中國有色金屬有限公司*

China Nonferrous Metals Company Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8306

* for identification only

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

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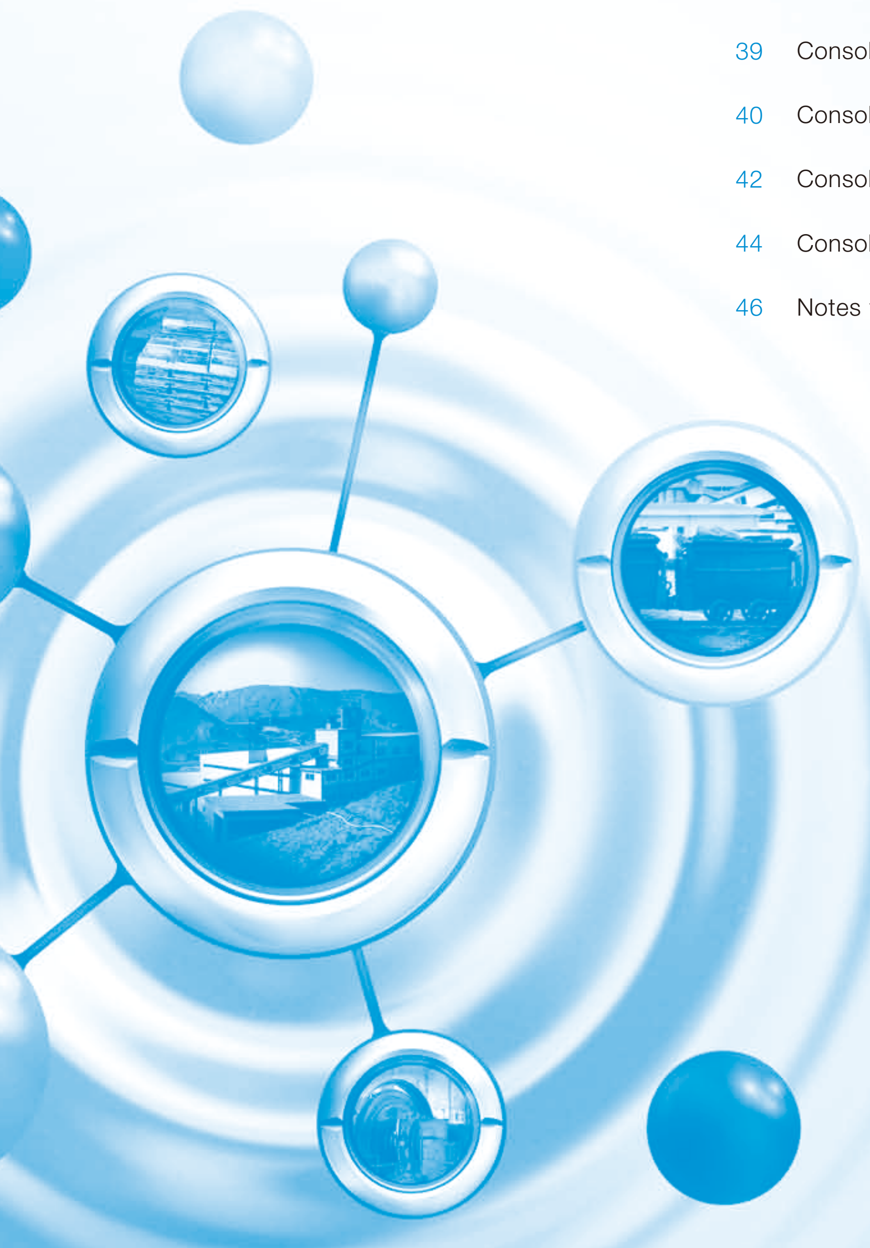

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. MEI Ping *(Chairman)* (suspended)
Mr. TSANG Chung Sing, Edward

INDEPENDENT NON-EXECUTIVE DIRECTORS
Ms. HE Qing
Mr. NG Man Kwan, Lawrence*

COMPLIANCE OFFICER
Mr. MEI Ping

COMPANY SECRETARY
Mr. LI Chi Chung, Michael

AUDIT COMMITTEE
Ms. HE Qing (Chairlady)
Mr. NG Man Kwan, Lawrence*

REMUNERATION COMMITTEE
Mr. NG Man Kwan, Lawrence *(Chairman)**
Ms. HE Qing

NOMINATION COMMITTEE
Mr. NG Man Kwan, Lawrence *(Chairman)**
Mr. MEI Ping

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

STOCK CODE
8306

COMPANY WEBSITE
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LEGAL ADVISERS
Michael Li & Co.

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Certified Public Accountants
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PRINCIPAL BANKER
Hang Seng Bank

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA
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Hamilton HM 11
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Wanchai,
Hong Kong

* Appointed on 27 March 2015

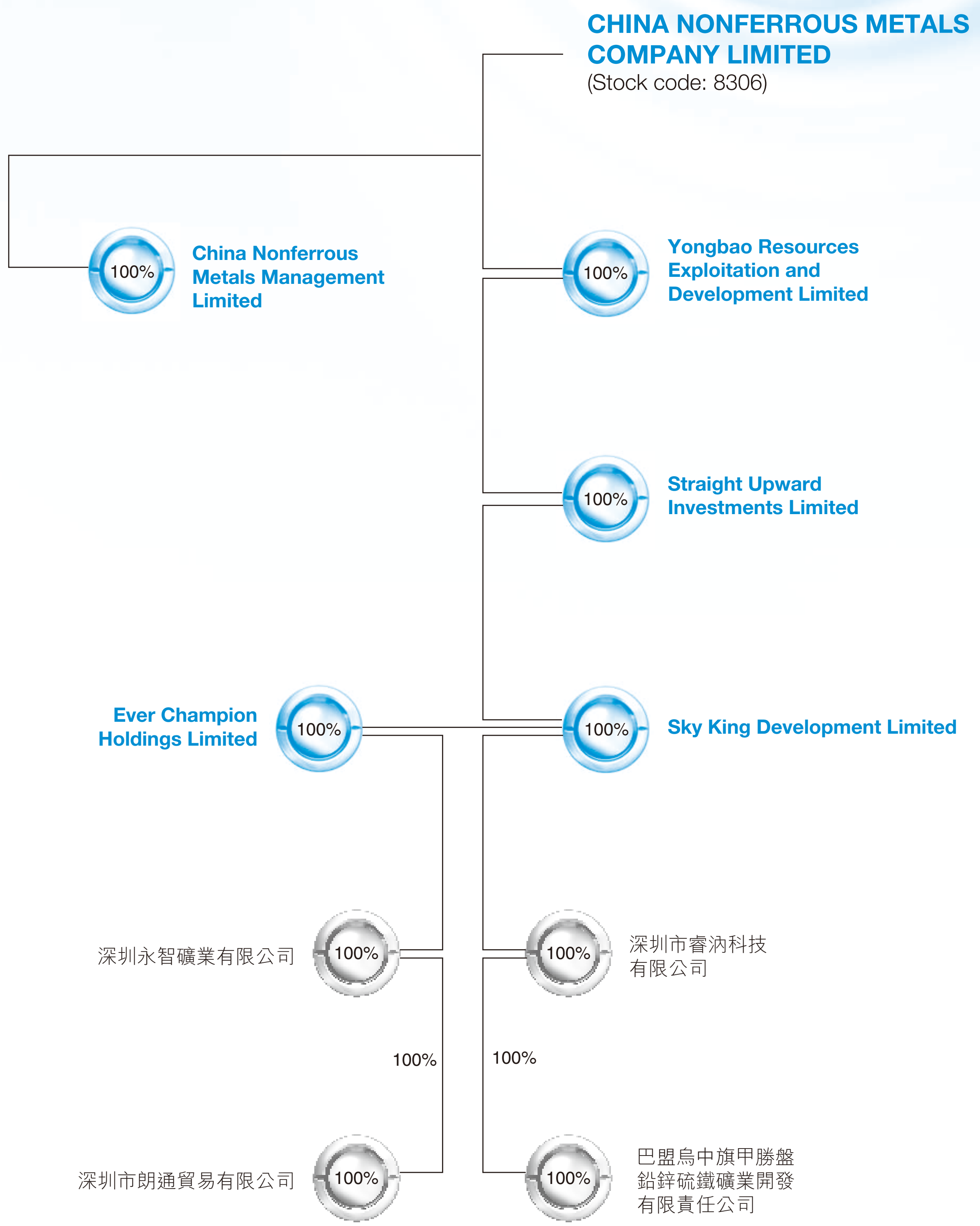
FINANCIAL HIGHLIGHTS

	2014	2013	2012	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue					
– Continuing operations	**126,076**	383,283	339,650	526,577	492,063
– Discontinued operation	**–**	–	–	–	7,079
	126,076	383,283	339,650	526,577	499,142
Gross profit					
– Continuing operations	**10,225**	13,877	35,844	60,785	111,113
– Discontinued operation	**–**	–	–	–	1,257
	10,225	13,877	35,844	60,785	112,370
(Loss)/profit attributable to owners of the Company					
– Continuing operations	**(176,080)**	(259,140)	(17,322)	27,671	61,527
– Discontinued operation	**–**	–	–	–	9,505
	(176,080)	(259,140)	(17,322)	27,671	71,032
Equity attributable to owners of the Company	**918,940**	1,094,654	1,309,254	1,085,053	1,046,950
Total assets	**1,790,859**	2,008,295	2,195,736	2,080,121	2,253,596
Total liabilities	**871,919**	913,641	793,638	902,415	903,180

	2014	2013	2012	2011	2010
			(Restated)	(Restated)	(Restated)
(Losses)/earnings per share (RMB cents)					
Basic					
– For (loss)/profit from continuing and discontinued operations	**(10.05)**	(14.80)	(1.60)	2.77	9.07
– For (loss)/profit from continuing operations	**(10.05)**	(14.80)	(1.60)	2.77	7.86
Diluted					
– For (loss)/profit from continuing and discontinued operations	**(10.05)**	(14.80)	(1.60)	2.77	8.20
– For (loss)/profit from continuing operations	**(10.05)**	(14.80)	(1.60)	2.77	7.46

GROUP STRUCTURE

The Group structure with major subsidiaries as at 31 December 2014 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 and significant events of the Company and its subsidiaries (collectively referred to the "Group") for the year ended 31 December 2014 as follows:

BUSINESS AND FINANCE REVIEW

2014 had been a challenging year for the metal industry and so as to the Company. Continuously under the influences of the slow global economy recovery and increasing intense competition in the metal industry, as well as the anticipation of the scaling down of the US quantitative easing policies, the prices of zinc and lead remained volatile in 2014.

According to the data extracted from Shanghai Metals Exchange Markets website, the average price of zinc was increased by approximately 6.8% to RMB15,915 per tonne, the average price of lead was decreased by approximately 2.5% to RMB13,825 per tonne when compared with their average prices in 2013. The price of zinc is expected to increase in the following years. As stated by the International Lead and Zinc Study Group ("ILZSG"), it is anticipated that the scheduled closure of several major zinc mines in Australia, Ireland and other western countries would further decrease the production of zinc products in the future. Meanwhile, it is expected that the consumption of zinc continuous to be increased in the Asian market. As a result, these factors favor the Group's metal business.

Despite the above favorable factors, the Group faced difficulties in constant threat from labour and production cost inflation. In addition, the stringent environment production requirements in the People's Republic of China (the "PRC") continue undermined the profitability of the Group.

For the year ended 31 December 2014, turnover of the Group decreased by 67.1% to approximately RMB126.1 million (2013: approximately RMB383.3 million) as a result of the decrease in the metal trading in the PRC due to the adverse business condition. In this regards, the Group has started its business in the provision of bullion trading in Hong Kong during the year in which its gross invoiced amount is approximately RMB84.5 million. However, explained under the heading "Addendum to business and financial review" in the Management Discussion and Analysis section, only the gross profit can be recognised as revenue instead of the gross invoiced amount as the Group act as agent. As a whole, the Group's metal trading gross profit amount RMB6.8 million has been recognised as revenue during the year.

Confronted with cost inflation in recent years, the Group has taken positive steps to control the cost and sustain the growth of 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; (2) The Group has continued to adopt a stringent standard on its internal control to enhance production efficiency and safety measures.

SIGNIFICANT EVENTS

I would like to draw your attention to all shareholders of the Company (the "Shareholders"), potential investors, business partners and other stakeholders for the announcement dated 22 January 2015 regarding to the litigations and arbitrations involving subsidiaries of the Company on the Stock Exchange. The Writs and Arbitration Cases, which is explained and defined under "LITIGATIONS AND CONTINGENT LIABILITIES" in the Management Discussion and Analysis section, have been discovered recently which involved 巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司 (the "Jiashengpan") and 深圳市睿汭科技有限公司 (the "Shenzhen Ruirui"), both of which are wholly owned subsidiaries of the Company. The Writs and Arbitration Cases were brought against Jiashengpan and/or Shenzhen Ruirui in the PRC as joint guarantor for loans borrowed by 深圳市冠欣投資有限公司 ("First Create"), a controlled corporation by a substantial shareholder of the Company, Mr. Mei Wei, whose brother, Mr. Mei Ping, is the chairman

CHAIRMAN'S STATEMENT

of the Company. These guarantor agreements were signed by Mr. Mei Ping, on behalf of Jiashengpan and Shenzhen Ruirui without informing the Board. In order to minimise the impact to the Shareholders, Mr. Mei Ping has urged Mr. Mei Wei to liaise with the plaintiffs under the Writs and Arbitration Cases with a view to arrive at a negotiated settlement so as to avoid possible losses to be incurred to the Company. Therefore, the Board has suspended Mr. Mei Ping's duty as executive Director. In March 2015, the largest claimant, the plaintiff of the Arbitration Cases, executed an undertaking in favour of First Create, executed an undertaking in favour of First Create, pursuant to which the plaintiff to the Arbitration Cases agreed to release Jiashengpan as a guarantor under the guarantee documents, provided that First Create pays her RMB20 million before 15 April 2015. Mr. Mei Wei also executed an undertaking in favour of Jiashengpan pursuant to which Mr. Mei Wei agreed to assume the payment liability in respect of the said RMB20 million. As informed by Mr. Mei Wei that he has not yet paid the said sum of RMB20 million as at the date of this report.

The Board was not aware of the Writs and Arbitration Cases until it was informed by the management of the Company in 2015. The Group is in progress to improve its communication procedures between the subsidiaries in the PRC and office in HK. The legal representative of Shenzhen Ruirui has been changed to a senior staff in the PRC office who has extensive experience in accounting and corporate administration. The Group will endeavor to adopt additional measures to avoid the same happened again by strengthening its internal control.

PROSPECT

The PRC economy is transiting from a strong supply to consumption bases and nonferrous metals demand is expected to persist. The supply of zinc, on the contrary, expected to be tight after scheduled closure of the serveral major zinc mines in Australia and Ireland within two years in accordance to ILZSG. The price of zinc is expected to persist strengthening in 2015. 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.

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.

China Nonferrous Metals Company Limited

31 March 2015

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Mei Ping (梅平), aged 55, is the chairman of the Board. He voluntarily proposed to suspend his duty as the executive Director and chairman of the Board, pursuant to the Writs and Arbitration Cases (further details of which are set out in the announcement of the Company dated 22 January 2015). 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.

Mr. Tsang Chung Sing, Edward (曾松星), aged 60, 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

Ms. He Qing (何晴), aged 40, 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.

Mr. Ng Man Kwan, Lawrence, aged 44, obtained his Master of Business Administration Degree from the University of Wales, Newport in the United Kingdom. Mr. Ng has over 20 years of knowledge of a wide range of financial products such as fixed income, wealth management and asset management business. Mr. Ng is currently the managing partner of Prince Fund Management Limited, mainly responsible for the using of derivative products for hedging and performing asset management analysis. He was a director responsible for asset management for Prince Capital Management Limited, a licensed corporation for asset management under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"). Mr. Ng has previously held senior positions at leading global financial institutions in Asia such as the American Express Bank Limited, DBS Bank Limited, Hong Leong Bank in Singapore and Fleet National Bank.

SENIOR MANAGEMENT AND MANAGEMENT TEAM

Ms. Liu Yaling, Irene (劉亞玲), aged 42, 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. 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 51, 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.

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 according to the data from United States Geological Survey.

China becomes the single largest lead and zinc consumption country in the world for almost 10 years according to ILZSG as it is driven by steady economic development in previous years. Even though with the initiative from the PRC Government measures to stimulate the nonferrous metals industry, its output on nonferrous resources cannot meet its demand and thus China has to import from other countries in which it is becomes 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 2014 amounted to approximately 1.8 million tonnes (2013: 1.5 million tonnes) and 2.2 million tonnes (2013: 2.0 million tonnes) respectively. The import volume of lead concentrates has been increased by approximately 20% mainly attributable to the (1) decrease in the production volume in China by 4.8%; and (2) increased in the consumption of lead due to the PRC government measures to promote industrial restructuring by cutting the lead (including recycled lead) smelting capacity by 115,000 tonnes.

PRC Nonferrous Metals Development in 2014

According to an article issued by the Ministry of Industry and Information Technology ("MIIT") of the PRC, the national output of ten nonferrous metals for this year, including lead and zinc, rose to approximately 44.17 million tonnes, its output growth has increased by approximately 9.6% while compared with last year. The output of lead lowered to approximately 5.6% to 4.22 million tonnes but zinc climbed approximately 10% to 5.83 million tonnes respectively. Total profitability in nonferrous metals industry in the PRC had decreased by approximately 0.1% to approximately RMB205.3 billion as compared with last year.

Supply of the nonferrous metals in the PRC has been affected by the industrial restructuring and technology level upgrade in accordance to the 12th Five-Year Plan. Facing with difficulties of overcapacity, particularly in the nonferrous industry, this plan aims to eliminate backward production capacity and focus on the environmental protection in order to accelerate the development of the nonferrous industry in the PRC. During the year 2014, MIIT in China substantially increased its target of eliminating overcapacity, including cutting the lead smelter capacity by 115,000 tonnes and Hunan Province also announced its plan to eliminate backward production capacity of copper and lead by at least 300,000 tonnes together with the stringent restriction in entering into the high energy consumption and high pollution industries. These measures will be strengthened and continued as MIIT has announced that preparation work has been started to pave the way for the launch of 13th Five-Year Plan in coming future.

In addition, MIIT released a list of the first and second batch of enterprises with obsolete capacities to be shut down in July 2013 and August 2014. According to the list on the second batch, those named enterprises' production line and equipment (including lead provider) are required to dismantle completely. It is expected the elimination of obsolete capacity will benefit the improvement in the demand and supply relationship as well as the competitive environment of the Chinese nonferrous industry.

MANAGEMENT DISCUSSION AND ANALYSIS

China strives to sustain stable economic growth by accelerating industrialisation, motivating internal consumption and developing of emerging industries under the 12th Five-Year Plan. This led to the result that China has been the largest lead and zinc production and usage in the world in recent years. However, China's economy is facing multiple domestic and international challenges despite its steady performance during the year. To tackle these problems, it is expected the central government will continue stable and macroeconomic policies and adopt flexible micro-economics policies. Although the elimination of the backward production measures inevitably affected the supply of the zinc and lead in short run, it is expected the target set in the 12th Five-Year Plan will further enhance the development of mining and processing technology level in order to align with international standard. In the long run, it will favor the usage of nonferrous metals and create favorable atmosphere for the stable development of nonferrous metals industry.

Suffering from the keen competition in the nonferrous metals market and recent market price trend, the Group's average selling price of various products were sustainable at the low level, it is expected the business environment of the nonferrous metals market remain unfavourable in 2015 as the currencies polices of macro economics, trading investment momentum and bulk commodity prices furthered uncertainies within the industry. The record of high production cost and low grading ore, now showing no signs of abatement, will continue to plague the Group's financial performance.

Nevertheless, with the accelerated industrialisation and urbanisation in the PRC, natural resources are expected in short supply. In addition, the PRC government continued to promote industrial restructuring and upgrade the nonferrous metals industry technology with a plan 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.

MARKET REVIEW

LEAD

Total global supply of lead for this year stood at approximately 11.274 million tonnes whilst total consumption was only approximately 11.279 million tones. The global market for lead metal was closely balanced with usage exceeding production by 5,000 tonnes. During the year 2013, global lead production was approximately 10.593 million tonnes and consumption was approximately 10.615 million tonnes, representing a supply deficit of approximately 22,000 tonnes.

World refined lead supply and usage

	2014	2013
Metal production (tonnes)	**11,274,000**	10,593,000
Metal usage (tonnes)	**11,279,000**	10,615,000
Deficit (tonnes)	**(5,000)**	(22,000)

Source: ILZSG

Both refined lead metal production and consumption slightly increased by 6% as compared with last corresponding year. In accordance with ILZSG forecasts, global demand and supply for refined lead metal is expected to rise to approximately 11.563 million tonnes and approximately 11.54 million tonnes respectively in 2015. As a consequence, it is anticipated that there should not have any material deficit/surplus between the usage and consumption in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

ZINC

Total global supply of zinc was approximately 13.513 million tonnes for this year whilst total consumption was approximately 13.809 million, representing a deficit of approximately 296,000 tonnes. During the year 2013, global zinc production was approximately 13.138 million tonnes and consumption was approximately 13.198 million tonnes, representing a supply deficit of approximately 60,000 tonnes.

World refined zinc supply and usage

	2014	2013
Metal production (tonnes)	**13,513,000**	13,138,000
Metal usage (tonnes)	**13,809,000**	13,198,000
Deficit (tonnes)	**(296,000)**	(60,000)

Source: ILZSG

The zinc market supply deficit is further enlarged in 2014. The primary influence was mainly attributable to the increased in consumption is higher than production in China. In addition, the usage in the United States rose by 3.0% and in Korea by 6.7%.

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 and lead.

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 metal (approximate '000 tonnes)**	**Lead resources contained metals (approximate '000 tonnes)**
112b	302.20	42.68
333	554.90	68.16
Total as at 31 December 2008	857.10	110.84
Less: Total output from 2009 to 2014	(80.63)	(8.88)
Total as at 1 January 2015	776.47	101.96

The data above present the zinc and lead 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 orebody;
- 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 triangular, 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 (Sl-S2)/Sl×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:

	2014				2013			
	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	**117,291**	**(113,898)**	**3,393**	**2.9%**	155,846	(145,805)	10,041	6.4%
Metal trading	**1,974**	**(1,953)**	**21**	**1.1%**	224,350	(223,601)	749	0.3%
Indent trading/service income	**6,811**	**–**	**6,811**	**100%**	3,087	–	3,087	100.0%
Total	**126,076**	**(115,851)**	**10,225**	**8.1%**	383,283	(369,406)	13,877	3.6%

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

REVENUE

Looking back to the year of 2014, total revenue decreased by approximate 67.1% to about RMB126.1 million. The decrease was mainly attributable to the decrease in the metal trading business to RMB2.0 million (2013: RMB224.3 million) due to the adverse market conditions in 2014.

MINING

Zinc prices remained at low level during the first half year of 2014. It has been slightly recovered in the second half year of 2014 due to decrease in the stockpiles as expected. The decline in the revenue compared with last year was mainly caused by the decrease in sales volume of zinc and lead concentrates from Jiashengpan which has set off the impact on the increased in selling prices.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue generated from sales of nonferrous metal products amounted to approximately RMB117.3 million (2013: approximately RMB155.8 million), representing an decrease of approximately 24.7% as compared with last year. Approximately 2.9% gross profit margin was recorded for the year ended 31 December 2014 representing a decrease of approximately 3.5 percentage points as compared with last year. Revenue generated from sales of tailing mine amounted to approximately RMB6.2 million (2013: RMB9.1 million) as a result of the drop in the selling price of approximately RMB115.5 per tonne (2013: RMB125.6 per tonne) and decrease in the sales volume. Overall, zinc concentrates accounted for approximately 88.2% of the mining sector's revenue (2013: 85%) and as such its fluctuation had materially affected the Group's performance in 2014.

METAL TRADING

Total revenue generated from trading activities amounted to approximately RMB2.0 million for the year (2013: RMB224.3 million) representing a decrease of approximately RMB222.3 million or 99.1% over the last year as the continuous adverse market condition in 2014. To remain its competitiveness, the Group has adopted a slim margin strategy in respect of its metal trading business. Gross profit margin on metal trading is maintained at single digit profit margin, which is approximately 1.1% (2013: 0.3%).

INDENT TRADING/SERVICE INCOME

Total gross invoiced amount was approximately RMB378.7 million which was generated from the indent trading activities; a net amount of RMB6.8 milion in total has been recognised as revenue during the year. The Group has started its business in the provision of bullion trading in Hong Kong in which the silver ingots is purchased from the manufacturer and sold to the local customer. As the silver ingots is directly delivered from the manufacturer to the customer and demand is high, we do not hold any silver ingots on hand as at the reporting date. There is a large number of traders of different scales of operations in the metals trading industry in Hong Kong and the competition in the market is intense. We compete with other metal traders in Hong Kong mainly on capital commitment, price competitiveness, customer base and sustainable supply of adequate metals.

The Company will continue to implement a more cautious credit management policy. It is considered to reshuffle our customer mix towards those who have good credit history and higher trustworthiness in order to minimise our credit risks.

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 2014 and 2013:

	2014			2013		
	Sales volume *(tonne)*	**Selling price *(RMB/tonne)***	**Total revenue *(RMB'000)***	Sales volume *(tonne)*	Selling price *(RMB/tonne)*	Total revenue *(RMB'000)*
Zinc concentrate	**12,477**	**8,131.9**	**101,462**	18,046	7,664.5	138,313
Lead concentrate, crude lead and lead acid	**1,112**	**9,731.1**	**10,821**	2,542	11,298.7	28,719
Sulphuric acid	**14,951**	**53.6**	**802**	45,493	105.3	4,789
Silver	**–**	**–**	**–**	2.08	5,093,750	10,595
Associate gold metal (gram)	**–**	**–**	**–**	3,778	312.8	1,182
Copper concentrates or copper cathode	**–**	**–**	**–**	4,222	44,418.9	187,537
Tailing mine	**53,505**	**115.5**	**6,180**	72,112	125.65	9,061
Indent trading/service income	**–**	**–**	**6,811**	–	–	3,087
			126,076			383,283

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL INFORMATION BY ORDINARY COURSE 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 2014				
	Mining *RMB'000*	Metal trading *RMB'000*	Metal commodity futures *RMB'000*	Unallocated corporate income and expenses *RMB'000*	Total *RMB'000*
Revenue	117,291	8,785	–	–	126,076
Changes in fair value of derivative financial instruments	–	–	24	–	24
Cost of sales	(113,898)	(1,953)	–	–	(115,851)
Gross profit	3,393	6,832	24	–	10,249
Other income	1,159	25	–	6	1,190
Selling and distribution costs	(5,645)	–	–	–	(5,645)
Administrative expenses	(25,667)	(8,551)	(558)	(1,296)	(36,072)
Finance costs	(17,862)	–	(45)	(28,865)	(46,772)
Impairment losses	(133,637)	–	–	–	(133,637)
Loss before income tax	(178,259)	(1,694)	(579)	(30,155)	(210,687)

ADDENDUM TO BUSINESS AND FINANCIAL REVIEW

For the year ended 31 December 2014, overall revenue of the Group was approximately RMB126.1 million and the trade and note receivables as at 31 December 2014 was approximately RMB162.9 million, as such accounts receivable turnover was approximately 471 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 RMB6.8 million instead of the gross invoiced amount of approximately RMB378.7 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 2014 year end date and up to 31 March 2015, trade and note receivables of RMB144.0 million as at 31 December 2014 has been settled either by metal purchase or bank receipts. The remaining outstanding amount of RMB18.9 million is still within the credit period.

OTHER INCOME

During the year, other income was approximately RMB1.2 million (2013: RMB10.6 million). The decrease was mainly attributable to the reversal of impairment of trade receivables of approximately RMB6.6 million recognised as other income in last year, which is one-off in nature.

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 2014, the Group recorded a net gain on future contracts of approximately RMB24,000 (2013: approximately RMB4.0 million). The Group did not enter into any commodity futures contracts unrelated to the business operations during the year (2013: Nil).

OPERATING EXPENSES

Selling and distribution costs for the year amounted to approximately RMB5.6 million, as compared to approximately RMB4.4 million reported last year. Increased in the selling and distribution expenses was mainly due to the transportation cost borne by the Group during the year, which was borne by a trading company disposed last year.

Administrative expenses for the year decreased to approximately RMB36.1 million, as compared to approximately RMB44.4 million reported last year. The decrease was attributable to the disposal of a trading company in last year which lowered the administration expenses as a whole.

Impairment losses represented losses recognised for the Group's cash generating unit, which include intangible assets and property, plant and equipment, totalling RMB129.5 million (2013: RMB261.0 million) due to the adverse business environment of the nonferrous metals market. Impairment losses recognised on the trade and other receivables totalling RMB4.1 million (2013: Nil).

FINANCE COSTS

Finance costs for the year ended 31 December 2014 amounted to approximately RMB46.8 million (2013: RMB46.1 million) representing an increase of approximately RMB0.7 million.

Subsequent to 31 December 2014, the Group has not repaid an entrusted loan in the principal amount of RMB150,000,000 together with certain loan interest since the expiry of the entrusted loan on 30 January 2015. As at the date of this report, Jiashengpan is still in the course of the negotiation with the lender to amend the terms of the entrusted loan.

LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company for the year ended 31 December 2014 was approximately RMB176.1 million (2013: RMB259.1 million).

The loss was attributable to the decrease in the gain on metal commodity futures contracts, decrease in the sales volume of zinc and lead concentrates from the mining site during the year and the impairment losses recognised during the year.

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. As at 31 December 2014, the total equity attributable to owners of the Company was approximately RMB919.0 million (2013: RMB1,094.7 million). The Group's cash and bank balances (including pledged bank deposits) stood at RMB37.0 million (2013: RMB221.0 million). The decrease is a result of the repayment to local suppliers and fund advance to suppliers for trading and mining purposes. As at 31 December 2014, the Group's current net current assets is approximately RMB77.7 million (2013: approximately RMB560.5 million). The worsening of the short term liquidity position was due to the convertible bonds due within seven months in 2015. In view of the working capital position of the Group as at 31 December 2014, Ruffy has undertaken on 25 March 2015 not to demand immediate repayment in part or in whole for the redemption of convertible bonds held by Ruffy on the maturity date until 9 July 2017 or such later date as the Company and Ruffy may agree in writing.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, the other loan of Jiashengpan in the sum of RMB150,000,000 to Jiashengpan for a term of 2 years commencing from 31 January 2013 and ending to 30 January 2015 (both dates inclusive) at the interest rate of 10% per annum. The loan became as current liability in current year. As at the date of this report, Jiashengpan is still in the course of the negotiation with the Bank, acting for and on behalf of the Lender, to amend the terms of the Loan (including but not limited to the interest rate of the Loan and the extension of the term of the Loan). The parties have not yet determined the terms of the Loan. Since the expiry of the Loan Agreement on 30 January 2015 and up to the date of this report, no repayment of any principal amount on the Loan has been made by Jiashengpan or any member of the Group.

The Group will use its best endeavour to address the liquidity issues, including but not limited to (i) secure financial support from Mr. Mei Wei; and (ii) further negotiations with plaintiffs so as to withdraw Jiashengpan and RuiRui as guarantor as soon as practicable.

As at 31 December 2014, the total asset value of the Group was approximately RMB1,790.9 million (2013: approximately RMB2,008.3 million). Total liabilities was approximately RMB871.9 million (2013: approximately RMB913.6 million). Gearing ratio of the Group, calculated as total liabilities over total assets was approximately 48.7% (2013: approximately 45.5%). The interest-bearing and other bank borrowings of the Group amounted to approximately RMB194.9 million (2013: approximately RMB195.6 million).

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.

PLEDGE OF ASSETS

As at 31 December 2014, the Group's mining rights at the net carrying amount of approximately RMB749.7 million (2013: RMB856.8 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 as at 31 December 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

LITIGATIONS AND CONTINGENT LIABILITIES

Reference to the announcement dated 22 January 2015, the Company had been aware of three writs of civil summon dated (i) 24 September 2014 and has been issued at the Intermediate People's Court of Shenzhen City ("First Writ"), (ii) 3 November 2014 and has been issued at the Intermediate People's Court of Bayannur ("Second Writ"); and (iii) 29 December 2014 and has been issued at the People's Court of Futian, Shenzhen ("Third Writ", together with First Writ and Second Writ, the "Writs"). In addition, the Company had also been aware of four arbitration cases in Shenzhen Arbitration Centre against First Create (the "Arbitration Cases" together with the Writs, the "Writs and Arbitration Cases"). The Writs and Arbitration Cases against First Create for repayment of loans and interest accrued thereon. Jiashengpan and/or Shenzhen Ruirui is a named defendant under the Writs and Arbitration Cases. Each of the plaintiffs under the Writs and Arbitration Cases alleged the following:

i. by a guarantee executed by Jiashengpan and Shenzhen Ruirui, they agreed to guarantee of RMB156,617,000 together with any accrued interest and other liabilities arisen in favour of the plaintiff. The plaintiff thereto claimed against First Create, Jiashengpan and RuiRui of approximately RMB162,577,000 under the First Writ;

ii. by a loan agreement and a supplemental agreement executed by Jiashengpan, Jiashengpan agreed to guarantee of RMB70,000,000 together with any accrued interest and other liabilities arisen in favour of the plaintiff. The plaintiff thereto claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB46,486,000 under the Second Writ;

iii. by a guarantee executed by Jiashengpan, Jiashengpan agreed to guarantee of RMB35,000,000 together with any accrued interest and other liabilities arisen in favour of the plaintiff. The plaintiff thereto claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB31,737,000 under the Third Writ;

iv. by a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors agreed to provide guarantee for a loan amount of RMB200,000,000 together with any accrued interest and other liabilities arisen and it is allegedly being advanced by a claimant to First Create. The plaintiff thereto filed an arbitration application claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB216,485,000;

v. by a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors agreed to provide guarantee for a loan amount of RMB100,000,000 together with any accrued interest and other liabilities arisen and it is allegedly being advanced by a claimant to First Create. The plaintiff thereto filed an arbitration application claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB107,517,000;

vi. by a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors agreed to provide guarantee for a loan amount of RMB145,000,000 together with any accrued interest and other liabilities arisen and it is allegedly being advanced by a claimant to First Create. The plaintiff thereto filed an arbitration application claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB152,131,000; and

vii. by a guarantee agreement entered into, among others, Jiashengpan as one of the guarantors in connection of the loan amount of RMB80,000,000 together with any accrued interest and other liabilities arisen and it is allegedly being advanced by a claimant to First Create. The plaintiff thereto filed an arbitration application claimed against First Create, Jiashengpan and other guarantors unrelated to the Group of approximately RMB84,191,000.

As at the date of this report, the investigations are still ongoing, and to the best knowledge of the Company, it has not identified any undisclosed litigations or arbitration cases.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE INFORMATION

As at 31 December 2014, the Group had approximately 290 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 2014 amounted to approximately RMB16.8 million. The Directors received remuneration of approximately RMB0.5 million during the year ended 31 December 2014 (2013: approximately RMB0.7 million).

CORPORATE GOVERNANCE REPORT

The Company applied the principles and complied with all requirements of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules throughout 2014 with certain deviations. 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 have complied with the required standard of dealings and its code of conduct regarding directors' securities transactions throughout the year ended 31 December 2014.

BOARD OF DIRECTORS

The Board comprises four Directors, of whom two being executive Directors (including the chairman of the Board), and two being independent non-executive Directors. The Directors' profile is set out on pages 8 to 9 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 position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

Every newly appointed Director receives a comprehensive and formal induction upon his/her 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.

During the year ended 31 December 2014, 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.

CORPORATE GOVERNANCE REPORT

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 Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. MEI Ping	4/6	N/A	N/A	2/2
Mr. TSANG Chung Sing, Edward	6/6	N/A	N/A	N/A
Dr. YU Heng Xiang (resigned on 8 April 2014)	0/1	N/A	N/A	N/A
Independent non-executive Directors				
Ms. HE Qing	6/6	4/4	2/2	N/A
Mr. NG Man Kwan, Lawrence (appointed on 27 March 2015)	N/A	N/A	N/A	N/A
Mr. CHEN Mingxian (resigned on 17 March 2014)	N/A	N/A	N/A	N/A
Mr. Kwan Man Kit (appointed on 11 June 2014 and resigned on 27 March 2015)	0/3	2/2	0/0	0/0
Mr. Chan Siu Lun (resigned on 20 March 2015)	5/6	4/4	2/2	2/2

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.

It is believed that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. Given that Mr. Mei Ping has urged and worked closely with First Create and Mr. Mei Wei to resolve the Writs and Arbitration Cases in order to reduce and avoid any loss incurred to the Company and with reference to the statement issued by the PRC legal adviser dated 26 March 2015, the guarantee documents shall be considered void under the PRC law. The Board considers to monitor the progress. Further, the PRC legal adviser would act for Jiashengpan, to issue a counterclaim against the plaintiffs on or before mid April 2015. As the outcomes of the Writs and Arbitrations Cases in the PRC are yet to be determined, the Board will convene another meeting to transact the suitability of Mr. Mei Ping for acting a Director and hold him accounting for if the result indicating Mr. Mei Ping has negligence, willful default or improper act arising from the Writs and Arbitration Cases. Nonetheless, the Board has suspended Mr. Mei Ping's duty as executive Director on 22 January 2015 as well as his role in Jiashengpan including legal representative, executive director and general manager since 27 March 2015.

CORPORATE GOVERNANCE REPORT

NON-COMPLIANCE OF RULE 5.05(1) AND RULE 5.28 OF THE GEM LISTING RULES

The number of independent non-executive Directors and Audit Committee members fall below the minimum requirement of Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules. The Company is endeavoring to identify suitable candidates to fill the vacancy within three months from March 2015.

REMUNERATION COMMITTEE

The Company set up a Remuneration Committee in February 2005. During the financial year ended 31 December 2014 and up to the date of this report, the members of the Remuneration Committee were:

Mr. Ng Man Kwan, Lawrence ^	Chairman
Mr. Kwan Man Kit, Edmond *	Ex-Chairman
Ms. HE Qing	Member
Mr. Chan Siu Lun #	Ex-Member

* Appointed on 11 June 2014 and resigned on 27 March 2015
# Resigned on 20 March 2015
^ Appointed on 27 March 2015

Following the appointment of Mr. Ng Man Kwan, Lawrence, and resignation of Mr. Chan Siu Lun and Mr. Kwan Man Kit, Edmond, the Remuneration Committee fall below the minimum number required under the terms of reference of the remuneration committee.

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 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. During the financial year ended 31 December 2014 and up to the date of this report, the members of the Nomination Committee were:

Mr. Ng Man Kwan, Lawrence ^	Chairman
Mr. Kwan Man Kit, Edmond *	Ex-Chairman
Mr. Mei Ping	Member
Mr. Chan Siu Lun #	Ex-Member

* Appointed on 11 June 2014 and resigned on 27 March 2015
# Resigned on 20 March 2015
^ Appointed on 27 March 2015

Following the appointment of Mr. Ng Man Kwan, Lawrence, and resignation of Mr. Chan Siu Lun and Mr. Kwan Man Kit, Edmond, the Nomination Committee fall below the minimum number required under the terms of reference of the nomination committee.

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.

CORPORATE GOVERNANCE REPORT

The Board has adopted a board diversity policy 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.

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. During the financial year ended 31 December 2014 and up to the date of this report, the members of the Audit Committee were:

Ms. He Qing	Chairlady
Mr. Ng Man Kwan, Lawrence^	Member
Mr. Chan Siu Lun#	Ex-Chairman
Mr. Kwan Man Kit, Edmond *	Ex-Member
Mr. Chen Mingxian∆	Ex-Member

* Appointed on 11 June 2014 and resigned on 27 March 2015
\# Resigned on 20 March 2015
^ Appointed on 27 March 2015
∆ Resigned on 17 March 2014

Following the appointment of Mr. Ng Man Kwan, Lawrence, and resignation of Mr. Chan Siu Lun, the Audit Committee currently comprises two members who are all independent non-executive Directors, 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.

All independent non-executive Directors have confirmed their independence pursuant to Rule 5.09 of the GEM Listing Rules.

The Group's 2014 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.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

Currently, the Company's external auditor is BDO Limited. For the year ended 31 December 2014, the remuneration paid and payable to the auditor of the Company for provision of audit services were approximately RMB673,000. The Audit Committee approved the appointment of BDO Limited as auditor, which the Board fully concurred with such approval of the Audit Committee.

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 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 34 to 37 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 2014, 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 Room 1104, Jubilee Centre, 18 Fenwick Street, 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 Room 1104, Jubilee Centre, 18 Fenwick Street, 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 2014.

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.

There were no special general meeting held during the year ended 31 December 2014.

GOING CONCERN BASIS

The auditor of the Company modifies its audit opinion on the consolidated financial statements for the year ended 31 December 2014 as a result of the Writs and Arbitration Cases may cause doubt to the going concern of the Company. The Group incurred a loss attributable to the owners of the Company of approximately RMB176,080,000 for the year ended 31 December 2014. As at 31 December 2014, the Group has outstanding Writs and Arbitration Cases in the aggregate claim amount of approximately RMB801,124,000 arising from alleged guarantee documents entered into by two subsidiaries of the Group. In addition, subsequent to 31 December 2014, the Group has not repaid the entrusted loan with the principal amount of RMB150,000,000 together with certain loan interest on the expiry date 30 January 2015 and up to the date of approval of these financial statements. These matters give rise to a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the foregoing the financial statements have been prepared on a going concern basis. In the opinion of the Directors, the liquidity of the Group can be maintained in the coming year taking into consideration the proposed arrangements which include, but not limited to, the followings:

(i) 2008 CONVERTIBLE BONDS

As at 31 December 2014, the Company and the Group issued 2008 Convertible Bonds (as defined hereinafter) with the outstanding principal amount of HK$382,038,000 are due on 9 July 2015. As of the date of approval of these financial statements, no conversion of any 2008 Convertible Bonds has been made by the bondholders subsequent to 31 December 2014. Any 2008 Convertible Bonds remain outstanding on the maturity date shall be redeemed at its then outstanding principal amount, inclusive of any interest as accrued. The outstanding principal amount of 2008 Convertible Bonds HK$372,298,000 is held by Ruffy. In view of the working capital position of the Group and the Company, Ruffy has undertaken on 25 March 2015 not to demand immediate repayment in part or in whole for the redemption of all outstanding 2008 Convertible Bonds held by Ruffy on the maturity date until 9 July 2017 or such later date as the Company and Ruffy may agree in writing.

CORPORATE GOVERNANCE REPORT

(ii) ENTRUSTED LOAN

Subsequent to 31 December 2014, the Group has not repaid an entrusted loan in the principal amount of RMB150,000,000 together with loan interest since the expiry of the entrusted loan on 30 January 2015 and up to the date of approval of these financial statements. The Group is still in the course of the negotiation with the lender, the Bank Trustee (as defined hereinafter), First Create Mining and Mr. Mei Wei (collectively referred to as the "Entrusted Loan Parties") for the extension of the entrusted loan. As of the date of approval of these financial statements, no agreement with the Entrusted Loan Parties in respect of the extension of the entrusted loan has been reached. First Create Mining and Mr. Mei Wei have undertaken to honour their obligations as guarantors of this entrusted loan under their guarantee agreements and agree to provide adequate funds for loan repayment in the event of failure in obtaining extension of the entrusted loan.

(iii) OUTSTANDING WRITS AND ARBITRATION CASES

Three writs of civil summon had been issued against First Create for the repayment of (i) approximately RMB240,800,000 totally, alleging to be the principal and interest accrued pursuant for certain loan agreements, and (ii) any interest and defaulted interest accrued on a loan in the principal amount of approximately RMB31,737,000. Jiashengpan is a named defendant under the Writs and Shenzhen Ruirui is also a named defendant under one of the writs. There are some guarantee documents allegedly being executed by Jiashengpan and Shenzhen Ruirui as guarantors for the aforesaid loan agreements.

In addition, some arbitration cases were brought by a third party individual in Shenzhen Arbitration Centre against First Create and Jiashengpan for a claim of total amount of approximately RMB560,324,000. There are some guarantee documents allegedly being executed by Jiashengpan as guarantors for the claimed amounts.

The Group has been taking steps to actively liaise with First Create and the relevant plaintiffs under the Writs and Arbitration Cases to resolve the matters. As of the date of approval of these financial statements, no settlement agreements have been concluded in respect of the settlement of the writs and the arbitration cases. First Create as the borrower of the aforesaid loans in the writs and arbitration cases has undertaken to bear all liabilities, legal duties and losses incurred to the Group arising from these Writs and Arbitration cases.

(iv) ADDITIONAL FINANCIAL SUPPORT FROM THE CONTROLLING SHAREHOLDER

Mr. Mei Wei has undertaken the recoverability of certain trade receivables, deposits and other receivables of the Group in aggregated amount of RMB609,851,000 as at 31 December 2014 in case these balances and any related inventories purchase (in whole or in part) are still outstanding as at 31 December 2015.

In addition to the aforesaid financial undertakings made by Mr. Mei Wei and his affiliates, Mr. Mei Wei has further undertaken to provide continuing financial support to the Group to meet its liabilities as they fall due and to maintain the Group as a going concern for a period at least up to 31 December 2015. The Directors are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to meet its financial obligation as and when they fall due in the next twelve months. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2014.

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 2014 are set out in the consolidated income statement on page 38 of the annual report.

DIVIDEND

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 44 to 45 of this annual report and in note 34 to the financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2014, 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 (suspended)
Mr. Tsang Chung Sing, Edward
Dr. Yu Heng Xiang #

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Ms. He Qing
Mr. Ng Man Kwan, Lawrence^s
Mr. Chan Siu Lun ^
Mr. Kwan Man Kit, Edmond *
Mr. Chen Mingxian Δ

Resigned on 8 April 2014
* Appointed on 11 June 2014 and resigned on 27 March 2015
^ Resigned on 20 March 2015
s Appointed on 27 March 2015
Δ Resigned on 17 March 2014

In accordance with bye-laws 86 and 87 of the Company's bye-laws, Mr. Tsang Chung Sing, Edward and Mr. Ng Man Kwan, Lawrence 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 8 to 9 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 Mr. Mei, Mr. Tsang and Mr. Ng are not specific. Ms. He is appointed for a term of two years with specific terms in the letter of appointment and her appointment is 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' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests and short positions of the Directors, the chief executive and their associates 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:

DIRECTORS' REPORT

Long positions in the shares of the Company

(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 2014, save as disclosed herein, none of the Directors nor chief executive of the Company had any interests and short positions in any shares, underlying shares and 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 2014, 71,702,000 options have been granted and remained outstanding under such share option scheme.

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.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, 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%
Mr. Mei Wei *(Note 1 & 2)*	Interest in controlled corporation	Long	1,371,544,609	78.32%
	Beneficial owner	Long	82,912,000	4.73%
			1,454,456,609	83.05%

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 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.

2. These shares and underlying shares of the Company, comprise of 11,210,000 Shares and 71,702,000 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 2014.

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 54.0% of the total purchases of the Group and the largest supplier accounted for approximately 24.4% during the year accounted for approximately 83.0% of the total sales of the Group while sales to the largest customer accounted for approximately 36.5%.

DIRECTORS' REPORT

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.

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.

First Create 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 transaction as set out in note (a) 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 (b) and (c) were exempted from the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules. The transaction as set out in note 39 to the financial statements referred to several loan agreements entered by First Create and Jiashengpan and Shenzhen Ruirui have been acted as guarantors, these should be subject to reporting, announcement and independent shareholders' approval before entering into such agreements.

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/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 major turnover in the Group is local business; and

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

DIRECTORS' REPORT

In addition, the Board is independent from the board of directors of the aforesaid companies as Mr. Mei Ping cannot personally control the Board. Since Mr. Mei Ping has voluntary suspended his duty as executive Director and chairman of the Board, it is expected 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.

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 2014 which are explained in the relevant paragraphs.

A report on the principal corporate governance practices adopted by the Company is set out on pages 20 to 26 of this annual report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2014, 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 Ms. He Qing and Mr. Ng Man Kwan, Lawrence.

Following the appointment of Mr. Ng Man Kwan, Lawrence, and the resignation of Mr. Chan Siu Lun and Mr. Kwan Man Kit, Edmond, the Audit Committee currently comprises two members who are all independent non-executive Directors, 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 March 2015.

DIRECTORS' REPORT

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 2014.

MATERIAL ACQUISITION AND DISPOSAL

No material acquisitions or disposals of subsidiaries and associated companies have been made by the Company during the year ended 31 December 2014.

EVENTS AFTER THR REPORTING DATE

Subsequent to the reporting date, there are some changes in the board of directors of the Company as follows:

i) Mr. Chan Siu Lun has resigned from his office as an independent non-executive Directors, the chairman of the audit committee and a member of the remuneration committee and a member of nomination committee of the Company with effect from 20 March 2015. Details of which are set out in the Company's announcements dated 23 March 2015 and 29 March 2015.

ii) Mr. Kwan Man Kit, Edmond has resigned from his office as an independent non-executive Director, a member of the audit committee and the chairman of the remuneration committee and the nomination committee with effect from 27 March 2015. Details of which are set out in the Company's announcement dated 29 March 2015.

iii) Mr. Ng Man Kwan, Lawrence has been appointed as an independent non-executive Director, a member of the audit committee, chairman of the remuneration committee and the nomination committee with effect from 27 March 2015. Details of which are set out in the Company's announcement dated 29 March 2015.

iv) Ms. He Qing has been appointed as the chairlady of the audit committee with effect from 27 March 2015. Details of which are set out in the Company's announcement dated 29 March 2015.

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

Tsang Chung Sing, Edward
Executive Director

Hong Kong, 31 March 2015

INDEPENDENT AUDITOR'S REPORT

BDO

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香港干諾道中111號
永安中心25樓

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 were engaged to audit the consolidated financial statements of China Nonferrous Metals Company Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 38 to 114, which comprise the consolidated statement of financial position as at 31 December 2014, 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.

Except for the inability to obtain sufficient appropriate audit evidence as explained below, 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. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs below, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR DISCLAIMER OF OPINION

1. SCOPE LIMITATION AND MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS OF PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The Group incurred a loss attributable to the owners of the Company of approximately RMB176,080,000 for the year ended 31 December 2014. As at that date, as disclosed in note 39 to the consolidated financial statements and stated in part 3 below, the Group has outstanding lawsuits and arbitration claims amounting to approximately RMB801,124,000 arising from the alleged financial guarantee documents entered into by two subsidiaries of the Group. In addition, as at the date of this report, the Group has not repaid the entrusted loan in principal amount of RMB150,000,000, together with accrued interest thereon after its maturity on 30 January 2015. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the foregoing, the consolidated financial statements have been prepared on a going concern basis the appropriateness of which largely depends upon the successful outcome of the arrangements as disclosed in note 3.1(iii) to the consolidated financial statements, which in particular include the execution of various financial undertakings and guarantees by the controlling shareholder of the Company and his affiliates (the "Financial Support"). If the Financial Support is not forthcoming, the Group may not be able to meet its financial obligations as and when they fall due. However, we have not been provided with sufficient documentary evidence in respect of the financial position of the controlling shareholder and his affiliates to enable us to assess whether they have sufficient financial capability to provide the aforementioned Financial Support to the Group. There were no other satisfactory audit procedures that we could adopt to assess whether the Group had sufficient resources to meet its operating and financing needs for the foreseeable future. Accordingly, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves regarding the Group's ability to continue as a going concern.

The consolidated financial statements do not include any adjustments that may be necessary should the going concern basis of preparation be determined to be inappropriate. These would include any adjustments to write down the Group's assets to their net realisable amounts, to provide for any liabilities which may arise on cessation of business and to reclassify non-current assets and liabilities as current.

2. RELATED PARTY TRANSACTIONS

As described in part 3 below, the Group's internal procedures did not enable it to properly identify and disclose on a timely basis all material related party transactions that occurred during the year. We have not been able to obtain sufficient appropriate audit evidence therefore concerning the completeness of related parties and related party transactions presented and disclosed in the consolidated financial statements. Accordingly, we have not been able to satisfy ourselves that all related party balances and transactions have been properly presented and disclosed as required by the International Accounting Standard 24 "Related Party Disclosures".

INDEPENDENT AUDITOR'S REPORT

3. ALLEGED GUARANTEE DOCUMENTS

As mentioned in note 39 to the consolidated financial statements, three writs of civil summons have been issued against 深圳市冠欣投資有限公司 ("First Create"), which is a related company of the Company, in 2014 for the repayment of a total of approximately RMB240,801,000 alleging to be the principal, accrued interest and default interset pursuant to the loan agreements together with the related legal costs. The Company's subsidiary, namely 巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限公司("Jiashengpan"), is a named defendant under the three writs and another subsidiary, namely 深圳市睿汭科技有限公司 ("Shenzhen Ruirui"), is also a named defendant under one of the three writs. It is alleged that Jiashengpan and Shenzhen Ruirui had executed certain guarantee documents in 2014 to act as guarantors for the aforesaid loan agreements.

In addition, a number of arbitration claims have been brought by a third party individual against First Create and Jiashengpan in 2014 for repayment of a total amount of RMB560,324,000 alleging to be the principal, accrued interest and default interset pursuant to the loan agreements together with the related legal costs. It is alleged that Jiashengpan had executed certain guarantee documents in 2014 whereby Jiashengpan has guaranteed the above claims.

However, the announcement by the Company of the above writs and arbitration cases arising from these alleged guarantee documents in 2014 was made subsequently on 22 January 2015.

As at the date of this report, the Group's management and the Company's legal advisers are still in the process of conducting their investigation as to the validity and legal enforceability of these alleged guarantee documents. In addition, the Group has taken steps to actively liaise with First Create and the relevant plaintiffs under the aforesaid writs and arbitration claims to resolve the above matters. As of the date of this report, no settlement has been concluded in respect of these writs and arbitration claims.

As a result, we were unable to obtain sufficient appropriate audit evidence concerning the validity and legal enforceability of the alleged guarantees and therefore as to whether the Group should recognise any provision for loss in respect of the alleged guarantees and, if these alleged guarantees were held to be valid and enforceable, as to the amount of provision for loss under the alleged guarantees for the year ended 31 December 2014.

4. RECOVERABILITY OF THE GROUP'S TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS PAID

As at 31 December 2014, the trade receivables, other receivables and deposits paid of the Group included the past due balances of RMB109,875,000, RMB90,019,000 and RMB279,208,000 (the "Balances"), respectively. As at the date of this report, the Balances have not been settled. We were not provided with sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the Balances. Accordingly, we are unable to determine whether the Group's trade receivables, other receivables and deposits and its impairment losses are properly stated as at 31 December 2014 and for the year then ended.

INDEPENDENT AUDITOR'S REPORT

5. COMPLETENESS OF PENDING LITIGATION, PROCEEDINGS, HEARINGS OR CLAIMS

As described in part 3 above, the Group's internal procedures did not enable it to properly identify on a timely basis the writs and arbitration claims arising in 2014. We have not been able to obtain sufficient appropriate audit evidence therefore concerning the completeness of pending litigation, proceedings, hearings or claims against the Group.

Accordingly, we are unable to determine whether all provisions and contingent liabilities have been properly accounted for and disclosed for in the consolidated financial statements in accordance with International Accounting Standard 37 "Provisions, Contingent Liabilities and Contingent Assets".

6. INFORMATION AND DOCUMENTS PROVIDED BY THE MANAGEMENT

In view of the Group's internal procedures in place, we have not been able to obtain sufficient audit evidences concerning the completeness of the relevant information and documents as described in parts 2 and 5 above. In addition, during the course of our audit, we were unable to satisfy ourselves that the accounting information and documentation provided by the management for the purpose of our audit was complete and accurate in all material respects, nor to quantify the extent of adjustments that might have been necessary in respect of the Group's consolidated financial statements for the year ended 31 December 2014 as a result of missing accounting information and documentation, if any.

DISCLAIMER OF OPINION ON VIEW GIVEN BY THE CONSOLIDATED FINANCIAL STATEMENTS

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements and whether the consolidated financial statements 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, 31 March 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	5	**126,076**	383,283
Cost of sales		**(115,851)**	(369,406)
Gross profit		**10,225**	13,877
Other income	5	**1,190**	10,595
Changes in fair value of derivative financial instruments		**24**	3,984
Selling and distribution costs		**(5,645)**	(4,363)
Administrative expenses		**(36,072)**	(44,425)
Equity-settled share options expenses		**–**	(1,134)
Impairment losses		**(133,637)**	(261,000)
Loss from operations	7	**(163,915)**	(282,466)
Finance costs	8	**(46,772)**	(46,103)
Loss before income tax		**(210,687)**	(328,569)
Income tax credit	9	**34,607**	67,785
Loss for the year		**(176,080)**	(260,784)
Attributable to:			
Owners of the Company		**(176,080)**	(259,140)
Non-controlling interests		**–**	(1,644)
Loss for the year		**(176,080)**	(260,784)
Losses per share	12		
Basic and diluted		**(10.05) cents**	(14.80) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
Loss for the year	**(176,080)**	(260,784)
Other comprehensive income, after tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**366**	353
Total other comprehensive income for the year, net of tax	**366**	353
Total comprehensive income for the year	**(175,714)**	(260,431)
Attributable to:		
Owners of the Company	**(175,714)**	(258,787)
Non-controlling interests	**–**	(1,644)
	(175,714)	(260,431)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**242,791**	279,465
Intangible assets	15	**749,686**	856,807
Prepaid land lease payments	16	**1,839**	1,881
Deposits	18	**–**	4,616
Deferred tax assets	30	**24,450**	16,564
		1,018,766	1,159,333
Current assets			
Inventories	19	**28,845**	59,801
Prepaid land lease payments	16	**42**	42
Trade and note receivables	20	**162,922**	182,007
Other receivables, deposits and prepayments	21	**541,359**	384,382
Financial assets at fair value through profit or loss	28	**–**	1,261
Amount due from a related company	22	**1,880**	482
Pledged bank deposits	23	**–**	1,138
Cash and bank balances	23	**37,045**	219,849
		772,093	848,962
Current liabilities			
Trade and note payables	24	**50,735**	100,196
Other payables and accrued charges	25	**70,122**	59,451
Amounts due to related companies	26	**5,426**	1,581
Financial liabilities at fair value through profit or loss	28	**–**	298
Borrowings	27	**194,867**	45,355
Convertible bonds	29	**291,610**	–
Provision for tax		**81,650**	81,586
		694,410	288,467
Net current assets		**77,683**	560,495
Total assets less current liabilities		**1,096,449**	1,719,828

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current liabilities			
Borrowings	27	**–**	150,266
Convertible bonds	29	**–**	270,678
Deferred tax liabilities	30	**177,509**	204,230
		177,509	625,174
Net assets		**918,940**	1,094,654
EQUITY			
Equity attributable to owners of the Company			
Share capital	31	**3,107**	3,107
Reserves		**915,833**	1,091,547
Total equity		**918,940**	1,094,654

On behalf of the Board

Tsang Chung Sing, Edward **He Qing**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Loss before income tax		**(210,687)**	(328,569)
Adjustments for:			
Finance costs	8	**46,772**	46,103
Interest income	5	**(30)**	(114)
Equity-settled share options expenses		**–**	1,134
Depreciation of property, plant and equipment	7	**17,216**	17,133
Amortisation of prepaid land lease payments	7	**42**	42
Amortisation of mining rights	7	**9,157**	9,656
Impairment of trade receivables	7	**1,925**	–
Impairment of other receivables	7	**2,200**	–
Impairment of property, plant and equipment	7	**31,548**	65,250
Impairment of intangible assets	7	**97,964**	195,750
Gain on disposal of subsidiaries	5	**–**	(190)
Operating profit before working capital changes		**(3,893)**	6,195
Decrease in inventories		**30,956**	23,103
Decrease in trade and note receivables		**17,160**	29,988
Increase in other receivables, deposits and prepayments		**(159,177)**	(295,724)
(Decrease)/Increase in trade and note payables		**(49,461)**	56,783
Increase in other payables and accrued charges		**15,621**	127,745
Increase in amounts due to related companies		**3,845**	156
Changes in derivative financial instruments		**963**	(612)
Cash used in operations		**(143,986)**	(52,366)
Income tax paid		**-**	(200)
Net cash used in operating activities		**(143,986)**	(52,566)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(7,471)**	(19,941)
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		**30**	114
Decrease/(Increase) in pledged bank deposits		**1,138**	(1,138)
(Increase)/Decrease in amount due from a related company		**(1,398)**	80,945
Net cash (used in)/generated from investing activities		**(7,701)**	104,632

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
Cash flows from financing activities		
New bank and other borrowings raised	**44,600**	195,000
Repayment of bank and other borrowings	**(45,000)**	(30,000)
Interest paid on bank and other borrowings	**(17,861)**	(18,886)
Interest paid on convertible bonds	**(14,218)**	(250)
Interest paid on finance lease liabilities	**(45)**	(62)
Capital element on finance lease liabilities	**(354)**	(450)
Net cash outflow of purchase of non-controlling equity interests in a subsidiary	**–**	(48,147)
Net cash (used in)/generated from financing activities	**(32,878)**	97,205
Net (decrease)/increase in cash and cash equivalents	**(184,565)**	149,271
Cash and cash equivalents at beginning of year	**219,849**	76,427
Effect of foreign exchange, net	**1,761**	(5,849)
Cash and cash equivalents at end of year	**37,045**	219,849

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium 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 2014

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium 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	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014	3,107	970,169	6	(13,644)	4,264	15,529	50,783	118,673	(54,233)	1,094,654
Loss for the year	-	-	-	-	-	-	-	-	(176,080)	(176,080)
Other comprehensive income										
Currency translation	-	-	-	366	-	-	-	-	-	366
Total comprehensive income for the year	-	-	-	366	-	-	-	-	(176,080)	(175,714)
Lapse of share options	-	-	-	-	-	-	(20,280)	-	20,280	-
At 31 December 2014	3,107	970,169	6	(13,278)	4,264	15,529	30,503	118,673	(210,033)	918,940

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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 HM11, Bermuda and the Company's principal place of business changes from Suites 1704-05, 17th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong to Room 1104, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong with effective form 14 May 2014.

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

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 38 to 114 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 2014 were approved and authorised for issue by the Board of Directors on 31 March 2015.

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 2014:

Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
IFRIC–Int 21	Levies

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

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 legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. ADOPTION OF NEW AND AMENDED IFRSs (Continued)

IFRIC–INT 21 - LEVIES

IFRIC-Int 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 interpretation has been applied retrospectively

The adoption of IFRIC-Int 21 has no impact on these financial statements as the interpretation is consistent with the Group's previous application of its accounting policies on provisions.

NEW/REVISED IFRSS THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The following new/revised 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.

IFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[2]
IFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[1]
IFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[3]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IAS 27	Equity Method in Separate Financial Statements[3]
IFRS 9 (2014)	Financial Instruments[5]
IFRS 15	Revenue from Contracts with Customers[4]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2018

ANNUAL IMPROVEMENTS 2010-2012 CYCLE, 2011-2013 CYCLE AND 2012-2014 CYCLE

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to IAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. ADOPTION OF NEW AND AMENDED IFRSs (Continued)

AMENDMENTS TO IAS 16 AND IAS 38 - CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION

The amendments to IAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

AMENDMENTS TO IAS 27 - EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries in its separate financial statements.

IFRS 9 (2014) - FINANCIAL INSTRUMENTS

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in IAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the 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 derecognition of financial assets and financial liabilities.

IFRS 15 - REVENUE FROM CONTRACTS WITH CUSTOMERS

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2. ADOPTION OF NEW AND AMENDED IFRSs (Continued)

IFRS 15 - REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the potential impact of these new or revised IFRSs and the directors are not yet in a position to quantify the effects on the Group's consolidated 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 revised IFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 BASIS OF PREPARATION (Continued)

(iii) Basis of presentation

The Group incurred a loss attributable to the owners of the Company of approximately RMB176,080,000 for the year ended 31 December 2014. As at 31 December 2014, as disclosed in note 39 to the financial statements, the Group has outstanding lawsuits and arbitration cases in the aggregate claim amount of approximately RMB801,124,000 arising from alleged guarantee documents entered into by two subsidiaries of the Group. In addition, subsequent to 31 December 2014, the Group has not repaid the entrusted loan as disclosed in note 27 to the financial statements with the principal amount of RMB150,000,000 together with loan interest after the expiry date of the entrusted loan on 30 January 2015 and up to the date of approval of these financial statements. These matters give rise to a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the foregoing, the consolidated financial statements have been prepared on a going concern basis. In the opinion of the directors, the liquidity of the Group can be maintained in the coming year taking into consideration the proposed arrangements which include, but not limited to, the followings:

1. 2008 Convertible Bonds

   As detailed in note 29 to the financial statements, as at 31 December 2014, the Company and the Group issued 2008 Convertible Bonds (as defined hereinafter) with the outstanding principal amount of HK$382,038,000 are due on 9 July 2015. As of the date of approval of these financial statements, no conversion of any 2008 Convertible Bonds has been made by the bondholders subsequent to 31 December 2014. Any 2008 Convertible Bonds remain outstanding on the maturity date shall be redeemed at its then outstanding principal amount, inclusive of any interest as accrued. Ruffy, the Company's immediate and ultimate holding company wholly and beneficially owned by Mr. Mei Wei, is the major bondholder, with the outstanding principal amount of HK$372,298,000. In view of the adverse working capital position of the Group and the Company, Ruffy has undertaken on 25 March 2015 not to demand immediate repayment in part or in whole for the redemption of all outstanding 2008 Convertible Bonds held by Ruffy on the maturity date until 9 July 2017 or such later date as the Company and Ruffy may agree in writing.

2. Entrusted loan

   Subsequent to 31 December 2014, the Group has not repaid an entrusted loan in the principal amount of RMB150,000,000 together with loan interest since the expiry of the entrusted loan on 30 January 2015 and up to the date of approval of these financial statements. As detailed in note 27 to the financial statements, the aforesaid entrusted loan is secured by the Group's mining rights in Wulatezing Qi, an autonomous region in Inner Mongolia of the PRC and guaranteed by a related company, 深圳冠欣礦業集團有限公司 ("First Create Mining") and the controlling shareholder of the Company, Mr. Mei Wei. The Group is still in the course of the negotiation with the lender, the Bank Trustee (as defined hereinafter), First Create Mining and Mr. Mei Wei (collectively referred to as the "Entrusted Loan Parties") for the extension of the entrusted loan. As of the date of approval of these financial statements, no agreement with the Entrusted Loan Parties in respect of the extension of the entrusted loan has been reached. First Create Mining and Mr. Mei Wei have undertaken to honour their obligations as guarantors of this entrusted loan under their guarantee agreements and agree to provide adequate funds for loan repayment in the event of failure in obtaining extension of the entrusted loan.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 BASIS OF PREPARATION (Continued)

(iii) Basis of presentation (Continued)

3. Outstanding lawsuits and arbitration cases

As detailed in the note 39 to the financial statements, three writs of civil summon had been issued against 深圳市冠欣投資有限公司 ("First Create") (the "Writs"), which is the related company of the Company, for the repayment of (i) approximately RMB240,800,000 totally, alleging to be the principal accrued interest and defaulted interest pursuant to certain loan agreements together with the related legal costs. The Company's executive director, Mr. Mei Ping and Mr. Mei Wei have beneficial interests and directorships in First Create. The Company's wholly-owned subsidiary, namely 巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司 ("Jiashengpan"), is also a named defendant under the writs and another wholly-owned subsidiary of the Company, namely 深圳市睿汭科技有限公司 ("Shenzhen Ruirui") is also a named defendant under one of the three writs. There are some guarantee documents allegedly being executed by Jiashengpan and Shenzhen Ruirui as guarantors for the aforesaid loan agreements.

In addition, some arbitration cases were brought by a third party individual in Shenzhen Arbitration Centre against First Create and Jiashengpan for a claim of total amount of RMB560,324,000 alleging to be the principal, accrued interest and defaulted interest pursuant to the loan agreements together with the related legal costs. There are some guarantee documents allegedly being executed by Jiashengpan as guarantors for the claimed amounts.

The Group has been taking steps to actively liaise with First Create and the relevant plaintiffs under the writs and arbitration cases to resolve the matters. As of the date of approval of these financial statements, no settlement has been concluded in respect of the writs and the arbitration cases. First Create as the borrower of the aforesaid loans in the Writs and arbitration cases has undertaken to bear all liabilities, legal duties and losses incurred to the Group arising from the Writs and arbitration cases.

4. Additional financial support from the controlling shareholder

The Company's controlling shareholder, Mr. Mei Wei has undertaken the recoverability of certain trade receivables, deposits and other receivables of the Group in aggregated amount of RMB609,851,000 as at 31 December 2014 in case these balances and any related inventories purchase (in whole or in part) are still outstanding as at 31 December 2015.

In addition to the aforesaid financial undertakings made by Mr. Mei Wei and his affiliates, Mr. Mei Wei has further undertaken to provide continuing financial support to the Group to meet its liabilities as they fall due and to maintain the Group as a going concern for a period at least up to 31 December 2015.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 BASIS OF PREPARATION (Continued)

(iv) 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 2014

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 usefullive 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 IMPAIRMENT OF NON-FINANCIAL ASSETS (Continued)

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.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 FINANCIAL ASSETS (Continued)

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

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 FINANCIAL ASSETS (Continued)

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 measureable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

Loans and receivables

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2014

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 EMPLOYEE BENEFITS (Continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 FINANCIAL LIABILITIES (Continued)

(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.

(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 2014

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 2014

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.

Captialisation 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 assests. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 year ended 31 December 2013 and 2012, the Directors manage the Group's operations as a single business segment.

3.25 FOREIGN CURRENCY

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 2014

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.

(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.

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4. CRITICAL ACCOUNTING ESTIMATES (Continued)

(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.

(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

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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:

	2014 RMB'000	2013 RMB'000
Revenue:		
Sales of goods	**119,265**	380,196
Income from indent trading (note a)	**6,811**	3,087
	126,076	383,283
Other income:		
Bank interest income	**30**	114
Sales of scrap materials	**1,136**	3,576
Reversal of impairment of trade receivables (note 20)	**–**	6,640
Gain on disposal of subsidiaries (note 35(c))	**–**	190
Others	**24**	75
	1,190	10,595

Note:

(a) During the year ended 31 December 2014, the Group entered into indent trading transactions of nonferrous metals and other products and the gross invoiced sale amount was approximately RMB378,693,000 (2013: RMB355,793,000). Pursuant to 2009 amendments to IAS 18 Revenue, the Group's sale amount receiveds 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.

NOTES TO THE FINANCIAL STATEMENTS

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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:

	2014 RMB'000	2013 RMB'000
– Mainland China (domicile)	**119,265**	380,196
– Hong Kong	**6,811**	3,087
Total revenue	**126,076**	383,283

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

There are Two (2013: three) customers with whom transactions of each exceed 10% of the Group's revenue during the year ended 31 December 2014. During the year ended 31 December 2014, revenue derived from these customers are approximately RMB47,966,000 and RMB36,870,000 individually (2013: RMB85,182,000, RMB71,885,000 and RMB64,452,000 individually).

NOTES TO THE FINANCIAL STATEMENTS

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7. LOSS FROM OPERATIONS

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

	2014 RMB'000	2013 RMB'000
Directors' emoluments (note 13(a))	**497**	714
Salaries, wages and other benefits	**15,910**	18,321
Equity-settled share options expenses (excluding those of Directors)	**–**	1,134
Retirement benefit schemes contributions (excluding those of Directors)	**410**	605
Total staff costs	**16,817**	20,774
Depreciation of property, plant and equipment		
– Owned	**16,819**	16,673
– Held under finance lease	**397**	460
	17,216	17,133
Cost of inventories recorded as expense	**115,851**	369,406
Amortisation of mining rights	**9,157**	9,656
Amortisation of prepaid land lease payments	**42**	42
Impairment of trade and other receivables*	**4,125**	–
Impairment of property, plant and equipment* (note 14)	**31,548**	65,250
Impairment of intangible assets* (note 15)	**97,964**	195,750
Auditor's remuneration	**673**	678
Operating lease expenses in respect of rented premises	**1,504**	1,583
Foreign exchange (gain)/loss, net	**(21)**	(75)

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

8. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Wholly repayable within five years		
– interest on bank loans	**4,319**	5,521
– interest on other loans	**15,056**	13,365
Interest on convertible bonds	**28,866**	27,155
Interest on finance lease liabilities	**45**	62
Total finance costs on financial liabilities not at fair value through profit or loss	**48,286**	46,103
Less: Interest capitalised included in construction in progress (note 14)	**(1,514)**	–
	46,772	46,103

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 10.14% (2013: Nil) to expenditure on qualifying assets.

NOTES TO THE FINANCIAL STATEMENTS

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9. INCOME TAX CREDIT

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

	2014 RMB'000	2013 RMB'000
Current taxation		
– PRC	**–**	–
Deferred taxation (note 30)	**(34,607)**	(67,785)
Total tax credit for the year	**(34,607)**	(67,785)

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2014 and 2013 as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2014 and 2013. Income tax credit for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	2014 RMB'000	2013 RMB'000
Loss before income tax	**(210,687)**	(328,569)
Tax at the domestic income tax rate of 25% (2013: 25%)	**(52,672)**	(82,142)
Tax effect of non-taxable and non-deductible items, net	**11,028**	6,975
Tax effect of tax losses not recognised	**4,439**	4,435
Tax concession	**(9)**	–
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**2,607**	2,947
Income tax credit for the year	**(34,607)**	(67,785)

(b) At 31 December 2014, the Group had temporary differences amounting to approximately RMB18,363,000 (2013: approximately RMB37,922,000) 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.

(c) At 31 December 2014, the Group has unrecognised tax losses of RMB46,827,000 (2013: RMB25,856,000) 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 approximately RMB46,827,000 (2013: approximately RMB25,856,000) that will expire at various dates up to and including 2019 (2013: up to and including 2018). Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams.

NOTES TO THE FINANCIAL STATEMENTS

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10. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss attributable to owners of the Company of approximately RMB176,080,000 (2013: RMB259,140,000), a loss of approximately RMB30,800,000 (2013: RMB31,691,000) has been dealt with in the financial statements of the Company.

11. DIVIDEND

During the years ended 31 December 2014 and 2013, no dividend was paid or proposed, nor has any dividend been proposed since the reporting date.

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 RMB176,080,000 (2013: RMB259,140,000) divided by the weighted average number of approximately 1,751,308,000 (2013: approximately 1,751,308,000).

Diluted losses per share for the years ended 31 December 2014 and 2013 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 2014 and 2013 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
2014					
Executive Directors:					
Mr. Mei Ping	95	–	–	–	95
Dr. Yu Heng Xiang^	–	–	–	–	–
Mr. Tsang Chung Sing, Edward*	143	–	–	–	143
Independent non-executive Directors:					
Mr. Chan Siu Lun^x^	95	–	–	–	95
Mr. Chen Mingxian^	16	–	–	–	16
Mr. Kwan Man Kit, Edmond§	53	–	–	–	53
Ms. He Qing*	95	–	–	–	95
	497	–	–	–	497

NOTES TO THE FINANCIAL STATEMENTS

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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
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

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 2014

§ Appointed during the year ended 31 December 2014 and resigned on 27 March 2015

x Resigned on 20 March 2015

There was no arrangement under which a Director waived or agreed to waive any remuneration during the years ended 31 December 2014 and 2013.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(B) EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group during the year included none of the Directors (2013: none), details of whose emoluments have been disclosed in note (a) above. The emoluments of the five (2013: five) non-Director, highest paid individuals for the year are as follows:

	2014 **RMB'000**	2013 RMB'000
Basic salaries, bonus and allowances	**3,681**	3,530
Retirement benefits scheme contribution	**63**	53
	3,744	3,583

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

	2014	2013
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**–**	1

During the years ended 31 December 2014 and 2013, 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:

	2014	2013
Nil to HK$1,000,000	**6**	12
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**–**	1

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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 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
Year ended 31 December 2014								
Opening net carrying amount	**118,771**	**-**	**118,386**	**18,030**	**252**	**1,839**	**22,187**	**279,465**
Additions	**142**	**45**	**5,489**	**138**	**20**	**123**	**6,130**	**12,087**
Transfer	**4,511**	**-**	**9,555**	**6,572**	**-**	**-**	**(20,638)**	**–**
Depreciation	**(3,199)**	**(17)**	**(1,583)**	**(11,510)**	**(168)**	**(739)**	**–**	**(17,216)**
Impairment loss (note c)	**(13,894)**	**–**	**(15,238)**	**(1,354)**	**–**	**–**	**(1,062)**	**(31,548)**
Exchange realignment	**–**	**–**	**–**	**–**	**–**	**3**	**–**	**3**
Closing net carrying amount	**106,331**	**28**	**116,609**	**11,876**	**104**	**1,226**	**6,617**	**242,791**
At 31 December 2014								
Cost	**167,251**	**45**	**170,794**	**71,262**	**1,152**	**7,872**	**12,898**	**431,274**
Accumulated depreciation and impairment	**(60,920)**	**(17)**	**(54,185)**	**(59,386)**	**(1,048)**	**(6,646)**	**(6,281)**	**(188,483)**
Net carrying amount	**106,331**	**28**	**116,609**	**11,876**	**104**	**1,226**	**6,617**	**242,791**

NOTES TO THE FINANCIAL STATEMENTS

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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 2014 amounted to approximately RMB297,000 (2013: RMB691,000).

(b) Included in additions to construction in progress for the year ended 31 December 2014 was capitalised as borrowing cost of approximately RMB1,514,000 (2013: nil) (note 8).

(c) For the year ended 31 December 2014, provisions for impairment loss of buildings, mining structures, plant and machinery and construction in progress relating to the mining CGU of RMB13,894,000, RMB15,238,000, RMB1,354,000 and RMB1,062,000 respectively, were recognised in profit or loss to write down to their recoverable amounts, totally RMB31,548,000 (note 15).

(d) The Group's buildings included above are located on land held under medium term lease in the PRC.

15. INTANGIBLE ASSETS

	Mining rights RMB'000
At 1 January 2013	
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
Year ended 31 December 2014	
Opening net carrying amount	**856,807**
Amortisation	**(9,157)**
Impairment loss	**(97,964)**
Closing net carrying amount	**749,686**
At 31 December 2014	
Cost	**1,123,998**
Accumulated amortisation and impairment	**(374,312)**
Net carrying amount	**749,686**

NOTES TO THE FINANCIAL STATEMENTS

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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 2014, the Group's mining rights at the net carrying amount of RMB749,686,000 (2013: RMB856,807,000) 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 2014, performed by an independent professional valuer. The recoverable amount of the CGU of RMB993,000,000 (2013: RMB1,136,000,000) was determined based on a value in use calculation using discounted cash flow technique with discount rate of 12.3% (2013: 16.5%), covering a detailed 5-year budget plan followed by an extrapolation of expected cash flows at the growth rate of 3% (2013: 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 2014, due to the adverse business environment of 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 RMB129,512,000 (2013: RMB261,000,000) 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 2014, impairment loss in respect of the property, plant and equipment and intangible assets of RMB31,548,000 (2013: RMB65,250,000) (note 14(c)) and RMB97,964,000 (2013: RMB195,750,000), 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

	2014 RMB'000	2013 RMB'000
At 1 January		
Cost	**2,114**	2,114
Accumulated amortisation	**(191)**	(149)
Net carrying amount	**1,923**	1,965
Year ended 31 December		
Opening net carrying amount	**1,923**	1,965
Amortisation	**(42)**	(42)
Closing net carrying amount	**1,881**	1,923
At 31 December		
Cost	**2,114**	2,114
Accumulated amortisation	**(233)**	(191)
Net carrying amount	**1,881**	1,923
Analysed for reporting purposes as:		
Current assets	**42**	42
Non-current assets	**1,839**	1,881
	1,881	1,923

The Group's prepaid land lease payments represent up-front payments to acquire interest in usage of land situated in the PRC, which are held under medium term leases.

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17. LIST OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2014 are as follows:

Name	Place of incorporation/ registration and operations	Particulars of issued capital/ registered capital	Effective interest held by the Group Direct	Effective interest held by the Group Indirect	Principal activities
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 and 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%	Mining and processing of mineral resources and holding of mining licence in the PRC
Ever Champion Holdings Limited* ("Ever Champion")	HK	HK$10	–	100%	Investment holding
深圳永智礦業有限公司	PRC	RMB10,014,610	–	100%	Investment holding
深圳市朗通貿易有限公司	PRC	RMB100,000	–	100%	Investment holding

* 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.

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18. DEPOSITS

	2014 RMB'000	2013 RMB'000
Deposits for acquisition of property, plant and equipment	**–**	4,616

Note:

The amount of 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. The deposit was utilised in acquisition of property, plant and machinery during the year ended 31 December 2014.

19. INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials	**16,475**	16,853
Finished goods	**12,370**	42,948
	28,845	59,801

20. TRADE AND NOTE RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade and note receivables	**164,847**	182,007
Less: Impairment loss recognised	**(1,925)**	–
	162,922	182,007

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

	2014 RMB'000	2013 RMB'000
Balance at the beginning of the year	**–**	6,640
Impairment loss recognised during the year	**1,925**	–
Reversal of impairment	**–**	(6,640)
Balance at the end of the year	**1,925**	–

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

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20. TRADE AND NOTE RECEIVABLES (Continued)

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

	2014 **RMB'000**	2013 RMB'000
0 to 60 days	**16,503**	47,412
61 to 120 days	**6**	134,595
121 to 180 days	**5,569**	–
181 to 365 days	**140,844**	–
	162,922	182,007

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:

	2014 **RMB'000**	2013 RMB'000
Neither past due nor impaired	**13,681**	177,767
1 to 60 days past due	**2,828**	4,240
61 to 120 days past due	**5,569**	–
121 to 180 days past due	**109,876**	–
Over 180 days	**30,968**	–
At end of year	**162,922**	182,007

The Group has a policy of allowing trade customers with credit normally within 90 days (2013: 90 days), except for certain customers where the terms are extended to 180 days during the year ended 31 December 2014 and 31 December 2013.

As at 31 December 2014, the Group has determined trade receivables of approximately RMB149,241,000 (2013: RMB4,240,000) 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.

As at 31 December 2014, trade receivables with carrying amount of approximately RMB33,334,000 related to two companies that a director of a subsidiary of the Group, appointed on 26 December 2014 and resigned on 28 February 2015, has beneficial interest in these company or its holding Company. The contracts entered by the Group with the aforesaid company were prior to his appointment as a director of a subsidiary of the Group.

NOTES TO THE FINANCIAL STATEMENTS

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21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2014 RMB'000	2013 RMB'000
Other receivables	**174,071**	79,481
Less: Impairment loss recognised	**(2,200)**	–
	171,871	79,481
Deposits	**339,734**	245,523
Prepayments	**29,754**	59,378
	541,359	384,382

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

	2014 RMB'000	2013 RMB'000
Balance at the beginning of the year	**–**	1,865
Impairment loss recognised during the year	**2,200**	–
Disposal of subsidiaries (note 35(c))	**–**	(1,865)
Balance at the end of the year	**2,200**	–

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

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	**64,975**	74,705
1 to 6 months past due	**61,491**	2,218
Over 6 months past due	**45,405**	2,558
At end of year	**171,871**	79,481

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.

As at 31 December 2014, other receivables, deposits and prepayments with carrying amount of approximately RMB118,815,000 related to two companies that a director of a subsidiary of the Group, appointed on 26 December 2014 and resigned on 28 February 2015, has beneficial interest in these companies. The contracts entered by the Group with these companies were prior to his appointment as a director of a subsidiary of the Group.

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22. AMOUNT DUE FROM A RELATED COMPANY

	2014 **RMB'000**	2013 RMB'000
烏蘭察布市白乃廟銅業有限責任公司	**1,880**	482

Details of amount due from a related company is as follows:

Name of borrower	**烏蘭察布市白乃廟銅業有限責任公司** RMB'000
Balance of the relevant loans	
At 31/12/2014	1,880
At 1/1/2014	482
Maximum balance outstanding during the year	1,880

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

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

23. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

	2014 **RMB'000**	2013 RMB'000
Cash in hand	**7,512**	6,909
Cash at bank	**29,533**	214,078
	37,045	220,987
Less: Pledged bank deposits	**–**	(1,138)
Cash and cash equivalents	**37,045**	219,849

Cash at bank earns interest at floating rates based on daily bank deposit rates and earned interest ranging from 0.01% to 0.5% (2013: 0.01% to 0.5%) per annum during the year.

At 31 December 2014, the Group had cash and bank balances denominated in RMB amounting to approximately RMB7,866,000 (2013: approximately RMB155,378,000), 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 have been pledged to certain note payables of the Group.

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24. TRADE AND NOTE PAYABLES

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

	2014 **RMB'000**	2013 RMB'000
0 to 90 days	**16,589**	58,912
91 to 180 days	**4,224**	5,727
181 to 365 days	**10,092**	5,880
Over 365 days	**19,830**	29,677
	50,735	100,196

25. OTHER PAYABLES AND ACCRUED CHARGES

	2014 **RMB'000**	2013 RMB'000
Other payables	**42,079**	40,752
Accrued interest charges (note)	**19,782**	15,791
Other accrued charges	**8,261**	2,908
	70,122	59,451

Note: At 31 December 2014, the accrued interest charges consist of approximately RMB8,838,000 (2013: approximately RMB14,157,000) 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.

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27. BORROWINGS

	Notes	Original currency	2014 RMB'000	2013 RMB'000
Current				
Finance lease liabilities	(a)	HK$	**267**	355
Bank loans – unsecured	(b)	RMB	**44,600**	45,000
Other loan – secured	(b)	RMB	**150,000**	–
			194,867	45,355
Non-current				
Finance lease liabilities	(a)	HK$	**–**	266
Other loan – secured	(b)	RMB	**–**	150,000
			–	150,266

Notes:

(a) Finance lease liabilities

During the year ended 31 December 2014, the Group has leased its motor vehicle under a finance lease and has remaining lease terms of one year (2013: two 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:

	2014 RMB'000	2013 RMB'000
Amounts payable:		
Within one year	**300**	401
In the second year	**–**	300
	300	701
Less: Future finance charges on finance lease	**(33)**	(80)
Present value of finance lease liabilities	**267**	621
The present value of finance lease liabilities is as follows:		
Within one year	**267**	355
In the second year	**–**	266
	267	621
Less: Portion due within one year included under current liabilities	**(267)**	(355)
Non-current portion included under non-current liabilities	**–**	266

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27. BORROWINGS (Continued)

Notes: (Continued)

(b) Bank and other loans

	2014 RMB'000	2013 RMB'000
Repayable		
Within one year or on demand		
Bank loans (note i)	**44,600**	45,000
Other loan – entrusted loan (note ii)	**150,000**	–
In the second year		
Other loan – entrusted loan (note ii)	**–**	150,000
	194,600	195,000

Notes:

(i) Bank loans

As at 31 December 2014, 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 RMB44,600,000 (2013: RMB45,000,000).

During the year ended 31 December 2014, the bank loans were at fixed rate of 9.0% per annum (2013: approximately 7.8% to 9.0%).

(ii) Other loan – entrusted loan

Pursuant to the loan agreement dated 25 January 2013 (the "Loan Agreement") entered into among (i) an enterprise (the "Lender") established in the People's Republic of China (the "PRC") as the entrusted lender; (ii) Jiashengpan as the borrower; and (iii) a licensed bank (the "Bank Trustee") established in the PRC as the trustee, the Lender entrusted the Bank to advance a loan (the "Loan") in the sum of RMB150,000,000 to Jiashengpan for a term of 2 years commencing from 31 January 2013 and ending to 30 January 2015 (both dates inclusive) at the interest rate of 10% per annum.

The Loan was secured by (i) personal guarantee given by Mr. Mei Wei, the controlling shareholder of the Company; (ii) corporate guarantee given by First Create Mining, a company controlled by Mr. Mei Wei; and (iii) pledging of the mine exploitation right owned by Jiashengpan (note 15).

As at the date of approval of these financial statements, Jiashengpan is still in the course of the negotiation with the Bank Trustee, acting for and on behalf of the Lender, to amend the terms of the Loan (including but not limited to the interest rate of the Loan and the extension of the term of the Loan) and the parties have not yet determined the terms of the Loan.

Since the expiry of the Loan Agreement on 30 January 2015 and up to the date of approval of these financial statements, no repayment of any principal amount on the Loan has been made by Jiashengpan or any member of the Group.

NOTES TO THE FINANCIAL STATEMENTS

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

	2014 RMB'000	2013 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
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

(A) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

(B) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Maturity	**Underlying commodity**	**Fair value**	
		2014 RMB'000	2013 RMB'000
7 February 2014	LME Nonferrous Metals *	–	298

* 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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29. CONVERTIBLE BONDS (Continued)

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 (2013: 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 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.

The 2008 Convertible Bonds recognised in the statements of financial position were calculated as follows:

	Group and Company 2008 Convertible Bonds RMB'000
Liability component	
Net carrying amounts at 1 January 2013	258,036
Interest expenses	27,155
Interest paid and accrued	(9,147)
Exchange realignment	(5,366)
Net carrying amounts at 31 December 2013 and 1 January 2014	**270,678**
Interest expenses	**28,866**
Interest paid and accrued	**(9,080)**
Exchange realignment	**1,146**
Net carrying amounts at 31 December 2014	**291,610**

NOTES TO THE FINANCIAL STATEMENTS

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29. CONVERTIBLE BONDS (Continued)

	Group and Company 2008 Convertible Bonds RMB'000
Equity component	
Net carrying amounts at 1 January 2013, 31 December 2013 and 2014	**118,673**

Note:

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 is calculated using the effective interest method by applying the effective interest rate of 10.18% to the adjusted liability component.

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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% (2013: 25%).

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 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 and 1 January 2014	**16,564**	**(2,276)**	**(201,954)**	**(187,666)**
Credit for the year (note 9)	**7,886**	**(60)**	**26,781**	**34,607**
At 31 December 2014	**24,450**	**(2,336)**	**(175,173)**	**(153,059)**

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

	2014 RMB'000	2013 RMB'000
Deferred tax assets	**24,450**	16,564
Deferred tax liabilities	**(177,509)**	(204,230)
	(153,059)	(187,666)

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31. SHARE CAPITAL

	Number of shares HK$'000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.0004 each at 1 January 2013	125,000,000	50,000
Share consolidation (note a)	(100,000,000)	–
Ordinary shares of HK$0.002 each at 31 December 2013 and 2014	25,000,000	50,000

	Number of shares '000	Amount RMB'000
Issued:		
Ordinary shares of HK$0.0004 each at 1 January 2013	8,756,540	3,107
Share consolidation (note a)	(7,005,232)	–
Ordinary shares of HK$0.002 each at 31 December 2013 and 2014	1,751,308	3,107

Note:

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").

NOTES TO THE FINANCIAL STATEMENTS

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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.

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 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)

Name or category of participant	Number of share options: At 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2014	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	300,000	–	–	(300,000)	–	15/05/2009	Period 2	1.08
	1,000,000	–	–	(1,000,000)	–	20/05/2009	Period 4	1.17
	4,468,000	–	–	(4,468,000)	–	04/12/2009	Period 7	1.30
	4,468,000	–	–	(4,468,000)	–	04/12/2009	Period 8	1.30
	6,702,000	–	–	(6,702,000)	–	04/12/2009	Period 9	1.30
	6,702,000	–	–	(6,702,000)	–	04/12/2009	Period 10	1.30
	71,702,000	–	–	–	71,702,000	28/07/2010	Period 11	1.23
	95,342,000	–	–	(23,640,000)	71,702,000			
Suppliers/Advisors								
In aggregate	1,600,000	–	–	(1,600,000)	–	19/05/2009	Period 3	1.10
	700,000	–	–	(700,000)	–	17/08/2009	Period 5	1.36
	2,000,000	–	–	(2,000,000)	–	04/12/2009	Period 6	1.30
	2,000,000	–	–	(2,000,000)	–	04/12/2009	Period 7	1.30
	2,000,000	–	–	(2,000,000)	–	04/12/2009	Period 8	1.30
	3,000,000	–	–	(3,000,000)	–	04/12/2009	Period 9	1.30
	3,000,000	–	–	(3,000,000)	–	04/12/2009	Period 10	1.30
	14,300,000	–	–	(14,300,000)	–			
	109,642,000	–	–	(37,940,000)	71,702,000			

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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	600,000	–	–	–	(600,000)	–	04/12/2009	Period 7	1.30
(note c)	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	1,500,000	–	–	(1,200,000)	(300,000)	–	20/05/2009	Period 4	1.17
(note d)	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	800,000	–	–	(640,000)	(160,000)	–	04/12/2009	Period 7	1.30
(note d)	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)

	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$
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			

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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).

(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.

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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 2014	
At 1 January 2014	**1.168**
At 31 December 2014	**1.230**
For the year ended 31 December 2013	
At 1 January 2013	1.265
At 31 December 2013	1.168

(f) The weighted average remaining contractual life of the share options outstanding at 31 December 2014 was approximately 150 days (2013: 418 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 2014, the Company had 71,702,000 (2013: 109,642,000, restated as the Share Consolidation effective from 20 June 2013) share options outstanding under the Share Option Scheme, which are exercisable and represented approximately 4.09% (2013: 6.26%) 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 71,702,000 (2013: 109,642,000, restated as the Share Consolidation effective from 20 June 2013) additional ordinary shares of the Company and additional share capital of HK$143,000 (2013: HK$219,000) and share premium of HK$88,000,000 (2013: HK$136,822,000) (before issue expenses).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2014 RMB'000	2013 RMB'000
ASSETS AND LIABILITIES			
Non-current asset			
Interests in subsidiaries	17	**1,811**	1,811
Current assets			
Other receivables, deposits and prepayments		**3,607**	3,688
Amounts due from subsidiaries		**1,380,322**	1,383,619
Amounts due from related companies		**20,802**	–
Cash and bank balances		**12,234**	595
		1,416,965	1,387,902
Current liabilities			
Other payables and accrued charges		**13,230**	18,495
Amounts due to subsidiaries		**49,377**	49,165
Amount due to related companies		**80,460**	41,540
Convertible bonds – due within one year	29	**291,610**	–
Provision for tax		**3,373**	3,359
		438,050	112,559
Net current assets		**978,915**	1,275,343
Total assets less current liabilities		**980,726**	1,277,154
Non-current liability			
Convertible bonds	29	**–**	270,678
Net assets		**980,726**	1,006,476
EQUITY			
Share capital		**3,107**	3,107
Reserves	34(b)	**977,619**	1,003,369
Total equity		**980,726**	1,006,476

NOTES TO THE FINANCIAL STATEMENTS

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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) Capital redemption reserve

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

(iii) 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.

(iv) 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

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34. RESERVES (Continued)

(B) THE COMPANY

	Share premium 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 2014	970,169	6	(93,191)	50,783	118,673	(43,071)	1,003,369
Loss for the year	–	–	–	–	–	(30,119)	(30,119)
Other comprehensive income							
Currency translation	–	–	4,369	–	–	–	4,369
Total comprehensive income for the year	–	–	4,369	–	–	(30,119)	(25,750)
Lapse of share options	–	–	–	(20,280)	–	20,280	–
At 31 December 2014	970,169	6	(88,822)	30,503	118,673	(52,910)	977,619

	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 2014

35. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) During the year ended 31 December 2014, the Group purchased the property, plant and equipment of RMB4,616,000 which was transferred from the deposits paid for acquisition of property, plant and equipment.

(b) 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

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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:

	2014 RMB'000	2013 RMB'000
Within one year	**759**	1,074
In the second to fifth years inclusive	**559**	633
	1,318	1,707

Operating lease payments represent rental payable by the Group for its office premises. Leases are negotiated for terms ranging from one to two (2013: one to two) 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

	2014 RMB'000	2013 RMB'000
Property, plant and equipment		
– Contracted but not provided for	**41,569**	42,970

NOTES TO THE FINANCIAL STATEMENTS

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37. RELATED PARTY TRANSACTIONS

(A) Save as the transactions and balances disclosed elsewhere in these financial statements, the Group had no other material related party transactions during the years ended 31 December 2014 and 2013.

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

	2014 RMB'000	2013 RMB'000
Short-term benefits	**3,174**	3,152
Post-employment benefits	**37**	29
	3,211	3,181

(C) As at 31 December 2014, the Group's bank borrowings of RMB44,600,000 (2013: RMB45,000,000) 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 2014, 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 2014

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

	2014 RMB'000	2013 RMB'000
Loans and receivables		
– Trade and note receivables	**162,922**	182,007
– Other receivables	**140,666**	79,481
– Amount due from a related company	**1,880**	482
– Pledged bank deposits	**–**	1,138
	305,468	263,108
Bank balances and cash	**37,045**	219,849
	342,513	482,957
At fair value through profit or loss		
– Financial assets at fair value through profit or loss	**–**	1,261
	342,513	484,218

NOTES TO THE FINANCIAL STATEMENTS

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(A) CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES (Continued)

Financial liabilities

	2014 RMB'000	2013 RMB'000
Measured at amortised cost		
– Trade and note payables	**50,735**	100,196
– Other payables and accrued charges	**70,122**	59,451
– Amounts due to related companies	**5,426**	1,581
– Borrowings	**194,868**	195,621
– Convertible bonds	**291,610**	270,678
	612,761	627,527
At fair value through profit or loss		
– Financial liabilities at fair value through profit or loss	**–**	298
	612,761	627,825

(B) FOREIGN CURRENCY RISK

Sensitivity analysis

The following table indicates the approximate change in the Group's loss for the year and accumulated losses and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between Group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the HKD strengthens against the relevant currency. For a weakening of the RMB against the relevant currency, there would be an equal and opposite impact on the loss and other equity, and the balances below would be negative.

	2014			2013		
	Increase in foreign exchange rates	**Effect on profit/loss for the year and retained profits RMB'000**	**Effect on other components of equity RMB'000**	Increase in foreign exchange rates	Effect on profit/loss for the year and retained profits RMB'000	Effect on other components of equity RMB'000
HK dollars	**3%**	**(21)**	**–**	3%	(18)	–
US dollars	**3%**	**(3,450)**	**–**	3%	(3,548)	–

NOTES TO THE FINANCIAL STATEMENTS

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(B) FOREIGN CURRENCY RISK (Continued)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment if reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' loss for the year and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2013.

(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 and 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 2014 would decrease/increase by RMB309,000 (2013: RMB1,649,000). 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

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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.

As at 31 December 2014, the Group had no financial assets and liabilities measured at fair value.

The financial assets measured at fair value in the statement of financial position as at 31 December 2013 are grouped into the fair value hierarchy as follows:

NOTES TO THE FINANCIAL STATEMENTS

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(E) FAIR VALUES (Continued)

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

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. As detailed in 38(G) the Company's substantial shareholder, Mr. Mei Wei, has undertaken the recoverability 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 three customers (2013: two customer) which represented approximately 86% (2013: approximately 90%) of the aggregate amount of the Group's trade and note receivables as at 31 December 2014.

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 2014

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 Group incurred a loss attributable to the owners of the Company of approximately RMB176,080,000 for the year ended 31 December 2014. As at 31 December 2014, the Group has outstanding litigation and arbitration cases in aggregate claim amount of approximately RMB801,124,000 arising from alleged guarantee documents entered into by two subsidiaries of the Group (details disclosed in note 39). In addition, the Group has not repaid the entrusted loan with the principal amount of RMB150,000,000 together with certain loan interest accrued on the expiry date and up to the date of approval of these financial statements (details disclosed in note 27).

In the opinion of the Directors, the liquidity of the Group can be maintained in the coming year taking into consideration the proposed arrangements which include, but not limited to, the followings:

- Ruffy has undertaken on 25 March 2015 not to demand immediate repayment in whole or in part for the redemption of all outstanding 2008 Convertible Bonds held by Ruffy on the maturity date until 9 July 2017 or such later date as the Company and Ruffy may agree in writing.

- First Create Mining and Mr. Mei Wei have undertaken to honour their obligations as guarantors of the entrusted loan under their guarantee agreements and agree to provide adequate funds for the entrusted loan repayment in the event of failure in obtaining extension of the entrusted loan.

- First Create as the borrower of the loans regarding to the outstanding lawsuits and arbitration cases in note 39, has undertaken to bear all liabilities, legal duties and losses incurred to the Group arising from these writs and arbitration cases.

- Mr. Mei Wei has undertaken the recoverability of certain trade receivables, deposits and other receivables of the Group in aggregated amount of RMB609,851,000 as at 31 December 2014 in case these balances and any related inventories purchase (in whole or in part) are still outstanding as at 31 December 2015.

- Mr. Mei Wei has further undertaken to provide continuing financial support to the Group to meet its liabilities as they fall due and to maintain the Group as a going concern for a period at least up to 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(G) LIQUIDITY RISK (Continued)

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 2014				
Non-derivative financial liabilities				
Trade and note payables	**50,735**	**–**	**–**	**50,735**
Other payables and accrued charges	**70,122**	**–**	**–**	**70,122**
Amounts due to related companies	**5,426**	**–**	**–**	**5,426**
Borrowings	**152,341**	**46,808**	**–**	**199,149**
Convertible bonds	**–**	**306,804**	**–**	**306,804**
	278,624	**353,612**	**–**	**632,236**
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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

39. CONTINGENT LIABILITIES

During the year ended 31 December 2014, three writs of civil summon (collectively referred to as the "Writs") dated (i) 24 September 2014 (the "First Writ") and has been issued for the repayment of RMB162,577,000 (the "First Claimed Amount"), alleging to be the principal and interest accrued thereon pursuant for a loan agreement dated 15 April 2014 together with the related legal costs at the Intermediate People's Court of Shenzhen City, (ii) 3 November 2014 (the "Second Writ") and has been issued for the repayment of RMB46,486,000 (the "Second Claimed Amount"), alleging to be the principal and interest accrued thereon pursuant to the loan agreement dated 23 May 2012 together with the related legal costs at the Intermediate People's Court of Bayannur; and (iii) 29 December 2014 (the "Third Writ") and has been issued for the repayment of RMB31,737,000 alleging to be the principal, accrued interest and defaulted interest pursuant to the loan agreements together with the related legal costs (the "Third Claimed Amount") at the People's Court of Futian, Shenzhen, the PRC respectively, against First Create. The Company's subsidiary, namely Jiashengpan, is also a named defendant under the Writs and another subsidiary, namely Shenzhen Ruirui is also a named defendant under the First Writ. There are some guarantee documents allegedly being executed by Jiashengpan and Shenzhen Ruirui as guarantors for the aforesaid loan agreements.

In addition, some arbitration cases were brought by a third party individual in Shenzhen Arbitration Centre against First Create and Jiashengpan (the "Arbitration Cases") for a claim of total amount of RMB560,324,000 alleging to be the principal, accrued interest and defaulted interest pursuant to the loan agreements together with the related legal costs (the "Other Claimed Amounts"). There are some guarantee documents allegedly being executed by Jiashengpan to guarantee the Other Claimed Amounts.

The Group's management and the Company's legal adviser are in the process of conducting investigation as to the validity and legal enforceability of these alleged guarantees documents. The Group has been taking steps to actively liaise with First Create and the relevant plaintiffs under the writs and arbitration cases to resolve the matters. The Group considers that the validity and legal enforceability of these alleged guarantees documents are in questions and therefore unable to make a reliable estimate of the potential obligation. No provision for loss has been made in the consolidated financial statements.

On 6 March 2015, the plaintiff to the Arbitration Cases executed an undertaking in favour of First Create, pursuant to which the plaintiff to the Arbitration Cases agreed to release Jiashengpan as a guarantor under the guarantee documents, provided that First Create pays her RMB20,000,000 before 15 April 2015. On the same date, Mr. Mei Wei also executed an undertaking in favour of Jiashengpan pursuant to which Mr. Mei Wei agreed to assume the payment liability in respect of the said RMB20,000,000.

On 25 March 2015, First Create as the borrowers of the aforesaid loans in the writs and arbitration case has undertaken to bear all liabilities, legal duties and losses incurred to the Group arising from these writ and arbitration cases.

As of the date of approval of these financial statements, no settlement has been concluded in respect of the writs and the arbitration cases.

40. EVENTS AFTER THR REPORTING DATE

Subsequent to the reporting date, there are some changes in the board of directors of the Company as follows:

i) Mr. Chan Siu Lun has resigned from his office as an independent non-executive Directors, the chairman of the audit committee and a member of the remuneration committee and a member of nomination committee of the Company with effect from 20 March 2015. Details of which are set out in the Company's announcements dated 23 March 2015 and 29 March 2015.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

40. EVENTS AFTER THR REPORTING DATE (Continued)

ii) Mr. Kwan Man Kit, Edmond has resigned from his office as an independent non-executive Director, a member of the audit committee and the chairman of the remuneration committee and the nomination committee with effect from 27 March 2015. Details of which are set out in the Company's announcement dated 29 March 2015.

iii) Mr. Ng Man Kwan, Lawrence has been appointed as an independent non-executive Director, a member of the audit committee, chairman of the remuneration committee and the nomination committee with effect from 27 March 2015. Details of which are set out in the Company's announcement dated 29 March 2015.

iv) Ms. He Qing has been appointed as the chairlady of the audit committee with effect from 27 March 2015. Details of which are set out in to the Company's announcement dated 29 March 2015.

41. 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	
	2014	2013
	RMB'000	RMB'000
Capital		
Equity attributable to owners of the Company	**918,940**	1,094,654
Overall financing		
Borrowings	**194,868**	195,621
Convertible bonds	**291,610**	270,678
	486,478	466,299
Capital-to-overall financing ratio	**1.89 times**	2.35 times