SCHEME (Continued)

Period 1	12 June 2008 to 11 June 2013
Period 2	15 November 2009 to 14 May 2014
Period 3	19 May 2009 to 18 May 2014
Period 4	20 March 2010 to 19 May 2014
Period 5	17 June 2010 to 16 August 2014
Period 6	4 December 2009 to 3 December 2014
Period 7	4 December 2010 to 3 December 2014
Period 8	4 December 2011 to 3 December 2014
Period 9	4 December 2012 to 3 December 2014
Period 10	4 December 2013 to 3 December 2014
Period 11	28 July 2010 to 30 May 2015

Notes:

(a) The vesting date of the share options for Periods 1, 3, 6 and 11 are the date of grant. The share options for Period 2 are subject to half year vesting period. The share options for Periods 4 and 5 are subject to ten months vesting period. The vesting period of the share options for Periods 7, 8, 9 and 10 are subject to one, two, three and four years vesting period respectively.

(b) During the year ended 31 December 2013, every five existing issued and unissued shares of HK$0.0004 each in a capital of the Company was consolidated into one consolidated share of HK$0.002 each (note 31(a)).

(c) Mr. Ng Tang retired by rotation as executive Director in accordance with bye-laws and the resolution in respect of his re-election was not passed by shareholders as ordinary resolution at the conclusion of the annual general meeting held on 3 May 2013. The share options lapsed due to his retirement.

(d) Mr. Kang Hongbo and Ms. Han Qiong resigned on 22 August 2013. Their share options lapsed due to resignation.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

32. SHARE OPTION SCHEME (Continued)

(e) The weighted average exercise prices of share options are as follows:

	Weighted average exercise prices of share options HK$
For the year ended 31 December 2013	
At 1 January 2013 (Restated)	**1.265**
At 31 December 2013	**1.168**
For the year ended 31 December 2012	
At 1 January 2012 (Restated)	1.265
At 31 December 2012 (Restated)	1.265

(f) The weighted average remaining contractual life of the share options outstanding at 31 December 2013 was approximately 418 days (2012: 787 days).

The expected life of the options is based on the historical data over one year and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

At 31 December 2013, the Company had 109,642,000 (2012: 117,342,000, restated as the Share Consolidation effective from 20 June 2013) share options outstanding under the Share Option Scheme, which are exercisable and represented approximately 6.26% (2012: 6.7%) of the Company's share in issue at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 109,642,000 (2012: 117,342,000, restated as the Share Consolidation effective from 20 June 2013) additional ordinary shares of the Company and additional share capital of HK$219,000 (2012: HK$235,000) and share premium of HK$136,822,000 (2012: HK$148,378,000) (before issue expenses).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2013 RMB'000	2012 RMB'000
ASSETS AND LIABILITIES			
Non-current asset			
Interests in subsidiaries	17	**1,811**	1,811
Current assets			
Other receivables, deposits and prepayments		**3,688**	4,025
Amounts due from subsidiaries		**1,383,619**	1,237,360
Cash and bank balances		**595**	4,316
		1,387,902	1,245,701
Current liabilities			
Other payables and accrued charges		**18,495**	9,428
Amounts due to subsidiaries		**49,165**	–
Amount due to a related company		**41,540**	71,691
Provision for tax		**3,359**	3,427
		112,559	84,546
Net current assets		**1,275,343**	1,161,155
Total assets less current liabilities		**1,277,154**	1,162,966
Non-current liability			
Convertible bonds	29	**270,678**	258,036
Net assets		**1,006,476**	904,930
EQUITY			
Share capital		**3,107**	3,107
Reserves	34(b)	**1,003,369**	901,823
Total equity		**1,006,476**	904,930

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

34. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity.

(i) Share premium

The share premium mainly includes shares issued at a premium.

(ii) Warrant reserve

On 2 August 2010, 717,000,000 listed warrants (the "Warrants") were issued and listed on the GEM (stock code: 8343) pursuant to a placing agreement signed with Kingston Securities Limited. The issue price per warrant was HK$0.01 and the subscription price was HK$0.26. Upon the exercise of the subscription rights attaching to the Warrants in full, a maximum of 717,000,000 new shares (subject to adjustments) will fall to be issued and allotted for up to approximately HK$186,420,000 in cash. The placing of warrants was completed on 2 August 2010. The exercise period of the Warrants is from the date of listing of the Warrants up to 1 August 2012.

Upon the end of the exercise period of 1 August 2012, no Warrants had been exercised by registered holders.

(iii) Capital redemption reserve

The capital redemption reserve of the Group represents the nominal value of the share capital of the Company repurchased and cancelled.

(iv) Specific reserve

In accordance with relevant PRC regulations, a subsidiary of the Company is required to provide that production maintenance fee and safety fund and other expense of similar nature are required to be charged to cost of production and credited to a specific reserve.

(v) Other reserve

The other reserve represented the difference between the consideration and the carrying amount of the net assets attributable to the additional interests in subsidiaries being acquired from non-controlling equity holders.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

34. RESERVES (Continued)

(b) The Company

	Share premium RMB'000	Warrant reserve RMB'000	Capital redemption reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Convertible bonds equity reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2013	970,169	-	6	(73,504)	53,084	118,673	(166,605)	901,823
Equity-settled share option arrangements	-	-	-	-	1,134	-	-	1,134
Transactions with owners	-	-	-	-	1,134	-	-	1,134
Profit for the year	-	-	-	-	-	-	120,099	120,099
Other comprehensive income								
Currency translation	-	-	-	(19,687)	-	-	-	(19,687)
Total comprehensive income for the year	-	-	-	(19,687)	-	-	120,099	100,412
Lapse of share options	-	-	-	-	(3,435)	-	3,435	-
At 31 December 2013	970,169	-	6	(93,191)	50,783	118,673	(43,071)	1,003,369

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

34. RESERVES (Continued)

(b) The Company (Continued)

	Share premium RMB'000	Warrant reserve RMB'000	Capital redemption reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Convertible bonds equity reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2012	731,718	5,314	6	(68,303)	50,027	119,345	(140,342)	697,765
Placing and subscription of new shares	239,964	–	–	–	–	–	–	239,964
Share issue expenses	(1,513)	–	–	–	–	–	–	(1,513)
Equity-settled share option arrangements	–	–	–	–	3,057	–	–	3,057
Transactions with owners	238,451	–	–	–	3,057	–	–	241,508
Loss for the year	–	–	–	–	–	–	(32,249)	(32,249)
Other comprehensive income								
Currency translation	–	–	–	(5,201)	–	–	–	(5,201)
Total comprehensive income for the year	–	–	–	(5,201)	–	–	(32,249)	(37,450)
Redemption of convertible bonds	–	–	–	–	–	(672)	672	–
Lapse of warrants	–	(5,314)	–	–	–	–	5,314	–
At 31 December 2012	970,169	–	6	(73,504)	53,084	118,673	(166,605)	901,823

35. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) During the year ended 31 December 2012, the Group purchased the property, plant and equipment of RMB5,838,000 which was transferred from the deposits paid for acquisition of property, plant and equipment.

(b) During the year ended 31 December 2012, refund of deposit for acquisition of a company of RMB8,105,000 was settled by netting off against the interest payable of convertible bonds issued by the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

35. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Disposal of subsidiaries

	2013 RMB'000
Net assets disposed of:	
Property, plant and equipment	332
Trade receivables	2,968
Other receivables, deposits and prepayments	163,851
Amount due from related companies	23,512
Cash and cash equivalents	7,908
Other payables and accrued charges	(152,961)
Borrowings	(45,000)
	610
Gain on disposal of subsidiaries (note 5)	190
Total consideration	800
Satisfied by:	
Cash	800
Total consideration	800

An analysis of net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2013 RMB'000
Cash consideration	800
Cash and bank balances disposed of	(7,908)
Net outflow of cash and cash equivalents in respect of disposal of subsidiaries	(7,108)

During the year ended 31 December 2013, Shenzhen Ruirui completed the disposal of the entire registered and paid-up capital of 深圳市銀池科技有限公司 ("Shenzhen Yinchi") at a consideration of RMB800,000.

During the year ended 31 December 2013, Shenzhen Yinchi and its subsidiary contributed revenue of RMB300,993,000 and net profit of RMB5,588,000 to the Group for the period from 1 January 2013 to 31 August 2013 (being completion date of the disposal).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

36. COMMITMENTS

At the reporting date, the Group had the following outstanding commitments:

(a) Operating lease arrangement

As lessee

At the respective reporting date, the Group had outstanding commitments payable under non-cancellable operating lease in respect of rented premises which fall due as follows:

	2013	2012
	RMB'000	RMB'000
Within one year	**1,074**	1,434
In the second to fifth years inclusive	**633**	726
After five years	**–**	90
	1,707	2,250

Operating lease payments represent rental payable by the Group for its office premises. Leases are negotiated for terms ranging from one to two (2012: two to three) years. Certain leases contain an option to renew the lease and renegotiated the terms at the expiry dates or at date mutually agreed between the Group and the landlords. None of the leases include contingent rentals.

(b) Capital commitments

	2013	2012
	RMB'000	RMB'000
Property, plant and equipment		
– Contracted but not provided for	**42,970**	43,989

(c) Other commitments

As at 31 December 2012, the Group had commitment in relation to the proposed acquisition of companies in the PRC of RMB30,740,000. These commitments were effective on or before 31 December 2013 in relation to the aforesaid completion of the proposed acquisition of a company in the PRC. Pursuant to the Company's announcement dated 2 January 2014, the proposed acquisition was terminated (note 18).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

37. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material related party transactions:

(a) Nature of transactions

	2013 **RMB'000**	2012 RMB'000
Sales of goods to related companies	**–**	45,652

Note:

Amount represented sales of mineral resources to First Create. The sales were based on mutually agreed terms.

(b) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year are follows:

	2013 **RMB'000**	2012 RMB'000
Short-term benefits	**3,152**	3,225
Share-based payments	**–**	291
Post-employment benefits	**29**	23
	3,181	3,539

(c) As at 31 December 2013, the Group's bank borrowings of RMB45,000,000 (2012: RMB30,000,000) are guaranteed by First Create, 烏蘭察布市白乃廟銅業有限責任公司 and Mr. Mei Ping (note 27).

(d) As at 31 December 2013, the Group's other borrowings of RMB150,000,000 are guaranteed by First Create and Mr. Mei Wei (note 27).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

38. 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, interest risk and other price 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 risk focus on securing the Group's short or 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.

(a) Categories of financial assets and liabilities

The carrying amounts presented in the reporting dates relate to the following categories of financial assets and financial liabilities.

Financial assets

	2013 RMB'000	2012 RMB'000
Loans and receivables		
– Trade and note receivables	**182,007**	214,963
– Other receivables	**79,481**	68,488
– Amounts due from related companies	**482**	104,939
– Pledged bank deposits	**1,138**	–
	263,108	388,390
Bank balances and cash	**219,849**	76,427
	482,957	464,817
At fair value through profit or loss		
– Financial assets at fair value through profit or loss	**1,261**	997
	484,218	465,814

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Categories of financial assets and liabilities (Continued)

Financial liabilities

	2013 **RMB'000**	2012 RMB'000
Measured at amortised cost		
– Trade and note payables	**100,196**	43,413
– Other payables and accrued charges	**59,451**	75,770
– Amounts due to related companies	**1,581**	1,425
– Borrowings	**195,621**	76,071
– Convertible bonds	**270,678**	258,036
	627,527	454,715
At fair value through profit or loss		
– Financial liabilities at fair value through profit or loss	**298**	646
	627,825	455,361

(b) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In 2013 and 2012, the Group's exposure to currency exchange rate was minimal as the Group companies held most of their financial assets/ liabilities in their own functional currencies as at 31 December 2013 and 2012.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly the interest bearing bank balances and floating-rate bank and other borrowings at prevailing market interest rates. The management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest bearing bank balances at the reporting dates. The analysis is prepared assuming the relevant assets and liabilities outstanding at the reporting date were outstanding for that whole year.

If interest rates had been 1% higher/lower and all other variables were held constant, the loss for the year ended 31 December 2013 would decrease/increase by RMB1,649,000 (2012: RMB573,000). The assumed changes have no impact on the Group's other components of equity. This is mainly attributable to the Group's exposure to interest rates on its interest bearing bank balances.

(d) Price risk

The derivative financial instruments are stated at fair value and the Group is exposed to quoted future price risk.

Price sensitivity

The sensitivity analysis of the Group's loss after tax and retained earnings/accumulated losses to a reasonably possible change in the fair value of derivative financial instruments until the next annual reporting date is assessed to be immaterial. Changes in fair value of derivative financial instruments have no impact on other components of equity.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Fair values

The carrying amounts of the financial assets and financial liabilities as disclosed under current assets and current liabilities, respectively, approximate their fair values as they are all short term in nature.

The carrying amounts of the financial liabilities as disclosed under non-current liabilities are recognised at amortised cost and approximate their fair values.

The following table presents financial assets measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following levels:

– Level 1: quoted prices (unadjusted) in active markets for identical assets;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

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

The financial assets measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

At 31 December 2013

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Futures contracts	**1,261**	**–**	**–**	**1,261**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Futures contracts	**298**	**–**	**–**	**298**

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Fair values (Continued)

At 31 December 2012

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Futures contracts	997	–	–	997
Liabilities				
Financial liabilities at fair value through profit or loss				
– Futures contracts	646	–	–	646

There have been no transfers between levels 1, 2 and 3 in the reporting period.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Note: Fair value of the futures contracts has been determined by reference to their quoted bid prices at the reporting date.

(f) Credit risk

In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The Company's substantial shareholder, Mr. Mei Wei, has undertaken to indemnify any loss the Group may incur in consequence of any failure or default in repayment of certain receivables and deposits of the Group to minimise the Group's credit risk. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group had concentration of credit risk of its trade and note receivables on two customers (2012: one customer) which represented approximately 90% (2012: approximately 90%) of the aggregate amount of the Group's trade and note receivables as at 31 December 2013.

In the opinion of the Directors, the credit risk on liquid funds, including balances with non-bank financial institutions is limited because the counterparties are reputable banks and financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(g) Liquidity risk

The management has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining sufficient bank balances and banking facilities. The Group continuously monitors the forecast and actual cash flows and the maturity profiles of financial liabilities.

The maturity profile of the Group's financial liabilities as at the reporting date, base on the contracted undiscounted payments, was as follows:

	On demand or less than three months RMB'000	Three to twelve months RMB'000	More than one year RMB'000	Total RMB'000
At 31 December 2013				
Non-derivative financial liabilities				
Trade and note payables	**100,196**	**–**	**–**	**100,196**
Other payables and accrued charges	**59,451**	**–**	**–**	**59,451**
Amounts due to related companies	**1,581**	**–**	**–**	**1,581**
Borrowings	**4,809**	**58,789**	**151,550**	**215,148**
Convertible bonds	**–**	**9,030**	**305,486**	**314,516**
	166,037	**67,819**	**457,036**	**690,892**
Derivative financial liabilities				
Financial liabilities at fair value through profit or loss	**298**	**–**	**–**	**298**
	166,335	**67,819**	**457,036**	**691,190**
At 31 December 2012				
Non-derivative financial liabilities				
Trade payables	43,413	–	–	43,413
Other payables and accrued charges	75,770	–	–	75,770
Amounts due to related companies	1,425	–	–	1,425
Borrowings	1,411	79,490	714	81,615
Convertible bonds	–	9,213	330,117	339,330
	122,019	88,703	330,831	541,553
Derivative financial liabilities				
Financial liabilities at fair value through profit or loss	646	–	–	646
	122,665	88,703	330,831	542,199

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

39. CAPITAL MANAGEMENT

The Group's capital management objective include:

(i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners 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 review 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.

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 dividends paid to owners, return capital to owners, issue new shares or raise new debts, or sell assets to reduce debt.

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

	Group	
	2013	2012
	RMB'000	RMB'000
Capital		
Equity attributable to owners of the Company	**1,094,654**	1,309,254
Overall financing		
Borrowings	**195,621**	76,071
Convertible bonds	**270,678**	258,036
	466,299	334,107
Capital-to-overall financing ratio	**2.35 times**	3.92 times